

***Buckholts Independent School District***  
***Annual Financial Report***  
***For the Year Ended August 31, 2021***



***Buckholts Badgers***

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# Buckholts Independent School District Annual Financial Report For the Year Ended August 31, 2021

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## CERTIFICATE OF BOARD

**Buckholts Independent School District**  
Name of School District

**Milam**  
County

**166-907**  
Co-Dist. No.

We, the undersigned, certify that the attached financial reports of the Buckholts Independent School District were reviewed and \_\_\_\_ approved \_\_\_\_ disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on the 25<sup>th</sup> day of January, 2022.

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

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

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

## **Independent Auditor's Report**

To the Board of Trustees  
Buckholts Independent School District  
Buckholts, Texas

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my 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 Buckholts Independent School District as of and for the year ended 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buckholts Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated January 5, 2022, on my consideration of Buckholts Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Buckholts Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buckholts Independent School District's internal control over financial reporting and compliance.



Karl Kacir, CPA  
January 5, 2022

## Buckholts Independent School District Management's Discussion and Analysis

Our discussion and analysis of the Buckholts Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the year ended August 31, 2021. Please read this analysis in conjunction with the District's financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$97,163 from \$964,910 to \$1,062,073, an increase of 10.1%.
- Unrestricted net position decreased from \$92,608 to a deficit \$20,701.
- District-wide revenues increased \$254,621, from \$2,463,207 to \$2,717,828, an increase of 10.3%.
- Total cost of all District programs increased \$209,396, from \$2,411,269 to \$2,620,665, an increase of 8.7%.
- The General Fund ended the year with a fund balance of \$1,085,303, a decrease of \$80,659 from the prior year balance of \$1,165,962.

These highlights and more are discussed in the following sections.

### USING THIS ANNUAL FINANCIAL REPORT

This annual financial report consists of four sections as outlined in the Table of Contents:

- Management's Discussion and Analysis (this section);
- Basic Financial Statements;
- Required Supplementary Information; and,
- Other Information.

#### **Basic Financial Statements**

The **basic financial statements** include three components:

- Government-wide financial statements;
- Fund financial statements; and,
- Notes to the financial statements.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide 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, deferred outflows, liabilities and deferred inflows, with the difference being 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 affect cash flows in other fiscal years.

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 as Exhibits A – 1 and B – 1 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 the following categories:



## Buckholts Independent School District Management's Discussion and Analysis

• **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, government 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 government 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 maintained eleven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is always considered to be a major fund, the ESEA Title I fund, the Part A ESSER I, Cares Act fund, and the ESSER III, ARP Act fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the "Other Information" section of this report.

Financial statements for District's governmental funds can be found as Exhibits C – 1 and C – 2, and Exhibits H – 1 and H – 2. The District adopts an annual appropriated budget for its General Fund, Food Service Fund and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with each of these budgets, which are included as Exhibits G – 1, J – 2 and J – 3.

• **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of others. The District's fiduciary funds include student activity funds and scholarship funds. 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. Financial statements for the District's fiduciary activities can be found as Exhibits E – 1 and E – 2.

### **Notes to the Financial Statements**

The *notes to the financial statements* 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 starting on page 20 of this report.

### **Required Supplemental Information and Other Information**

"Required Supplementary Information" includes the budgetary comparison for the General Fund, because it is a major fund, and schedules to report the District's proportionate share of pension and other postemployment benefit liabilities and the District's contributions. "Other Information" includes the combining statements referred to earlier in connection with nonmajor governmental funds, information required by the Texas Education Agency regarding tax collection, and budgetary comparisons for the Food Service Fund and the Debt Service Fund. The "Compliance and Internal Controls Section," includes information required by the Texas Education Agency and the federal government related to grants.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Total assets increased \$60,916. Current and other assets, which include cash and cash equivalents and current investments, decreased \$43,673, primarily due to net expenses over revenues using cash for operations, and additional cash used to reduce current liabilities from the prior year. The net expenses in operations was the primary cause for the reduction in unrestricted net position.

# Buckholts Independent School District Management's Discussion and Analysis

**Table I - Buckholts Independent School District's Net Position**

|                                                 | Government Activities |              | Change 2020 to<br>2021 |
|-------------------------------------------------|-----------------------|--------------|------------------------|
|                                                 | 2021                  | 2020         |                        |
| Current and other assets                        | \$ 1,280,400          | \$ 1,324,073 | \$ (43,673)            |
| Capital assets                                  | 1,568,941             | 1,464,352    | 104,589                |
| Total Assets                                    | 2,849,341             | 2,788,425    | 60,916                 |
| Total Deferred Outflow s of Resources           | 957,114               | 419,661      | 537,453                |
| Current liabilities                             | 135,240               | 168,035      | (32,795)               |
| Long-term liabilities                           | 1,919,436             | 1,680,905    | 238,531                |
| Total Liabilities                               | 2,054,676             | 1,848,940    | 205,736                |
| Total Deferred Inflow s of Resources            | 689,706               | 394,236      | 295,470                |
| Net Position:                                   |                       |              |                        |
| Invested in capital assets, net of related debt | 1,034,579             | 834,352      | 200,227                |
| Restricted for other purposes                   | 48,195                | 37,950       | 10,245                 |
| Unrestricted (deficit)                          | (20,701)              | 92,608       | (113,309)              |
| Total Net Position                              | \$ 1,062,073          | \$ 964,910   | \$ 97,163              |

Capital assets increase \$104,589, due to capital additions, reduced by the depreciation charged to operations. Long-term liabilities increased \$238,531, due to an increase in the pension and other postemployment benefits liabilities. Summary tables of these items are shown below.

Table II reflects the changes in net position.

- Operating grants increased \$64,090. New grant funding increased \$124,866, but this was offset by a decrease of \$35,076 in on-behalf revenue from the state for pension and other postemployment benefits.
- State aid increased due to an increase in students.
- Miscellaneous revenues decreased due to receipt of an application fee of \$75,000 in the prior year for a proposed Chapter 313 agreement to be located in the District.

The more significant changes in expenses were:

- Instructional expenses increased \$102,249. Personnel costs increased approximately \$17,000, and the balance of the increase was for contracted services and supplies.
- General administration personnel expenses increased due to additional expenses for superintendent salaries, including expenses to buy out the contract of a former superintendent. There were also increases in expenses for travel, elections, insurance and other items. These increases were offset by a decrease in legal expenses resulting from \$75,000 related to services required for a Chapter 313 agreement paid in the prior year.

The cost of all governmental activities this year was \$2,620,665; however, as shown in the Statement of Activities at Exhibit B-1, the amount that our taxpayers ultimately financed for these activities through District taxes was \$2,097,502, which compares to \$2,411,269, and \$1,946,352, respectively, in the prior year. \$486,275 of costs were paid by operating grants and contributions, which is primarily federal and state grant funding and benefits for pensions and other postemployment benefits paid by the state on behalf of the District, and \$36,888 was paid for by charges for services, such as for Medicaid services, food service programs and athletic events.

# Buckholts Independent School District Management's Discussion and Analysis

**Table II - Buckholts Independent School District's Changes in Net Position**

|                                            | Government Activities |                  | Change 2020 to<br>2021 |
|--------------------------------------------|-----------------------|------------------|------------------------|
|                                            | 2021                  | 2020             |                        |
| <b>Revenues</b>                            |                       |                  |                        |
| Program Revenues                           |                       |                  |                        |
| Charges for services                       | \$ 36,888             | \$ 42,732        | \$ (5,844)             |
| Operating grants & contributions           | 486,275               | 422,185          | 64,090                 |
| General Revenues                           |                       |                  |                        |
| Property taxes levied for general purposes | 405,891               | 379,801          | 26,090                 |
| Property taxes levied for debt service     | 33,298                | 31,229           | 2,069                  |
| State aid - formula grants                 | 1,737,601             | 1,499,911        | 237,690                |
| Investment earnings                        | 705                   | 6,185            | (5,480)                |
| Miscellaneous                              | 17,170                | 81,164           | (63,994)               |
| <b>Total Revenues</b>                      | <b>2,717,828</b>      | <b>2,463,207</b> | <b>254,621</b>         |
| <b>Expenses</b>                            |                       |                  |                        |
| Instruction                                | 1,239,517             | 1,137,268        | 102,249                |
| Library & Instructional Resources          | 15,857                | 14,765           | 1,092                  |
| Curriculum & Staff Development             | 3,369                 | 15,692           | (12,323)               |
| Instructional Leadership                   | 39,206                | 38,550           | 656                    |
| School Leadership                          | 108,203               | 105,825          | 2,378                  |
| Guidance & Counseling                      | 5,317                 | 9,310            | (3,993)                |
| Health Services                            | 10,154                | 11,376           | (1,222)                |
| Student Transportation                     | 40,881                | 18,616           | 22,265                 |
| Food Services                              | 123,757               | 112,760          | 10,997                 |
| Extracurricular Activities                 | 102,351               | 129,548          | (27,197)               |
| General Administration                     | 513,959               | 408,333          | 105,626                |
| Plant Maintenance & Operations             | 278,549               | 270,083          | 8,466                  |
| Security & Monitoring Services             | 13,242                | 30,121           | (16,879)               |
| Data Processing Services                   | 59,601                | 29,485           | 30,116                 |
| Community Services                         | 21,841                | 36,426           | (14,585)               |
| Debt Service - Interest                    | 20,188                | 19,506           | 682                    |
| Payments To Shared Services Arrangements   | 12,780                | 12,665           | 115                    |
| Other Governmental Charges                 | 11,893                | 10,940           | 953                    |
| <b>Total Expenses</b>                      | <b>2,620,665</b>      | <b>2,411,269</b> | <b>209,396</b>         |
| Increase in net position                   | 97,163                | 51,938           | 45,225                 |
| Net position, beginning of year            | 964,910               | 910,029          | 54,881                 |
| Prior period adjustment                    | -                     | 2,943            | (2,943)                |
| Net position, restated                     | 964,910               | 912,972          | 51,938                 |
| Net position, end of year                  | \$ 1,062,073          | \$ 964,910       | \$ 97,163              |

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet at Exhibit C-1) reported a combined fund balance of \$1,137,243, which is a decrease of \$72,090 from last year's total of \$1,209,333. The District's fund balance in the General Fund decreased \$80,659, from \$1,165,962 to \$1,085,303.

The fund balances in "Other Funds" includes \$16,099 in the Food Service Fund, and \$31,578 in the Debt Service Fund, which are restricted for use and will be used for operations of those funds in the future.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Administration prepares the original budget and proposed amendments for the General Fund. State law requires that the Board of Trustees approve the original budget and any amendments; Board approval is at the function level for expenditures. The original and amended budgets are shown on Exhibit G - 1.

The original adopted budget provided for no change in fund balance. The amended budget provided for a decrease in fund balance of \$94,928. The actual change in fund balance was a decrease of \$80,659, for a favorable variance of \$114,269. Significant amendments to the General Fund budget included an amendment of \$119,928 to Function 81, Facilities Acquisition and Construction, to fund replacement of football stadium lights, and amendments to

# Buckholts Independent School District Management's Discussion and Analysis

Function 41, General Administration, to fund legal fees for a Chapter 313 Agreement and to cover additional salaries.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2021, the District had \$1,568,941 invested in a broad range of capital assets, including land, facilities and equipment for instruction, transportation, athletics, administration, and maintenance. During the year ended August 31, 2021, the District funded \$241,491 of additional capital assets, and charged depreciation of \$136,902 to expenses. \$7,300 in assets, which were no longer in use and were fully-depreciated, were removed from inventory.

**Table III - Buckholts Independent School District's Capital Assets**

|                          | Historical Cost    |                    | Net of Depreciation |                    |
|--------------------------|--------------------|--------------------|---------------------|--------------------|
|                          | 2021               | 2020               | 2021                | 2020               |
| Land                     | \$ 38,550          | \$ 38,550          | \$ 38,550           | \$ 38,550          |
| Buildings & improvements | 3,426,009          | 3,248,753          | 1,353,157           | 1,285,470          |
| Furniture & equipment    | 472,954            | 416,019            | 177,234             | 140,332            |
| Total                    | <u>\$3,937,513</u> | <u>\$3,703,322</u> | <u>\$1,568,941</u>  | <u>\$1,464,352</u> |

### Debt

The District has one general obligation bond issue outstanding that is paid for through the Debt Service Fund. The note from direct borrowing is a maintenance tax note obligations paid entirely through the General Fund out of current revenues and available funds.

**Table IV - Buckholts Independent School District's Debt**

|                                          | 2020              | Additions   | Decreases        | 2021              |
|------------------------------------------|-------------------|-------------|------------------|-------------------|
| Unlmted Tax Refunding Bonds, Series 2011 | \$ 400,000        | \$ -        | \$ 75,000        | \$ 325,000        |
| Note from Direct Borrowing               | 230,000           | -           | 20,638           | 209,362           |
| Total Debt                               | <u>\$ 630,000</u> | <u>\$ -</u> | <u>\$ 95,638</u> | <u>\$ 534,362</u> |

### Pension and OPEB Liabilities

In accordance with governmental accounting standards, the District records expenses for pensions and other postemployment benefits that are provided through the Teachers Retirement System (TRS). The amounts reported are based on the District's proportional share of contributions to the pension plan relative to the contributions of all employers to the plan for the period in each year.

GASB requirements allow for reporting of pension and OPEB obligations for plan years earlier than the entity's fiscal year to allow time required to complete audits and actuarial projections. The net pension and OPEB liabilities, and related deferred outflows and inflows, reported in the District's statement of net position as of August 31, 2021, are based on the TRS and TRS-Care plan years ended August 31, 2020.

A summary of pension and OPEB-related items in the Statement of Net Position is as follows:

**Table V - Buckholts Independent School District's Pension and OPEB Items**

|                                     | Pension             |                     | OPEB                |                     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | 2021                | 2020                | 2021                | 2020                |
| Deferred Outflow s                  | \$ 364,864          | \$ 328,375          | \$ 592,250          | \$ 91,286           |
| Deferred Inflow s                   | (132,993)           | (157,397)           | (556,713)           | (236,839)           |
| Net Pension/OPEB Liability          | (624,804)           | (503,447)           | (760,270)           | (547,458)           |
| Increase (Decrease) to Net Position | <u>\$ (392,933)</u> | <u>\$ (332,469)</u> | <u>\$ (724,733)</u> | <u>\$ (693,011)</u> |

# Buckholts Independent School District Management's Discussion and Analysis

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

A substantial amount of the District's funding in the General Fund comes from state aid formula grants and property taxes. The formula used by the state ties state funding to the amount of property tax revenues generated. In general, state aid is reduced as property tax revenues rise, and vice versa. The overall result is that total revenue from state aid and property taxes is highly dependent on numbers of students and student attendance.

Student enrollment is measured by the number of students registered to attend a district. The "refined average daily attendance (ADA)" reflects the numbers of students actually attending school on a daily basis. Refined ADA is further adjusted by factors to weight students in certain settings, such as special education and compensatory education, to provide more funding for the additional costs of those programs. "Weighted average daily attendance (WADA)" reflects the overall weighted student attendance. Refined ADA and WADA are key factors in determining the total overall revenues from property taxes and state aid.

District student data for past years was as follows:

**Table VI - Buckholts Independent School District's Student Data**

|             | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-------------|---------|---------|---------|---------|---------|
| Enrollment  | 137     | 145     | 133     | 125     | 141     |
| Refined ADA | 135     | 138     | 127     | 115     | 129     |
| WADA        | 271     | 266     | 299     | 285     | 309     |

Management is not able to predict future growth or decline in students, which will affect revenues.

The District adopted tax rates for the 2020-21 fiscal year of \$0.9646 for M & O and \$0.08 for I & S, for a total rate of \$1.0446, which compares to \$0.97 and \$0.08, respectively, for the prior year. Property values used for determining the property tax levy in fiscal 2021 increased approximately 6.2% compared to the prior year. The property values used for the fiscal 2022 levy increased by approximately 4.5%. The tax rates adopted by the Board for the 2021-22 fiscal year were \$0.93999 and \$0.05899 per \$100 of value for M & O and Debt Service, respectively.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Office at P. O. Box 248, Buckholts, Texas 76518, by calling 254-593-3011, or at the District's website at <http://www.buckholtsisd.net/>.

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## **Basic Financial Statements**

**Buckholts Independent School District**  
**Statement of Net Position**  
**August 31, 2021**

Exhibit A-1

| Data<br>Control<br>Codes              |                                                          | Primary<br>Government<br>1<br>Governmental<br>Activities |
|---------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| <b>ASSETS</b>                         |                                                          |                                                          |
| 1110                                  | Cash & Cash Equivalents                                  | \$ 414,657                                               |
| 1120                                  | Current Investments                                      | 378,049                                                  |
| 1220                                  | Delinquent Property Taxes Receivable                     | 10,557                                                   |
| 1230                                  | Allowance for Uncollectable Taxes                        | (2,640)                                                  |
| 1240                                  | Due from Other Governments                               | 479,777                                                  |
|                                       | Capital Assets:                                          |                                                          |
| 1510                                  | Land                                                     | 38,550                                                   |
| 1520                                  | Buildings & Improvements, Net                            | 1,353,157                                                |
| 1530                                  | Furniture & Equipment, Net                               | 177,234                                                  |
| 1000                                  | Total Assets                                             | <u>2,849,341</u>                                         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                                          |                                                          |
| 1705                                  | Related to TRS Pension Plan                              | 364,864                                                  |
| 1706                                  | Related to TRS-Care Other Postemployment Benefits        | 592,250                                                  |
| 1700                                  | Total Deferred Outflows of Resources                     | <u>957,114</u>                                           |
| <b>LIABILITIES</b>                    |                                                          |                                                          |
| 2110                                  | Accounts Payable                                         | 35,818                                                   |
| 2160                                  | Accrued Wages Payable                                    | 96,863                                                   |
| 2200                                  | Accrued Expenses                                         | 2,559                                                    |
|                                       | Noncurrent Liabilities:                                  |                                                          |
| 2501                                  | Bond & Lease Principal Due within a Year                 | 95,665                                                   |
| 2502                                  | Bond & Lease Principal Due in More Than One Year         | 438,697                                                  |
| 2540                                  | Net Pension Liability for TRS Pension Plan               | 624,804                                                  |
| 2545                                  | Net OPEB Liability for TRS-Care Retiree Health Insurance | 760,270                                                  |
| 2000                                  | Total Liabilities                                        | <u>2,054,676</u>                                         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                                          |                                                          |
| 2605                                  | Related to TRS Pension Plan                              | 132,993                                                  |
| 2606                                  | Related to TRS-Care Other Postemployment Benefits        | 556,713                                                  |
| 2600                                  | Total Deferred Inflows                                   | <u>689,706</u>                                           |
| <b>NET POSITION</b>                   |                                                          |                                                          |
| 3200                                  | Invested in Capital Assets, Net of Related Debt          | 1,034,579                                                |
|                                       | Restricted for:                                          |                                                          |
| 3820                                  | Federal and State Programs                               | 16,099                                                   |
| 3850                                  | Debt Service                                             | 32,096                                                   |
| 3900                                  | Unrestricted                                             | (20,701)                                                 |
| 3000                                  | Total Net Position                                       | <u>\$ 1,062,073</u>                                      |

The accompanying notes are an integral part of these financial statements.



**Buckholts Independent School District**  
**Statement of Activities**  
**For the Year Ended August 31, 2021**

Exhibit B-1

| Data Control Codes         | 1                                          | Program Revenues     |                                  | Net (Expense) Revenue & Changes in Net Position |                |
|----------------------------|--------------------------------------------|----------------------|----------------------------------|-------------------------------------------------|----------------|
|                            |                                            | 3                    | 4                                | 6                                               |                |
|                            | Expenses                                   | Charges for Services | Operating Grants & Contributions | Primary Governmental Activities                 |                |
| <b>Primary government:</b> |                                            |                      |                                  |                                                 |                |
| Governmental Activities:   |                                            |                      |                                  |                                                 |                |
| 11                         | Instruction                                | \$ 1,239,517         | \$ 22,121                        | \$ 173,085                                      | \$ (1,044,311) |
| 12                         | Library & Instructional Resources          | 15,857               | -                                | 8,913                                           | (6,944)        |
| 13                         | Curriculum & Staff Development             | 3,369                | -                                | 332                                             | (3,037)        |
| 21                         | Instructional Leadership                   | 39,206               | -                                | 2,197                                           | (37,009)       |
| 23                         | School Leadership                          | 108,203              | -                                | 22,899                                          | (85,304)       |
| 31                         | Guidance & Counseling                      | 5,317                | -                                | 288                                             | (5,029)        |
| 33                         | Health Services                            | 10,154               | -                                | 8,460                                           | (1,694)        |
| 34                         | Student Transportation                     | 40,881               | -                                | 830                                             | (40,051)       |
| 35                         | Food Services                              | 123,757              | 2,836                            | 95,296                                          | (25,625)       |
| 36                         | Extracurricular Activities                 | 102,351              | 11,931                           | 2,016                                           | (88,404)       |
| 41                         | General Administration                     | 513,959              | -                                | 25,773                                          | (488,186)      |
| 51                         | Plant Maintenance & Operations             | 278,549              | -                                | 69,136                                          | (209,413)      |
| 52                         | Security & Monitoring Services             | 13,242               | -                                | 6,738                                           | (6,504)        |
| 53                         | Data Processing Services                   | 59,601               | -                                | 5,262                                           | (54,339)       |
| 61                         | Community Services                         | 21,841               | -                                | 2,108                                           | (19,733)       |
| 72                         | Debt Service - Interest                    | 20,188               | -                                | 62,942                                          | 42,754         |
| 93                         | Payments To Shared Services Arrangements   | 12,780               | -                                | -                                               | (12,780)       |
| 99                         | Other Governmental Charges                 | 11,893               | -                                | -                                               | (11,893)       |
| TP                         | Total Primary Government                   | \$ 2,620,665         | \$ 36,888                        | \$ 486,275                                      | (2,097,502)    |
| <b>General Revenues:</b>   |                                            |                      |                                  |                                                 |                |
| MT                         | Property Taxes Levied for General Purposes |                      |                                  |                                                 | 405,891        |
| DT                         | Property Taxes Levied for Debt Service     |                      |                                  |                                                 | 33,298         |
| SF                         | State Aid - Formula Grants                 |                      |                                  |                                                 | 1,737,601      |
| IE                         | Investment Earnings                        |                      |                                  |                                                 | 705            |
| MI                         | Miscellaneous                              |                      |                                  |                                                 | 17,170         |
| TR                         | Total General Revenues                     |                      |                                  |                                                 | 2,194,665      |
| CN                         | Change in Net Position                     |                      |                                  |                                                 | 97,163         |
| NB                         | Net Position, Beginning                    |                      |                                  |                                                 | 964,910        |
| NE                         | Net Position, Ending                       |                      |                                  |                                                 | \$ 1,062,073   |

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District  
Balance Sheet  
Governmental Funds  
August 31, 2021**

**Exhibit C-1**

| Data<br>Control<br>Codes             | 10                                                    |                         |                       |                       |                  | 98                             |                     |
|--------------------------------------|-------------------------------------------------------|-------------------------|-----------------------|-----------------------|------------------|--------------------------------|---------------------|
|                                      | General<br>Fund                                       | ESEA Title I,<br>Part A | ESSER I,<br>Cares Act | ESSER III,<br>ARP Act | Other<br>Funds   | Total<br>Governmental<br>Funds |                     |
| <b>ASSETS</b>                        |                                                       |                         |                       |                       |                  |                                |                     |
| 1110                                 | Cash & Cash Equivalents                               | \$ 372,478              | \$ -                  | \$ -                  | \$ -             | \$ 42,179                      | \$ 414,657          |
| 1120                                 | Current Investments                                   | 373,786                 | -                     | -                     | -                | 4,263                          | 378,049             |
| 1220                                 | Delinquent Property Taxes Receivable                  | 9,866                   | -                     | -                     | -                | 691                            | 10,557              |
| 1230                                 | Allowance for Uncollectable Taxes                     | (2,467)                 | -                     | -                     | -                | (173)                          | (2,640)             |
| 1240                                 | Due from Other Governments                            | 353,058                 | 27,603                | 35,548                | 34,057           | 29,511                         | 479,777             |
| 1260                                 | Due from Other Funds                                  | 111,551                 | -                     | -                     | -                | -                              | 111,551             |
| 1000                                 | Total Assets                                          | <u>\$ 1,218,272</u>     | <u>\$ 27,603</u>      | <u>\$ 35,548</u>      | <u>\$ 34,057</u> | <u>\$ 76,471</u>               | <u>\$ 1,391,951</u> |
| <b>LIABILITIES</b>                   |                                                       |                         |                       |                       |                  |                                |                     |
| 2110                                 | Accounts Payable                                      | \$ 31,844               | \$ -                  | \$ 339                | \$ -             | \$ 3,635                       | \$ 35,818           |
| 2160                                 | Accrued Wages Payable                                 | 91,722                  | 3,033                 | -                     | -                | 2,108                          | 96,863              |
| 2170                                 | Due to Other Funds                                    | -                       | 24,246                | 35,209                | 34,057           | 18,039                         | 111,551             |
| 2200                                 | Accrued Expenditures                                  | 2,004                   | 324                   | -                     | -                | 231                            | 2,559               |
| 2000                                 | Total Liabilities                                     | <u>125,570</u>          | <u>27,603</u>         | <u>35,548</u>         | <u>34,057</u>    | <u>24,013</u>                  | <u>246,791</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b> |                                                       |                         |                       |                       |                  |                                |                     |
| 2600                                 | Unavailable Revenue - Property Taxes                  | <u>7,399</u>            | <u>-</u>              | <u>-</u>              | <u>-</u>         | <u>518</u>                     | <u>7,917</u>        |
| <b>FUND BALANCES</b>                 |                                                       |                         |                       |                       |                  |                                |                     |
| Restricted:                          |                                                       |                         |                       |                       |                  |                                |                     |
| 3450                                 | Grant Funds                                           | -                       | -                     | -                     | -                | 16,099                         | 16,099              |
| 3480                                 | Debt Service                                          | -                       | -                     | -                     | -                | 31,578                         | 31,578              |
| Committed:                           |                                                       |                         |                       |                       |                  |                                |                     |
| 3510                                 | Facilities                                            | 4,746                   | -                     | -                     | -                | -                              | 4,746               |
| 3530                                 | Equipment                                             | 28,213                  | -                     | -                     | -                | -                              | 28,213              |
| 3545                                 | Other                                                 | 22,607                  | -                     | -                     | -                | 4,263                          | 26,870              |
| 3600                                 | Unassigned                                            | <u>1,029,737</u>        | <u>-</u>              | <u>-</u>              | <u>-</u>         | <u>-</u>                       | <u>1,029,737</u>    |
| 3000                                 | Total Fund Balances                                   | <u>1,085,303</u>        | <u>-</u>              | <u>-</u>              | <u>-</u>         | <u>51,940</u>                  | <u>1,137,243</u>    |
| 4000                                 | Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 1,218,272</u>     | <u>\$ 27,603</u>      | <u>\$ 35,548</u>      | <u>\$ 34,057</u> | <u>\$ 76,471</u>               | <u>\$ 1,391,951</u> |

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**August 31, 2021**

Exhibit C-1R

| Data<br>Control<br>Codes |                                                                                                                                                                                                                                                                                      |              |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
|                          | Total Fund Balances - Governmental Funds (Exhibit C-1)                                                                                                                                                                                                                               | \$ 1,137,243 |
|                          | Amounts reported for governmental activities in the Statement of Net Position (Exhibit A-1) are different because:                                                                                                                                                                   |              |
| 1                        | Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. Capital assets of \$3,937,513, net of accumulated depreciation of \$2,368,572, are reported in the government-wide financial statements. | 1,568,941    |
| 2                        | Long-term debt is not due and payable in the current period and is not reported in the fund financial statements.                                                                                                                                                                    | (534,362)    |
| 3                        | Property tax revenue deferred in governmental fund statements is recognized in the period received in government-wide financial statements.                                                                                                                                          | 7,917        |
| 4                        | Deferred outflows for pension and other post employment benefits represent a consumption of net position that applies to a future period, and, accordingly, are not reported in the fund financial statements.                                                                       | 957,114      |
| 5                        | Long-term liabilities related to the TRS pension plan and other postemployment benefits are not due and payable in the current period and are not reported in the fund financial statements, but are reported as liabilities in the government-wide financial statements.            | (1,385,074)  |
| 6                        | Deferred inflows for pension and other postemployment benefits represent an increase in net position that applies to a future period, and, accordingly, are not reported in the fund financial statements.                                                                           | (689,706)    |
| 19                       | Total Net Position - Governmental Activities (Exhibit A-1)                                                                                                                                                                                                                           | \$ 1,062,073 |

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Statement of Revenues, Expenditures & Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended August 31, 2021**

Exhibit C-2

| Data<br>Control<br>Codes              | 10                                                |                         |                       |                       |                | 98                             |              |
|---------------------------------------|---------------------------------------------------|-------------------------|-----------------------|-----------------------|----------------|--------------------------------|--------------|
|                                       | General<br>Fund                                   | ESSA Title I,<br>Part A | ESSER I,<br>Cares Act | ESSER III,<br>ARP Act | Other<br>Funds | Total<br>Governmental<br>Funds |              |
| <b>REVENUES</b>                       |                                                   |                         |                       |                       |                |                                |              |
| 5700                                  | Local & Intermediate Sources                      | \$ 441,351              | \$ -                  | \$ -                  | \$ -           | \$ 44,266                      | \$ 485,617   |
| 5800                                  | State Program Revenues                            | 1,805,936               | -                     | -                     | -              | 67,464                         | 1,873,400    |
| 5900                                  | Federal Program Revenues                          | 38,454                  | 86,675                | 65,023                | 34,057         | 131,608                        | 355,817      |
| 5020                                  | Total Revenues                                    | 2,285,741               | 86,675                | 65,023                | 34,057         | 243,338                        | 2,714,834    |
| <b>EXPENDITURES</b>                   |                                                   |                         |                       |                       |                |                                |              |
| Current:                              |                                                   |                         |                       |                       |                |                                |              |
| 0011                                  | Instruction                                       | 1,041,391               | 52,846                | 41,372                | 13,419         | 8,011                          | 1,157,039    |
| 0012                                  | Library & Instructional Resources                 | 1,152                   | 8,913                 | -                     | -              | -                              | 10,065       |
| 0013                                  | Curriculum & Staff Development                    | 3,038                   | -                     | 332                   | -              | -                              | 3,370        |
| 0021                                  | Instructional Leadership                          | 36,785                  | -                     | -                     | -              | -                              | 36,785       |
| 0023                                  | School Leadership                                 | 84,626                  | -                     | -                     | 17,024         | -                              | 101,650      |
| 0031                                  | Guidance & Counseling                             | 4,855                   | -                     | -                     | -              | -                              | 4,855        |
| 0033                                  | Health Services                                   | 692                     | 8,460                 | -                     | -              | -                              | 9,152        |
| 0034                                  | Student Transportation                            | 30,985                  | -                     | -                     | -              | -                              | 30,985       |
| 0035                                  | Food Services                                     | -                       | -                     | -                     | -              | 110,442                        | 110,442      |
| 0036                                  | Extracurricular Activities                        | 67,812                  | -                     | -                     | -              | 9,631                          | 77,443       |
| 0041                                  | General Administration                            | 542,974                 | 16,456                | -                     | -              | -                              | 559,430      |
| 0051                                  | Plant Maintenance & Operations                    | 249,206                 | -                     | 23,319                | -              | -                              | 272,525      |
| 0052                                  | Security & Monitoring Services                    | 14,993                  | -                     | -                     | -              | 32,823                         | 47,816       |
| 0053                                  | Data Processing Services                          | 54,946                  | -                     | -                     | 3,614          | -                              | 58,560       |
| 0061                                  | Community Services                                | 20,958                  | -                     | -                     | -              | -                              | 20,958       |
| Debt Service:                         |                                                   |                         |                       |                       |                |                                |              |
| 0071                                  | Principal on Long-Term Debt                       | 20,638                  | -                     | -                     | -              | 75,000                         | 95,638       |
| 0072                                  | Interest on Long-Term Debt                        | 6,325                   | -                     | -                     | -              | 13,862                         | 20,187       |
| Capital Outlay:                       |                                                   |                         |                       |                       |                |                                |              |
| 0081                                  | Facilities Acquisition and Construction           | 145,351                 | -                     | -                     | -              | -                              | 145,351      |
| Intergovernmental:                    |                                                   |                         |                       |                       |                |                                |              |
| 0093                                  | Payments To Shared Services Arrangements          | 12,780                  | -                     | -                     | -              | -                              | 12,780       |
| 0099                                  | Other Intergovernmental Charges                   | 11,893                  | -                     | -                     | -              | -                              | 11,893       |
| 6030                                  | Total Expenditures                                | 2,351,400               | 86,675                | 65,023                | 34,057         | 249,769                        | 2,786,924    |
| 1100                                  | Excess (Deficiency) of Revenues over Expenditures | (65,659)                | -                     | -                     | -              | (6,431)                        | (72,090)     |
| <b>OTHER FINANCING SOURCES (USES)</b> |                                                   |                         |                       |                       |                |                                |              |
| 7915                                  | Transfers In                                      | -                       | -                     | -                     | -              | 15,000                         | 15,000       |
| 8911                                  | Transfers Out                                     | (15,000)                | -                     | -                     | -              | -                              | (15,000)     |
| 7080                                  | Total Other Financing Sources and (Uses)          | (15,000)                | -                     | -                     | -              | 15,000                         | -            |
| 1200                                  | Net Change in Fund Balance                        | (80,659)                | -                     | -                     | -              | 8,569                          | (72,090)     |
| 0100                                  | Fund Balances, Beginning                          | 1,165,962               | -                     | -                     | -              | 43,371                         | 1,209,333    |
| 3000                                  | Fund Balances, Ending                             | \$ 1,085,303            | \$ -                  | \$ -                  | \$ -           | \$ 51,940                      | \$ 1,137,243 |

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Reconciliation of Statement of Revenues, Expenditures &**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended August 31, 2021**

Exhibit C-3

|                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Net change in fund balances - total governmental funds (from Exhibit C-2)                                                                                                                                                                                                                                                                                                                                                                               | \$ (72,090)      |
| <p>Amounts reported for governmental activities in the statement of activities (Exhibit B - 1) are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. These are the amounts by which capital outlays expenditures are adjusted to depreciation expense.</p> |                  |
| Depreciation expense in the statement of activities                                                                                                                                                                                                                                                                                                                                                                                                     | (136,902)        |
| Governmental funds capital outlay, capitalized in the statement of activities                                                                                                                                                                                                                                                                                                                                                                           | 241,491          |
| <p>Governmental funds report issuance of debt as other resources and debt payments as expenditures. In the statement of activities issued debt is recorded as long-term liabilities and the payment of principal is used to reduce liabilities.</p>                                                                                                                                                                                                     |                  |
| Principal payments on debt                                                                                                                                                                                                                                                                                                                                                                                                                              | 95,638           |
| <p>Governmental funds report receivables (net of allowance) as deferred revenues if they are not received in time to be considered expendable to pay current obligations. However, in the statement of activities such items are recognized as revenues.</p>                                                                                                                                                                                            |                  |
| Change in uncollected property taxes (net of the allowance)                                                                                                                                                                                                                                                                                                                                                                                             | (13,788)         |
| <p>Governmental funds report expenditures when they are due and payable. In the statement of activities payables are recorded when the obligation is incurred.</p>                                                                                                                                                                                                                                                                                      |                  |
| Legal fees related to Chapter 313 application and agreement                                                                                                                                                                                                                                                                                                                                                                                             | 75,000           |
| <p>The change in net pension liability and net OPEB liability, and the related deferred outflows and deferred inflows, are reported in the statement of activities but do not affect current financial resources or obligations, and, therefore, are not reported in the governmental funds. The net change consists of the following:</p>                                                                                                              |                  |
| Pension-related:                                                                                                                                                                                                                                                                                                                                                                                                                                        |                  |
| Deferred outflows increased (decreased)                                                                                                                                                                                                                                                                                                                                                                                                                 | 36,489           |
| Deferred inflows (increased) decreased                                                                                                                                                                                                                                                                                                                                                                                                                  | 24,404           |
| Net pension liability (increased) decreased                                                                                                                                                                                                                                                                                                                                                                                                             | (121,357)        |
| OPEB-related:                                                                                                                                                                                                                                                                                                                                                                                                                                           |                  |
| Deferred outflows increased (decreased)                                                                                                                                                                                                                                                                                                                                                                                                                 | 500,964          |
| Deferred inflows (increased) decreased                                                                                                                                                                                                                                                                                                                                                                                                                  | (319,874)        |
| Net OPEB liability (increased) decreased                                                                                                                                                                                                                                                                                                                                                                                                                | (212,812)        |
| Change in net position of governmental activities (see Exhibit B - 1)                                                                                                                                                                                                                                                                                                                                                                                   | <u>\$ 97,163</u> |

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**August 31, 2021**

Exhibit E-1

|                                   | Private Purpose Trust<br>Fund - |           | Custodial Fund - |
|-----------------------------------|---------------------------------|-----------|------------------|
|                                   | Scholarships                    |           | Student Activity |
| <b>ASSETS</b>                     |                                 |           |                  |
| Cash & Cash Equivalents           | \$ 447                          | \$        | 7,636            |
| Current Investments               | 25,614                          |           | -                |
| Total Assets                      | <u>\$ 26,061</u>                | <u>\$</u> | <u>7,636</u>     |
| <b>NET POSITION</b>               |                                 |           |                  |
| Restricted for Scholarships       | \$ 26,061                       | \$        | -                |
| Restricted for Student Activities | -                               |           | 7,636            |
| Total Net Position                | <u>\$ 26,061</u>                | <u>\$</u> | <u>7,636</u>     |

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Statement of Changes in Fiduciary Fund Net Position**  
**Fiduciary Funds**  
**August 31, 2021**

Exhibit E-2

|                                             | Private Purpose Trust  |                                      |
|---------------------------------------------|------------------------|--------------------------------------|
|                                             | Fund -<br>Scholarships | Custodial Fund -<br>Student Activity |
| <b>ADDITIONS</b>                            |                        |                                      |
| Investment Earnings                         | \$ 186                 | \$ -                                 |
| Fundraising Activities                      | -                      | 14,177                               |
| Total Additions                             | 186                    | 14,177                               |
| <b>DEDUCTIONS</b>                           |                        |                                      |
| Scholarships                                | 1,979                  | -                                    |
| Student Activities                          | -                      | 17,832                               |
| Total Deductions                            | 1,979                  | 17,832                               |
| Change in Net Position                      | (1,793)                | (3,655)                              |
| Net Position, Beginning                     | 27,854                 | -                                    |
| Prior Period Adjustment - Implement GASB 84 | -                      | 11,291                               |
| Net Position, Restated                      | 27,854                 | 11,291                               |
| Net Position, Ending                        | \$ 26,061              | \$ 7,636                             |

The accompanying notes are an integral part of these financial statements.

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **A. Reporting Entity**

The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District, that has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency 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. Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and, have the primary accountability for fiscal matters; the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

##### **B. Government-Wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include services reimbursed by Medicaid, entry fees paid by those attending athletic events, and school lunch charges. The "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include federal and state grants and contributions from other entities for specific purposes, and benefits paid by the state for pension and other postemployment benefits. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated in the government-wide statements. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from in the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. 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.



# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

#### C. Measurement Focus, Basis of Accounting, And Financial Statement Presentation

##### Government-wide and Fiduciary Fund Financial Statements

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

##### Governmental Fund Financial Statements

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized to the extent they are collected by year end. Revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue under the susceptible-to-accrual concept when those criteria are met; otherwise, they are recorded as revenue when received in cash. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors require the District to refund all or part of the unused amount. If there are no restrictions on the time required to spend grant funds, and the District expects to spend all funds, grant revenues are considered earned when received.

#### D. Fund Accounting

The District reports the following major governmental funds:

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

**ESEA Title I, Part A Fund:** This fund accounts for all financial resources received under the federal program, ESEA Title I, Part A program aimed at improving teaching and learning.

**ESSER I, Cares Act Fund:** This fund accounts for all financial resources received from federal stimulus funds granted to education agencies to support their ability to operate and instruct students during the COVID-19 pandemic.

**ESSER III, ARP Act Fund:** This fund accounts for all financial resources received from federal stimulus funds granted to education agencies through the American Rescue Plan Act to address learning loss and the disproportionate impact of the coronavirus on certain student subgroups, identify and provide homeless children and youth with services in light of challenges of the coronavirus, and enable homeless children and youth to attend school and participate fully in school activities.

# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

Additionally, the District reports the following non-major fund types:

#### Governmental Funds

**Special Revenue Funds:** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in a Special Revenue Fund, and it includes local grants and campus activity funds. Generally, unused balances must be returned to the grantor at the close of specified project periods, but some balances, such as in the Food Service Fund and Campus Activity Fund, are rolled over until the following year.

**Debt Service Fund:** The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

#### Fiduciary Funds

**Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's private purpose trust funds represent scholarship funds being held in trust for student scholarships.

**Custodial Fund** – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's custodial fund is the school Student Activities Fund.

## E. Other Accounting Policies

### Property Tax Revenues and Receivables

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available and are recorded as revenues when they become due or past due, and are collected.

Allowances for uncollectible tax receivables are based on current probability of payment, collateral values, and 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.

Tax revenues and receivables are allocated between the General Fund and the Debt Service Fund based on the respective tax rates adopted for each fund.

### Inventories and Prepaid Items

The District records purchases of supplies and commodities as expenditures and does not maintain any significant amount of either on hand. Supplies are used for almost all functions of activity. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### Interfund Transactions

During the course of normal operations, it is necessary for the District to enter into transactions among its various funds. These transactions consist of one or more of the following types:

- Reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund.
- Transfers of equity balances from one fund to another fund.
- Temporary loans to provide funding, primarily due to payroll or other expenditures made from one fund and charged to other funds or expenditures from grant funds prior to the receipt of funds from the granting agency.

# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

Reimbursements and loans are reported as “due from other funds” or “due to other funds” until such time as the reimbursement or loan is paid. Interfund balances are expected to be repaid within the next fiscal year. Interfund transactions are eliminated in consolidation for purposes of the government-wide financial statements.

#### **Capital Assets**

Capital assets include land, buildings, furniture and equipment, and are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

|                          |       |
|--------------------------|-------|
| Buildings & improvements | 35-40 |
| Portable buildings       | 15    |
| Buses                    | 6-12  |
| Other vehicles           | 6     |
| Furniture & equipment    | 10    |
| Technology equipment     | 5     |

#### **Compensated Absences**

The State of Texas requires districts to provide each employee five days of personal leave per year with no limit on accumulation. Unused personal leave is transferable to other districts in Texas with the employee but does not vest and is not paid to the employee upon separation. Accordingly, no liability is recorded by the District for unused personal leave.

The District provides an additional two days, which do not accumulate because employees are paid for unused local leave days at the end of each year. An employee who retires from the District with advance written notice and ten years of service with the District receives payment for unused state days up to a maximum of one hundred days at a rate set by the Board, which is currently set at \$10. No liability is accrued for reimbursable leave because the amounts involved are not material. A small number of employees can accumulate vacation days, but those days are generally taken within the year earned. No liability is accrued for vacation leave because the amounts involved are not material.

#### **Long-term Debt Obligations**

The District’s long-term debt obligations consist of general obligation bonds and a direct borrowing. Long-term debt is reported as liabilities in the government-wide financial statements. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the effective interest method. Costs of issuance are recognized as expenditures in the year incurred. Bonds payable are reported net of the applicable bond premium or discount, if applicable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, if any, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Any premiums received on debt issuances are reported as other financing sources while any discounts on debt issuances are reported as other financing uses. Any issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the Debt Service Fund. The current requirements for the direct placement note principal and interest expenditures are accounted for in the General Fund.

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

#### **Deferred Outflows/Inflows of Resources**

A deferred outflow of resources represents a consumption of net assets that applies to a future period or periods and will be recognized as an outflow of resources (expense or expenditure) during those periods. Deferred outflows from pension and other postemployment benefit activities result when contributions by the District that are made in the current fiscal year are deferred until the following year in order to align with the TRS pension and other postemployment benefit plan years. Deferred outflows also arise out of the pension and benefit plan reporting which are amortized over the weighted average remaining service life of all participants in the respective qualified pension and benefit plan, or, in the case of projected and actual earnings differences on investments, are amortized on a closed basis over a 5-year period. These deferred outflows are applicable to the government-wide financial statements.

A deferred inflow of resources represents an acquisition of net assets that applies to a future period or periods and will be recognized as an inflow of resources (revenue) during those periods. The District has two types of items reported as deferred inflows.

Deferred inflows arise from the pension and other postemployment benefit activities which are applicable to the government-wide financial statements. Those deferred inflows are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, or, in the case of projected and actual earnings differences on investments, are amortized on a closed basis over a 5-year period.

Deferred inflows also arise as a result of property taxes, net of the allowance, which are not considered available for expenditures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available and are reported only in the governmental funds balance sheet.

#### **TRS Pension Plan**

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.

In fund financial statements, pensions are recognized and disclosed using the modified accrual basis of accounting and expenditures are recognized for current obligations.

#### **TRS Other Postemployment 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 or 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.

In fund financial statements, other postemployment benefits are recognized and disclosed using the modified accrual basis of accounting and expenditures are recognized for current obligations.

#### **Fund Balances – Governmental Funds**

Fund balance is reported in the governmental fund balance sheets in the following classifications based on the nature of any limitations requiring the use of resources for specific purposes:

**Nonspendable** – Represents amounts that are not in a spendable form, such as inventory or prepaid items, or is required to be maintained intact, such as the principal of a permanent fund.

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

**Restricted** – Represents amounts that are subject to constraints that are imposed by external parties, such as by creditors, grantors, contributors, or laws or regulations of other governments. The fund balances for the Child Nutrition program and similar unspent grant programs, and the Debt Service Fund, are classified as restricted.

**Committed** – Represents amounts that can only be used for specific purposes determined by formal action of the Board. These amounts may not be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it used to commit the amounts. The Board has taken action to establish commitments for facilities, buses and other equipment needs, and for campus activities.

**Assigned** – Represents amounts that the District intends to use for a specific purpose but do not meet the criteria for either restricted or committed. The assigned amounts for a specific purpose may be determined by either the Board or the Superintendent.

**Unassigned** – Amounts which are unconstrained and may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The District's fund balance goal for the General Fund is to maintain an unassigned fund balance of not less than 25% of the budget for the following year.

#### **Encumbrances**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

#### **Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources and a flow assumption must be made about the order in which the resources are considered to be applied. For the fund financial statements, 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. 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. For the government-wide financial statements, it is the District's policy to consider restricted net position to have been depleted before using unrestricted net position.

#### **Non-monetary Transactions**

Food commodities received from the Texas Department of Human Services are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as revenue and expenditures when received.

Textbooks and instructional materials received from the State of Texas are recorded in the Instructional Materials Allotment Fund. The textbooks and materials are valued at a cost value assigned by the State and recorded as revenue and expenditures when received.

#### **Use of Estimates**

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

# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

#### Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

#### F. New Accounting Standards

Effective September 1, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*. GASB 84 establishes criteria for identifying and reporting fiduciary activities. The significant change from the implementation was that student activity funds previously considered as agency funds, which reported no revenues or expenditures, are now considered “custodial funds,” and report revenues, expenditures and net position. The impact of implementing GASB 84 is reported in Note 16.

#### NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

State law requires the Board to adopt budgets at the function level for the General Fund, Food Service Fund and Debt Service Fund, and that the Board approves amendments at that level prior to expenditures exceeding the budget. Functions 0071 – Principal on Long-Term Debt and 0072 – Interest on Long-Term Debt are considered together for purposes of compliance. The District had the following expenditures exceeding budget at the function level in those funds:

| Function            | Amended Budget | Actual       | Variance   |
|---------------------|----------------|--------------|------------|
| <b>GENERAL FUND</b> |                |              |            |
| 0011 Instruction    | \$ 1,034,670   | \$ 1,041,391 | \$ (6,721) |

The District had no funds with a deficit fund balance or deficit fund net position.

#### NOTE 3 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments at August 31, 2021, were:

| Description                                   | Fair Value        | Weighted Average Maturity in Days |
|-----------------------------------------------|-------------------|-----------------------------------|
| <b>Governmental Activities:</b>               |                   |                                   |
| Cash and Cash Equivalents                     | \$ 414,657        |                                   |
| Current Investments - Certificates of Deposit | 378,049           | 233                               |
| Total                                         | <u>792,706</u>    |                                   |
| <b>Fiduciary Funds:</b>                       |                   |                                   |
| Cash and Cash Equivalents                     | 8,083             |                                   |
| Current Investments - Certificates of Deposit | 25,614            | 148                               |
| Total                                         | <u>33,697</u>     |                                   |
| Total Cash and Investments                    | <u>\$ 826,403</u> |                                   |

Cash and cash equivalents consist of an interest-bearing checking and savings accounts subject to immediate withdrawal.

#### Bank Depository Accounts

The funds of the District must by state law be deposited and invested under the terms of a contract, the contents of which are set out in the Depository Contract Law, Texas Education Code, Chapter 45, Subchapter G. The funds must be secured by pledged securities or a surety bond. Pledged securities must meet the requirements of the law, must have a market value of at least the amount of funds secured, less any applicable Federal Deposit Insurance Corporation insurance, and must be held in safekeeping by an independent trustee showing the District as pledgee. The surety bond agreement must be in a form required by state law in an amount equal to or greater than the amount of funds secured, less any applicable Federal Deposit Insurance Corporation insurance, and must be

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

payable to the District and signed by the depository bank and by a surety company authorized to do business in Texas.

At August 31, 2021, the carrying amount of the District's deposits at its depository bank was \$826,403, and the bank balance was \$858,311; FDIC insurance was \$537,830, and the market value of pledged collateral was \$1,526,174. The District's cash deposits at August 31, 2021, and during the year ended 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. Buckholts State Bank, Buckholts, Texas, is the District's depository bank.

#### **Investments**

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, the State of Texas, and certain other political entities; (2) certificates of deposit; (3) fully collateralized repurchase agreements; (4) a fully collateralized securities lending program; (5) bankers acceptances; (6) commercial paper with a stated maturity less than 270 days; (7) certain types of no-load money market mutual funds; (8) certain types of no-load mutual funds; (9) guaranteed investment contracts; and, (10) investment pools. Local policy further limits investments management can make without board approval to maturities of one year or less.

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District was in substantial compliance with the requirement of the Act and with local policies as of and for the year ending August 31, 2021.

Generally accepted accounting principles requires investments to be presented at fair value, with an exception for investment pools, and it establishes a value hierarchy within which entities must categorize its fair value measurements. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and, Level 3 inputs are significant unobservable inputs.

#### **Analysis of Specific Deposit and Investment Risks**

Deposits and certificates of deposit are subject to custodial credit risk.

**Custodial Credit Risk** – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are 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. The District was not exposed to custodial credit risk at August 31, 2021, because deposits were insured by the FDIC or fully collateralized with securities that meet specified standards for credit ratings and were held in trust with the District as pledgee.

#### **NOTE 4 – 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. The following information is to provide a further understanding of the balances.

#### **Property Taxes**

Based on historical activity and management's evaluation of current balances, approximately 50% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

#### Due from/to Other Governments

The District receives entitlements from the State through the School Foundation and Per Capita Programs. The District also participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. For the General Fund, due from other governments as of August 31, 2021, consisted of state funding due from TEA, including \$158,737 accrued for August 2021 instructional days. For other funds, due from other governments consisted of state and federal grant funds due from TEA and the federal government.

#### **NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund balances at August 31, 2021, consisted of temporary loans from the General Fund to various Special Revenue Funds, totaling \$111,551, for the purpose of funding expenditures until grant funding was received.

Interfund transfers for the year ended August 31, 2021, consisted of a transfer from the General Fund to the Food Service Fund of \$15,000 for the purpose of funding deficit food service operations.

#### **NOTE 6 – CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year was as follows:

|                                             | Beginning<br>Balance | Additions  | Removals &<br>Transfers | Ending Balance |
|---------------------------------------------|----------------------|------------|-------------------------|----------------|
| <b>Governmental Activities</b>              |                      |            |                         |                |
| Capital Assets Not Being Depreciated        |                      |            |                         |                |
| Land                                        | \$ 38,550            | \$ -       | \$ -                    | \$ 38,550      |
| Total Capital Assets Not Being Depreciated  | 38,550               | -          | -                       | 38,550         |
| Capital Assets Being Depreciated            |                      |            |                         |                |
| Buildings & Improvements                    | 3,248,753            | 177,256    | -                       | 3,426,009      |
| Furniture & Equipment                       | 124,484              | 52,335     | (7,300)                 | 169,519        |
| Vehicles                                    | 291,535              | 11,900     | -                       | 303,435        |
| Total Capital Assets Being Depreciated      | 3,664,772            | 241,491    | (7,300)                 | 3,898,963      |
| Less Accumulated Depreciation:              |                      |            |                         |                |
| Buildings & Improvements                    | (1,963,283)          | (109,569)  | -                       | (2,072,852)    |
| Furniture & Equipment                       | (77,578)             | (10,664)   | 7,300                   | (80,942)       |
| Vehicles                                    | (198,109)            | (16,669)   | -                       | (214,778)      |
| Total Accumulated Depreciation              | (2,238,970)          | (136,902)  | 7,300                   | (2,368,572)    |
| Total Capital Assets Being Depreciated, Net | 1,425,802            | 104,589    | -                       | 1,530,391      |
| Governmental Activities Capital Assets, Net | \$ 1,464,352         | \$ 104,589 | \$ -                    | \$ 1,568,941   |

Depreciation expense was charged to governmental functions as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| 11 Instruction                       | \$ 78,708         |
| 12 Library & Instructional Resources | 4,737             |
| 23 School Leadership                 | 1,024             |
| 31 Guidance, Counseling & Evaluation | 146               |
| 34 Student Transportation            | 9,518             |
| 35 Food Services                     | 6,284             |
| 36 Extracurricular Activities        | 21,944            |
| 41 General Administration            | 8,556             |
| 51 Plant Maintenance & Operations    | 2,136             |
| 52 Security and Monitoring Services  | 3,849             |
|                                      | <u>\$ 136,902</u> |



**Buckholts Independent School District  
Notes to the Financial Statements  
For the Year Ended August 31, 2021**

**NOTE 7 – LONG-TERM OBLIGATIONS**

Long-term debt include general obligation bonds and a note from a direct borrowing. Changes in long-term debt for the year were as follows:

| Description                             | Interest Rate  | Original Issue | Beginning Balance | Issued, Additions | Retired, Decreases | Ending Balance | Due Within One Year |
|-----------------------------------------|----------------|----------------|-------------------|-------------------|--------------------|----------------|---------------------|
| Unlmtd Tax Refunding Bonds, Series 2011 | 1.43% to 4.04% | \$ 920,000     | \$ 400,000        | \$ -              | \$ 75,000          | \$ 325,000     | \$ 75,000           |
| Note from Direct Borrowing              | 3%             | 230,000        | 230,000           |                   | 20,638             | \$ 209,362     | 20,665              |
| Total Debt                              |                |                | \$ 630,000        | \$ -              | \$ 95,638          | \$ 534,362     | \$ 95,665           |

The Series 2011 Bonds were issued July 14, 2011 for the purpose of refunding the Series 2000 bonds. The tax refunding bond is a general obligation bond. It is a direct obligation of the District, secured by a pledge of the full faith and credit of the District, and a pledge of property tax revenues sufficient to pay debt obligations. It is paid for entirely through the Debt Service Fund.

The note from direct borrowing was issued in 2020 to replace stadium lights, fencing, security cameras and security lighting, and to pay off a capital lease that had been issued to fund building mechanical upgrades. It is secured by a pledge of maintenance and operations taxes and will be paid entirely through the General Fund out of current revenues and available funds.

The required debt payments to maturity are as follows:

| August 31, | Governmental Activities       |           |            |                            |           |            |
|------------|-------------------------------|-----------|------------|----------------------------|-----------|------------|
|            | Unlimited Tax Refunding Bonds |           |            | Note from Direct Borrowing |           |            |
|            | Principal                     | Interest  | Total      | Principal                  | Interest  | Total      |
| 2022       | 75,000                        | 11,196    | 86,196     | 20,682                     | 6,281     | 26,963     |
| 2023       | 75,000                        | 8,410     | 83,410     | 21,303                     | 5,660     | 26,963     |
| 2024       | 85,000                        | 5,311     | 90,311     | 21,942                     | 5,021     | 26,963     |
| 2025       | 90,000                        | 1,818     | 91,818     | 22,600                     | 4,363     | 26,963     |
| 2026       |                               |           |            | 23,278                     | 3,685     | 26,963     |
| 2027-2030  |                               |           |            | 99,557                     | 7,544     | 107,101    |
| Totals     | \$ 325,000                    | \$ 26,735 | \$ 351,735 | \$ 209,362                 | \$ 32,554 | \$ 241,916 |

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**A. 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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

**Buckholts Independent School District  
Notes to the Financial Statements  
For the Year Ended August 31, 2021**

**B. Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx), under "Financial Reports;" by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**C. 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. Ad hoc post-employment benefit changes, including ad hoc cost of living adjustments (COLAs), can be granted by the Texas Legislature as noted in the Plan Description, above.

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

In May, 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> 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.

**D. 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 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Contribution rates are as follows:

|                                          | <u>2020</u> | <u>2021</u> |
|------------------------------------------|-------------|-------------|
| Member (Employee)                        | 7.7%        | 7.7%        |
| District (Employer)                      | 7.5%        | 7.5%        |
| District (Employer) Surcharge            | 1.5%        | 1.6%        |
| Non-Employer Contributing Entity (State) | 7.5%        | 7.5%        |

Contribution amounts for the fiscal year ending August 31, 2021, were as follows:

|                                                       |          |
|-------------------------------------------------------|----------|
| Member Contributions, Based on District Fiscal Year   | \$83,333 |
| Employer Contributions, Based on District Fiscal Year | \$57,536 |

# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

NECE On-Behalf Contributions, Based on State Plan Year

\$54,274

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.

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. Public schools as employers 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; and,
- 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.

There are two additional surcharges an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025; and,
- 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.

#### E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the TRS's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017, and were adopted in July 2018.

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. 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 projection scale U-MP.

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate 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 TRS's target asset allocation are summarized in the TRS CAFR.

The following table discloses the assumptions that were applied to this measurement period:

Valuation Date  
Actuarial Cost Method

August 31, 2019, rolled forward to August 31, 2020  
Individual Entry Age Normal

# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

|                                                                 |                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Asset Valuation Method                                          | Market Value                                                                                                                                                                                                                                 |
| Actuarial Assumptions:                                          |                                                                                                                                                                                                                                              |
| Single Discount Rate                                            | 7.25%                                                                                                                                                                                                                                        |
| Long-term Expected Investment Rate of Return                    | 7.25%                                                                                                                                                                                                                                        |
| Municipal Bond Rate as of August 2019                           | 2.33% Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." |
| Last Year Ending August 31 in the Projection Period (100 years) | 2119                                                                                                                                                                                                                                         |
| Inflation                                                       | 2.30%                                                                                                                                                                                                                                        |
| Salary Increases                                                | 3.05% to 9.05% Including Inflation                                                                                                                                                                                                           |
| Ad hoc Post-employment Benefit Changes                          | None                                                                                                                                                                                                                                         |

The actuarial methods and assumptions 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, available on the TRS website.

#### F. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020, are summarized below:

| <u>Asset Class</u>                                       | <u>Target Allocation<sup>1</sup></u> | <u>Long-term Expected Geometric Real Rate of Return<sup>2</sup></u> | <u>Expected Contribution to Long-term Portfolio Returns</u> |
|----------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------|
|                                                          | %                                    | %                                                                   | %                                                           |
| <b>Global Equity</b>                                     |                                      |                                                                     |                                                             |
| USA                                                      | 18.0                                 | 3.9                                                                 | 0.99                                                        |
| Non-U.S. Developed                                       | 13.0                                 | 5.1                                                                 | 0.92                                                        |
| Emerging Markets                                         | 9.0                                  | 5.6                                                                 | 0.83                                                        |
| Private Equity                                           | 14.0                                 | 6.7                                                                 | 1.41                                                        |
| <b>Stable Value</b>                                      |                                      |                                                                     |                                                             |
| Government Bonds                                         | 16.0                                 | (0.7)                                                               | (0.05)                                                      |
| Absolute Return (Including Credit Sensitive Investments) | -                                    | 1.8                                                                 | -                                                           |
| Stable Value Hedge Funds                                 | 5.0                                  | 1.9                                                                 | 0.11                                                        |
| <b>Real Return</b>                                       |                                      |                                                                     |                                                             |
| Real Estate                                              | 15.0                                 | 4.6                                                                 | 1.02                                                        |
| Energy, Natural Resources and Infrastructure             | 6.0                                  | 6.0                                                                 | 0.42                                                        |
| Commodities                                              | -                                    | 0.8                                                                 | -                                                           |
| <b>Risk Parity</b>                                       |                                      |                                                                     |                                                             |
| Risk Parity                                              | 8.0                                  | 3.0                                                                 | 0.30                                                        |
| <b>Asset Allocation Leverage</b>                         |                                      |                                                                     |                                                             |
| Cash                                                     | 2.0                                  | (1.5)                                                               | (0.03)                                                      |
| Asset Allocation Leverage                                | (6.0)                                | (1.3)                                                               | 0.08                                                        |
| Inflation Expectation                                    |                                      |                                                                     | 2.00                                                        |

**Buckholts Independent School District  
Notes to the Financial Statements  
For the Year Ended August 31, 2021**

|                              |              |             |
|------------------------------|--------------|-------------|
| Volatility Drag <sup>3</sup> |              | (0.67)      |
| <b>Expected Return</b>       | <b>100.0</b> | <b>7.33</b> |

<sup>1</sup> Target allocations are based on the FY 2020 policy model.

<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 8/31/20).

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

**G. Discount Rate Sensitivity Analysis**

The following shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the 7.25% discount rate that was used in measuring the Net Pension Liability:

|                                                              | <u>1% Decrease in<br/>Discount Rate</u><br>(6.25%) | <u>Discount Rate</u><br>(7.25%) | <u>1% Increase in<br/>Discount Rate</u><br>(8.25%) |
|--------------------------------------------------------------|----------------------------------------------------|---------------------------------|----------------------------------------------------|
| District's proportionate share of the net pension liability: | \$963,437                                          | \$624,804                       | \$349,673                                          |

**H. 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 \$624,804 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

|                                                                        |                     |
|------------------------------------------------------------------------|---------------------|
| District's Proportionate share of the collective net pension liability | \$ 624,804          |
| State's proportionate share that is associated with the District       | 731,208             |
| Total                                                                  | <u>\$ 1,356,012</u> |

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

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.0011666%, which was an increase of 0.0001981% from its proportion measured as of August 31, 2019.

**Changes since the Prior Actuarial Valuation**

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

For the year ended August 31, 2021, the District recognized pension expense of \$148,412 and revenue of \$87,948 for support provided by the State.

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 pensions from the following sources:

**Buckholts Independent School District  
Notes to the Financial Statements  
For the Year Ended August 31, 2021**

|                                                                                                                         | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual actuarial experience                                                            | \$ 1,141                                      | \$ 17,437                                    |
| Changes in actuarial assumptions                                                                                        | 144,977                                       | 61,643                                       |
| Differences between projected and actual investment earnings                                                            | 12,648                                        | -                                            |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | 148,562                                       | 53,913                                       |
| District contributions paid subsequent to the measurement date                                                          | 57,536                                        | -                                            |
| Total                                                                                                                   | <u>\$ 364,864</u>                             | <u>\$ 132,993</u>                            |

The \$57,536 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended<br/>August 31,</u> | <u>Pension Expense<br/>Amount</u> |
|----------------------------------|-----------------------------------|
| 2022                             | \$ 43,180                         |
| 2023                             | 41,821                            |
| 2024                             | 51,833                            |
| 2025                             | 27,818                            |
| 2026                             | 5,745                             |
| Thereafter                       | 3,938                             |

**NOTE 9 – DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. 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 Postemployment 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. The TRS-Care program was established in 1986 by the Texas Legislature.

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

**B. OPEB Plan Fiduciary Net Position**

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

# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

#### C. Benefits Provided

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

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

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

|                                           | 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          |

#### D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

|                                                   | <u>2020</u> | <u>2021</u> |
|---------------------------------------------------|-------------|-------------|
| Active Employee                                   | 0.65%       | 0.65%       |
| Districts (Employer)                              | 0.75%       | 0.75%       |
| Non-Employer Contributing Entity (State)          | 1.25%       | 1.25%       |
| Federal/Private Funding Remitted by the Districts | 1.25%       | 1.25%       |

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-21 biennium.

Contribution amounts for the fiscal year ending August 31, 2021, were as follows:

|                                      |          |
|--------------------------------------|----------|
| Member Contributions (Employee)      | \$7,034  |
| District Contributions (Employer)    | \$18,331 |
| NECE On-behalf Contributions (State) | \$9,977  |

#### E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the

# Buckholts Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

Total OPEB Liability to August 31, 2020.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

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).

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% a period of 13 years.

The total OPEB liability 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                                                                                                                            |
| Actuarial Assumptions:                 |                                                                                                                                                        |
| Inflation                              | 2.30%                                                                                                                                                  |
| Single Discount Rate                   | 2.33% as of August 31, 2020                                                                                                                            |
| Aging Factors                          | Based on Plan Specific Experience                                                                                                                      |
| Election Rates                         | Normal Retirement: 65% participation prior to age 65 and 40% after age 65.<br>25% of the pre-65 retirees are assumed to discontinue coverage at age 65 |
| Expenses                               | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.                     |
| Salary Increases                       | 3.05% to 9.05%, including inflation                                                                                                                    |
| Ad hoc Post-employment Benefit Changes | None                                                                                                                                                   |

#### F. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.3% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. *Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members.* Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### G. Sensitivity of the Net OPEB Liability

##### Discount Rate

The following presents the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the AA/Aa rate:



**Buckholts Independent School District  
Notes to the Financial Statements  
For the Year Ended August 31, 2021**

|                                                          | <u>1% Decrease in<br/>Discount Rate<br/>(1.33%)</u> | <u>Discount Rate<br/>(2.33%)</u> | <u>1% Increase in<br/>Discount Rate<br/>(3.33%)</u> |
|----------------------------------------------------------|-----------------------------------------------------|----------------------------------|-----------------------------------------------------|
| District's Proportionate Share of the Net OPEB Liability | \$912,323                                           | \$760,270                        | \$640,171                                           |

**Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

|                                                          | <u>1% Decrease</u> | <u>Current<br/>Healthcare Cost<br/>Trend Rate</u> | <u>1% Increase</u> |
|----------------------------------------------------------|--------------------|---------------------------------------------------|--------------------|
| District's Proportionate Share of the Net OPEB Liability | \$621,044          | \$760,270                                         | \$945,701          |

**H. 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 \$760,270 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 | \$ 760,270          |
| State's proportionate share that is associated with the District    | 1,021,621           |
| Total                                                               | <u>\$ 1,781,891</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 the OPEB 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 OPEB Liability was 0.0019999%, which was an increase of 0.0008423% from its proportion measured as of August 31, 2019.

**Changes Since the Prior Actuarial Valuation**

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

- The discount rate changed from 2.63% 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 decreased the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the Total OPEB Liability.

There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the District recognized OPEB expense of \$24,628, and revenue of (\$7,094) for support provided by the State.

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 OPEB from the following sources:

**Buckholts Independent School District  
Notes to the Financial Statements  
For the Year Ended August 31, 2021**

|                                                                                                                         | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual economic experience                                                             | \$ 39,807                                     | \$ 347,939                                   |
| Changes in actuarial assumptions                                                                                        | 46,893                                        | 208,774                                      |
| Differences between projected and actual investment earnings                                                            | 247                                           | -                                            |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | 486,972                                       | -                                            |
| District contributions paid subsequent to the measurement date                                                          | 18,331                                        | -                                            |
| Total                                                                                                                   | <u>\$ 592,250</u>                             | <u>\$ 556,713</u>                            |

The \$18,331 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended<br/>August 31,</u> | <u>OPEB Expense<br/>Amount</u> |
|----------------------------------|--------------------------------|
| 2022                             | \$ (17,551)                    |
| 2023                             | (17,584)                       |
| 2024                             | (17,603)                       |
| 2025                             | (17,598)                       |
| 2026                             | 2,710                          |
| Thereafter                       | 84,832                         |

**NOTE 10 – FRINGE BENEFITS PAID BY OTHER GOVERNMENTS**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2021, 2020, and 2019, the subsidy payments received by TRS-Care on behalf of the District were \$4,261, \$4,421, and \$3,354, respectively. The Texas Legislature in 2019 directed the transfer of funds to pay certain retiree benefit costs of TRS-Care. The District's proportionate share of the benefit of these transfers was \$2,671 for the year ended August 31, 2021. These payments are recorded as equal revenues and expenditures in the financial statements of the District.

**NOTE 11 – REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

| Revenue                            | General Fund      | Special Revenue<br>Funds | Debt Service<br>Fund | Total             |
|------------------------------------|-------------------|--------------------------|----------------------|-------------------|
| Property Taxes, Penalty & Interest | \$ 418,837        | \$ -                     | \$ 34,140            | \$ 452,977        |
| Interest Income                    | 662               | -                        | 42                   | 704               |
| Extra-curricular Activities        | 4,818             | -                        | -                    | 4,818             |
| Food Sales                         | -                 | 2,836                    | -                    | 2,836             |
| Activity Funds                     | -                 | 7,113                    | -                    | 7,113             |
| Donations                          | 10,000            | -                        | -                    | 10,000            |
| Other                              | 7,034             | 135                      | -                    | 7,169             |
| Total                              | <u>\$ 441,351</u> | <u>\$ 10,084</u>         | <u>\$ 34,182</u>     | <u>\$ 485,617</u> |

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

#### **NOTE 12 – JOINT VENTURE - SHARED SERVICE ARRANGEMENTS**

##### **Burleson-Milam Special Services Cooperative**

The District participates in the Burleson-Milam Special Services Cooperative, a shared services arrangement for special education resource services. This shared service arrangement includes nine participating independent school districts. Rockdale ISD is acting as fiscal agent and is also a member district. Funding is provided through state and local funds from member districts and through federal funds received by the Burleson-Milam Special Services Cooperative. Less than 3% of the activity of the shared service arrangement is attributable to the District. The District has a joint ownership interest in fixed assets purchased and the net equity of the Burleson-Milam Special Services Cooperative; however, the fiscal agent is not accumulating significant financial resources or obligations that would give rise to a future additional benefit or burden to the District, and member districts cannot receive any distribution of fund balances except in the event of dissolution. Member districts reimburse the fiscal agent for expenditures which exceed state and federal funding sources.

The District's total payments to the Burleson-Milam Special Services Cooperative for the year ended August 31, 2021, was \$12,665. The District's proportionate share of expenditures reported by the Co-op for the year ended August 31, 2021, was \$12,780. In addition, the Co-op spent \$49,879 on behalf of the District that was funded by IDEA-B Formula grant funds from the U. S. Department of Education.

#### **NOTE 13 – HEALTH CARE COVERAGE**

During the year ended August 31, 2021, employees of the District were covered by TRS-ActiveCare. TRS-ActiveCare is a statewide health care benefits program for employees of school districts, charter schools, regional education service centers, and other educational districts. The program was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. Participation in TRS-ActiveCare was mandatory for the District beginning on September 1, 2002.

The District paid premiums of \$225 per month per eligible employee participating in the health insurance program. Each employee paid the balance of their premium due, and, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums are paid to the TRS. Latest financial statements for TRS-ActiveCare are available for the year ended August 31, 2020, and are available on the TRS website.

#### **NOTE 14 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. To provide protection against risk of loss, during the year ended August 31, 2021, the District participated in the TASB Risk Management Fund's Property Casualty Program, with coverage in auto liability and physical damage, property, general liability, crime and liability for misconduct, Workers' Compensation Program, and Unemployment Compensation Program. These programs were created and are operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. Participating members execute Interlocal Agreements that define the responsibilities of the parties.

The TASB Risk Management Fund purchases stop-loss coverage for protection against catastrophic claims in the Auto, Liability and Property Casualty and Workers' Compensation Programs. The TASB Fund uses the services of independent actuaries to determine the adequacy of reserves and fully funds those reserves. Expenses for unemployment can be reasonably estimated, and there is not considered a need for aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2021, the TASB Fund anticipates the District has no additional liabilities for any of these programs. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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

**Buckholts Independent School District**  
**Notes to the Financial Statements**  
**For the Year Ended August 31, 2021**

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

**State and Federal Funding**

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. Any disallowed claims resulting from such audits could become a liability of the General Fund. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. 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 combined financial statements for such contingencies.

**Litigation**

From time to time the District is involved in legal proceedings relating to its operations as a school district. In the opinion of management, there are currently no legal matters that would result in any financial impact.

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

As discussed in Note 1. F., the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, effective September 1, 2020. Beginning net position of the Custodial Fund – Student Activity, which had previously not reported a net position, was restated to reflect a beginning net position of \$11,291, as shown in Exhibit E-2.

## **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.

**Buckholts Independent School District**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended August 31, 2021**

Exhibit G-1

| Data Control Codes                    | Budgeted Amounts                                  |              | Actual Amounts (GAAP Basis) | Variance with Final Budget Positive (Negative) |            |
|---------------------------------------|---------------------------------------------------|--------------|-----------------------------|------------------------------------------------|------------|
|                                       | Original                                          | Final        |                             |                                                |            |
| <b>REVENUES</b>                       |                                                   |              |                             |                                                |            |
| 5700                                  | Local & Intermediate Sources                      | \$ 375,500   | \$ 375,500                  | \$ 441,351                                     | \$ 65,851  |
| 5800                                  | State Program Revenues                            | 1,475,621    | 1,860,621                   | 1,805,936                                      | (54,685)   |
| 5900                                  | Federal Program Revenues                          | 5,000        | 20,000                      | 38,454                                         | 18,454     |
| 5020                                  | Total Revenues                                    | 1,856,121    | 2,256,121                   | 2,285,741                                      | 29,620     |
| <b>EXPENDITURES</b>                   |                                                   |              |                             |                                                |            |
| Current:                              |                                                   |              |                             |                                                |            |
| 0011                                  | Instruction                                       | 854,670      | 1,034,670                   | 1,041,391                                      | (6,721)    |
| 0012                                  | Library & Instructional Resources                 | 1,550        | 1,550                       | 1,152                                          | 398        |
| 0013                                  | Curriculum & Staff Development                    | 7,875        | 7,875                       | 3,038                                          | 4,837      |
| 0021                                  | Instructional Leadership                          | 2,550        | 42,550                      | 36,785                                         | 5,765      |
| 0023                                  | School Leadership                                 | 50,880       | 85,880                      | 84,626                                         | 1,254      |
| 0031                                  | Guidance & Counseling                             | 625          | 7,625                       | 4,855                                          | 2,770      |
| 0033                                  | Health Services                                   | 1,400        | 1,400                       | 692                                            | 708        |
| 0034                                  | Student Transportation                            | 23,721       | 33,721                      | 30,985                                         | 2,736      |
| 0036                                  | Extracurricular Activities                        | 111,434      | 71,434                      | 67,812                                         | 3,622      |
| 0041                                  | General Administration                            | 321,351      | 548,351                     | 542,974                                        | 5,377      |
| 0051                                  | Plant Maintenance & Operations                    | 258,575      | 258,575                     | 249,206                                        | 9,369      |
| 0052                                  | Security & Monitoring Services                    | 35,978       | 17,478                      | 14,993                                         | 2,485      |
| 0053                                  | Data Processing Services                          | 41,189       | 67,689                      | 54,946                                         | 12,743     |
| 0061                                  | Community Services                                | 24,226       | 24,226                      | 20,958                                         | 3,268      |
| Debt Service:                         |                                                   |              |                             |                                                |            |
| 0071                                  | Principal on Long-Term Debt                       | 20,100       | 20,100                      | 20,638                                         | (538)      |
| 0072                                  | Interest on Long-Term Debt                        | 7,100        | 7,100                       | 6,325                                          | 775        |
| Capital Outlay:                       |                                                   |              |                             |                                                |            |
| 0081                                  | Facilities Acquisition and Construction           | 50,000       | 157,928                     | 145,351                                        | 12,577     |
| Intergovernmental:                    |                                                   |              |                             |                                                |            |
| 0093                                  | Payments to Shared Services Arrangements          | 12,780       | 12,780                      | 12,780                                         | -          |
| 0099                                  | Other Intergovernmental Charges                   | 12,000       | 12,000                      | 11,893                                         | 107        |
| 6030                                  | Total Expenditures                                | 1,838,004    | 2,412,932                   | 2,351,400                                      | 61,532     |
| 1100                                  | Excess (Deficiency) of Revenues over Expenditures | 18,117       | (156,811)                   | (65,659)                                       | 91,152     |
| <b>OTHER FINANCING SOURCES (USES)</b> |                                                   |              |                             |                                                |            |
| 8911                                  | Transfers Out                                     | (18,117)     | (38,117)                    | (15,000)                                       | 23,117     |
| 7080                                  | Total Other Financing Sources (Uses)              | (18,117)     | (38,117)                    | (15,000)                                       | 23,117     |
| 1200                                  | Net Change in Fund Balance                        | -            | (194,928)                   | (80,659)                                       | 114,269    |
| 0100                                  | Fund Balance, Beginning                           | 1,165,962    | 1,165,962                   | 1,165,962                                      | -          |
| 3000                                  | Fund Balance, Ending                              | \$ 1,165,962 | \$ 971,034                  | \$ 1,085,303                                   | \$ 114,269 |

The accompanying notes to required supplemental information are an integral part of these financial schedules.

**Buckholts Independent School District**  
**Schedule of the District's Proportionate Share of the Net Pension**  
**Liability of a Cost-Sharing Multiple-Employer Pension Plan –**  
**Teacher Retirement System of Texas**  
**For the Years Ending August 31**

Exhibit G-2

|                                                                                                    | <b>2021</b>         | <b>2020</b>         | <b>2019</b>         | <b>2018</b>       |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------|
| District's Proportion of the Net Pension Liability                                                 | 0.001167%           | 0.000968%           | 0.00106%            | 0.000787%         |
| District's Proportionate Share of the Net Pension Liability                                        | \$ 624,804          | \$ 503,447          | \$ 581,657          | \$ 251,589        |
| State's Proportionate Share of the Net Pension Liability Associated with the District              | 731,208             | 706,252             | 660,385             | 476,605           |
| Total                                                                                              | <u>\$ 1,356,012</u> | <u>\$ 1,209,699</u> | <u>\$ 1,242,042</u> | <u>\$ 728,194</u> |
| District's Covered Payroll                                                                         | \$ 1,046,141        | \$ 950,905          | \$ 866,486          | \$ 914,231        |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 59.72%              | 52.94%              | 67.13%              | 27.52%            |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                         | 75.54%              | 75.24%              | 73.74%              | 82.17%            |

|                                                                                                    | <b>2017</b>       | <b>2016</b>         | <b>2015</b>       |
|----------------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| District's Proportion of the Net Pension Liability                                                 | 0.000832%         | 0.120100%           | 0.000508%         |
| District's Proportionate Share of the Net Pension Liability                                        | \$ 314,296        | \$ 424,538          | \$ 135,587        |
| State's Proportionate Share of the Net Pension Liability Associated with the District              | 632,706           | 601,679             | 637,858           |
| Total                                                                                              | <u>\$ 947,002</u> | <u>\$ 1,026,217</u> | <u>\$ 773,445</u> |
| District's Covered Payroll                                                                         | \$ 963,185        | \$ 973,227          | \$ 1,045,857      |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 32.63%            | 43.62%              | 12.96%            |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                         | 78.00%            | 78.43%              | 83.25%            |

The amounts presented are determined as of the Plan's fiscal year ending August 31st of the prior year.

This schedule reflects the available years of data since the inception of GASB 68 and will eventually reflect ten years of data.

The accompanying notes to required supplemental information are an integral part of these financial schedules.

**Buckholts Independent School District**  
**Schedule of District Contributions to the Teacher Retirement**  
**System of Texas Pension Plan**  
**For the Years Ending August 31**

Exhibit G-3

|                                                                       | 2021         | 2020         | 2019         | 2018         | 2017         |
|-----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contributions                                  | \$ 57,536    | \$ 48,134    | \$ 34,285    | \$ 35,566    | \$ 25,494    |
| Contributions in Relation to the Contractually Required Contributions | 57,536       | 48,134       | 34,285       | 35,566       | 25,494       |
| Contribution Deficiency (Excess)                                      | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| District's Covered Payroll                                            | \$ 1,082,241 | \$ 1,046,141 | \$ 950,905   | \$ 866,486   | \$ 914,231   |
| Contributions as a Percentage of Covered Payroll                      | 5.32%        | 4.60%        | 3.61%        | 4.10%        | 2.79%        |
|                                                                       | 2016         | 2015         | 2014         | 2013         | 2012         |
| Contractually Required Contributions                                  | \$ 23,596    | \$ 32,340    | \$ 12,666    | \$ 15,780    | \$ 18,230    |
| Contributions in Relation to the Contractually Required Contributions | 23,596       | 32,340       | 12,666       | 15,780       | 18,230       |
| Contribution Deficiency (Excess)                                      | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| District's Covered Payroll                                            | \$ 963,185   | \$ 973,227   | \$ 1,045,857 | \$ 1,073,120 | \$ 1,121,343 |
| Contributions as a Percentage of Covered Payroll                      | 2.45%        | 3.32%        | 1.21%        | 1.47%        | 1.63%        |

The amounts are presented for the District's fiscal year ending August 31.

The accompanying notes to required supplemental information are an integral part of these financial schedules.



**Buckholts Independent School District**  
**Schedule of District's Proportionate Share of the Net OPEB**  
**Liability of a Cost-Sharing Multiple-Employer OPEB Plan - Texas**  
**Public School Retired Employees Group Insurance Program**  
**For the Years Ending August 31**

**Exhibit G-4**

|                                                                                                 | <b>2021</b>         | <b>2020</b>         | <b>2019</b>         | <b>2018</b>         |
|-------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| District's Proportion of the Net OPEB Liability                                                 | 0.002000%           | 0.001158%           | 0.001157%           | 0.001119%           |
| District's Proportionate Share of the Net OPEB Liability                                        | \$ 760,270          | \$ 547,458          | \$ 577,509          | \$ 486,469          |
| State's Proportionate Share of the Net OPEB Liability Associated with the District              | 1,021,621           | 727,451             | 678,124             | 695,009             |
| Total                                                                                           | <u>\$ 1,781,891</u> | <u>\$ 1,274,909</u> | <u>\$ 1,255,633</u> | <u>\$ 1,181,478</u> |
| <br>                                                                                            |                     |                     |                     |                     |
| District's Covered Payroll                                                                      | \$ 1,046,141        | \$ 950,905          | \$ 866,486          | \$ 914,231          |
| District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 72.67%              | 57.57%              | 66.65%              | 53.21%              |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                      | 4.99%               | 2.66%               | 1.57%               | 0.91%               |

The amounts presented are determined as of the Plan's fiscal year ending August 31st of the prior year.

This schedule reflects the available years of data since the inception of GASB 75 and will eventually reflect ten years of data.

The accompanying notes to required supplemental information are an integral part of these financial schedules.

**Buckholts Independent School District**  
**Schedule of District Contributions to the Texas Public School**  
**Retired Employees Group Insurance Program**  
**For the Years Ending August 31**

Exhibit G-5

|                                                                       | 2021         | 2020         | 2019         | 2018         | 2017         |
|-----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contributions                                  | \$ 18,331    | \$ 15,201    | \$ 8,322     | \$ 7,979     | \$ 5,799     |
| Contributions in Relation to the Contractually Required Contributions | 18,331       | 15,201       | 8,322        | 7,979        | 5,799        |
| Contribution Deficiency (Excess)                                      | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| District's Covered Payroll                                            | \$ 1,082,241 | \$ 1,046,141 | \$ 950,905   | \$ 866,486   | \$ 914,231   |
| Contributions as a Percentage of Covered Payroll                      | 1.69%        | 1.45%        | 0.88%        | 0.92%        | 0.63%        |
|                                                                       | 2016         | 2015         | 2014         | 2013         | 2012         |
| Contractually Required Contributions                                  | \$ 5,639     | \$ 7,844     | \$ 7,717     | \$ 15,780    | \$ 11,569    |
| Contributions in Relation to the Contractually Required Contributions | 5,639        | 7,844        | 7,717        | 15,780       | 11,569       |
| Contribution Deficiency (Excess)                                      | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| District's Covered Payroll                                            | \$ 963,185   | \$ 973,227   | \$ 1,045,857 | \$ 1,073,120 | \$ 1,121,343 |
| Contributions as a Percentage of Covered Payroll                      | 0.59%        | 0.81%        | 0.74%        | 1.47%        | 1.03%        |

The amounts are presented for the District's fiscal year ending August 31.

The accompanying notes to required supplemental information are an integral part of these financial schedules.

# **Buckholts Independent School District**

## **Notes to Required Supplemental Information**

### **For the Year Ended August 31, 2021**

#### **NOTE 1 – BUDGETARY DATA**

The Board of Trustees adopts an appropriated budget for the General Fund, the Food Service Fund, which is included in Special Revenue Funds, and the Debt Service Fund. These budgets are prepared using the same method of accounting as required for financial reporting, as required by law. Special Revenue Funds other than the Food Service Fund, which are primarily federal grant programs, utilize a budget developed at the administration level, subject to federal and state grant compliance requirements and approval by the grantor.

The District is required by law to present the adopted and final amended budgeted revenues and expenditures for each of these three funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget schedule appears in Exhibit G-1, the Food Service Fund budget schedule appears in Exhibit J-2, and the Debt Service Fund budget schedule is in Exhibit J-3.

These procedures are followed in adopting these budgets:

- a. On or before August 20th, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the revenues and other means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally adopted through passage of a resolution by the Board.
- d. Once a budget is approved, it can only be amended at the function and fund level by approval of the Board. Amendments are presented to the Board at its meetings. As required by law, such amendments are made before the budget is exceeded at the function level, are reflected in the official minutes of the Board, and are not made after fiscal year end.
- e. Unexpended appropriations lapse at year-end.
- f. Deficit fund balances are prohibited by state law.

Budgets amendments are necessary to meet unforeseen needs throughout the year. Amendments within a function do not require Board approval, but the Board must approve each amendment to a function level. All appropriations lapse at year end.

The District had expenditures exceeding budget in Function 11, Instruction, which was reported in Note 2 – Compliance and Accountability, to the financial statements. Debt service expenditures in Functions 71, 72 and 73, are combined for the purpose of budgetary compliance.

#### **NOTE 2 – DEFINED BENEFIT PENSION PLAN, EXHIBITS G-2 & G-3**

Exhibit G-2 reflects the available years of data since the inception of GASB 68 in fiscal year 2014-15 and will eventually reflect ten years of data.

Current actuarial methods and assumptions used for funding purposes can be found in the Actuarial Assumptions, Section E of Note 8, to the basic financial statements. Changes in actuarial assumptions and changes in benefits since the prior actuarial valuation can be found in Section H. Previously reported changes in actuarial assumptions since the inception of GASB 68 reported in previous years follows.

#### **Changes in 2019-20**

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

# **Buckholts Independent School District**

## **Notes to Required Supplemental Information**

### **For the Year Ended August 31, 2021**

#### **Changes in 2018-19**

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017, to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.

#### **Changes in 2015-16**

##### *Economic Assumptions*

- Inflation assumption was decreased from 3.00% to 2.50%.
- Ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- Small adjustments in the service-based promotional/longevity component of the salary scale.
- Payroll growth assumption was lowered from 3.50% to 2.50%.

##### *Mortality Assumptions*

- Post-retirement mortality tables for retirees were updated to reflect recent TRS member experience. Future mortality rates will be assumed to continue to improve using a fully generational approach and Scale BB.
- Pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table. Future mortality rates will be assumed to continue to improve using a fully generational approach and Scale BB.

##### *Other Demographic Assumptions*

- Methodology for projecting rehires was modified to add a more explicit valuation of the rehire incidence in the termination liabilities. There were adjustments to the termination patterns for members consistent with experience and future expectations, and to reflect the rehire assumption.
- Small adjustments were made to the retirement patterns and to disability patterns for members consistent with experience. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

##### *Actuarial Methods and Policies*

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

### **NOTE 3 – DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN, EXHIBITS G-4 & G-5**

Exhibit G-4 reflects the available years of data since the inception of GASB 75 in fiscal year 2017-18 and will eventually reflect ten years of data.

Current actuarial methods and assumptions used for funding purposes can be found in the Actuarial Assumptions, Section E of Note 9, to the basic financial statements. Changes in actuarial assumptions and changes in benefits since the prior actuarial valuation can be found in Section H. Previously reported changes in actuarial assumptions and changes in benefits reported in previous years follows.

#### **Changes in 2019-20**

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

## **Buckholts Independent School District Notes to Required Supplemental Information For the Year Ended August 31, 2021**

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

### **Changes in 2018-19**

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- The discount rate was changed from 3.42% as of August 31, 2017, to 3.69% as of August 31, 2018.

The 85<sup>th</sup> Legislature, Regular Session, passed statutory changes to benefits in House Bill 3976 which became effective on September 1, 2017. The changes: created a high-deductible health plan that provided a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017, and are not eligible to enroll in Medicare; created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants; allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare; allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period; and, eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

### **Changes in 2017-18**

Significant plan changes were adopted during fiscal year ending August 31, 2017.

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage.
- The assumption that the savings related to the Medicare Part D reimbursements would phase out by 2022 was removed. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.
- The valuation impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include: 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%; premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax; and, there were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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## **Other Information**

Other supplementary information includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It does include information required by TEA.

**Buckholts Independent School District**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**August 31, 2021**

|                                                            | 212                    | 240               | 255                    | 289                    |
|------------------------------------------------------------|------------------------|-------------------|------------------------|------------------------|
| Data Control Codes                                         | ESEA, Title II, Part A | Food Service Fund | ESEA, Title II, Part A | Other Federal Programs |
| <b>ASSETS</b>                                              |                        |                   |                        |                        |
| 1110 Cash & Cash Equivalents                               | \$ -                   | \$ 10,627         | \$ -                   | \$ -                   |
| 1120 Current Investments                                   | -                      | -                 | -                      | -                      |
| 1220 Delinquent Property Taxes Receivable                  | -                      | -                 | -                      | -                      |
| 1230 Allowance for Uncollectable Taxes                     | -                      | -                 | -                      | -                      |
| 1240 Due from Other Governments                            | -                      | 8,862             | 2,105                  | 14,474                 |
| 1000 Total Assets                                          | <u>\$ -</u>            | <u>\$ 19,489</u>  | <u>\$ 2,105</u>        | <u>\$ 14,474</u>       |
| <b>LIABILITIES</b>                                         |                        |                   |                        |                        |
| 2110 Accounts Payable                                      | \$ -                   | \$ 1,051          | \$ -                   | \$ 2,584               |
| 2160 Accrued Wages Payable                                 | -                      | 2,108             | -                      | -                      |
| 2170 Due to Other Funds                                    | -                      | -                 | 2,105                  | 11,890                 |
| 2200 Accrued Expenditures                                  | -                      | 231               | -                      | -                      |
| 2000 Total Liabilities                                     | <u>-</u>               | <u>3,390</u>      | <u>2,105</u>           | <u>14,474</u>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                       |                        |                   |                        |                        |
| 2600 Unavailable Revenue - Property Taxes                  | -                      | -                 | -                      | -                      |
| <b>FUND BALANCES</b>                                       |                        |                   |                        |                        |
| Restricted:                                                |                        |                   |                        |                        |
| 3450 Grant Funds                                           | -                      | 16,099            | -                      | -                      |
| 3480 Debt Service                                          | -                      | -                 | -                      | -                      |
| Committed:                                                 |                        |                   |                        |                        |
| 3545 Other                                                 | -                      | -                 | -                      | -                      |
| 3000 Total Fund Balances                                   | <u>-</u>               | <u>16,099</u>     | <u>-</u>               | <u>-</u>               |
| 4000 Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ -</u>            | <u>\$ 19,489</u>  | <u>\$ 2,105</u>        | <u>\$ 14,474</u>       |



| 429                  |                       | 461                         |                   | 599                         |  | Total |
|----------------------|-----------------------|-----------------------------|-------------------|-----------------------------|--|-------|
| Other State Programs | Campus Activity Funds | Total Special Revenue Funds | Debt Service Fund | Nonmajor Governmental Funds |  |       |
| \$ -                 | \$ -                  | \$ 10,627                   | \$ 31,552         | \$ 42,179                   |  |       |
| -                    | 4,263                 | 4,263                       | -                 | 4,263                       |  |       |
| -                    | -                     | -                           | 691               | 691                         |  |       |
| -                    | -                     | -                           | (173)             | (173)                       |  |       |
| 4,044                | -                     | 29,485                      | 26                | 29,511                      |  |       |
| <u>\$ 4,044</u>      | <u>\$ 4,263</u>       | <u>\$ 44,375</u>            | <u>\$ 32,096</u>  | <u>\$ 76,471</u>            |  |       |
| <br>                 |                       |                             |                   |                             |  |       |
| \$ -                 | \$ -                  | \$ 3,635                    | \$ -              | \$ 3,635                    |  |       |
| -                    | -                     | 2,108                       | -                 | 2,108                       |  |       |
| 4,044                | -                     | 18,039                      | -                 | 18,039                      |  |       |
| -                    | -                     | 231                         | -                 | 231                         |  |       |
| <u>4,044</u>         | <u>-</u>              | <u>24,013</u>               | <u>-</u>          | <u>24,013</u>               |  |       |
| <br>                 |                       |                             |                   |                             |  |       |
| -                    | -                     | -                           | 518               | 518                         |  |       |
| <br>                 |                       |                             |                   |                             |  |       |
| -                    | -                     | 16,099                      | -                 | 16,099                      |  |       |
| -                    | -                     | -                           | 31,578            | 31,578                      |  |       |
| -                    | 4,263                 | 4,263                       | -                 | 4,263                       |  |       |
| -                    | 4,263                 | 20,362                      | 31,578            | 51,940                      |  |       |
| <u>\$ 4,044</u>      | <u>\$ 4,263</u>       | <u>\$ 44,375</u>            | <u>\$ 32,096</u>  | <u>\$ 76,471</u>            |  |       |

**Buckholts Independent School District**  
**Combining Statement of Revenues, Expenditures & Changes in**  
**Fund Balances**  
**For the Year Ended August 31, 2021**

| Data Control Codes                    |                                                   | 212<br>ESEA, Title II,<br>Part A | 240<br>Food Service<br>Fund | 255<br>ESEA, Title II,<br>Part A | 289<br>Other Federal<br>Programs |
|---------------------------------------|---------------------------------------------------|----------------------------------|-----------------------------|----------------------------------|----------------------------------|
| <b>REVENUES</b>                       |                                                   |                                  |                             |                                  |                                  |
| 5700                                  | Local & Intermediate Sources                      | \$ -                             | \$ 2,971                    | \$ -                             | \$ -                             |
| 5800                                  | State Program Revenues                            | -                                | 478                         | -                                | -                                |
| 5900                                  | Federal Program Revenues                          | 725                              | 94,818                      | 6,728                            | 29,337                           |
|                                       | Total Revenues                                    | 725                              | 98,267                      | 6,728                            | 29,337                           |
| <b>EXPENDITURES</b>                   |                                                   |                                  |                             |                                  |                                  |
| Current:                              |                                                   |                                  |                             |                                  |                                  |
| 0011                                  | Instruction                                       | 725                              | -                           | 6,728                            | 558                              |
| 0035                                  | Food Services                                     | -                                | 110,442                     | -                                | -                                |
| 0036                                  | Extracurricular Activities                        | -                                | -                           | -                                | -                                |
| 0052                                  | Security & Monitoring Services                    | -                                | -                           | -                                | 28,779                           |
| Debt Service:                         |                                                   |                                  |                             |                                  |                                  |
| 0071                                  | Principal On Long-Term Debt                       | -                                | -                           | -                                | -                                |
| 0072                                  | Interest On Long-Term Debt                        | -                                | -                           | -                                | -                                |
| 6030                                  | Total Expenditures                                | 725                              | 110,442                     | 6,728                            | 29,337                           |
| 1100                                  | Excess (Deficiency) of Revenues over Expenditures | -                                | (12,175)                    | -                                | -                                |
| <b>OTHER FINANCING SOURCES (USES)</b> |                                                   |                                  |                             |                                  |                                  |
| 7915                                  | Transfers In                                      | -                                | 15,000                      | -                                | -                                |
| 7080                                  | Total Other Financing Sources (Uses)              | -                                | 15,000                      | -                                | -                                |
| 1200                                  | Net Change in Fund Balance                        | -                                | 2,825                       | -                                | -                                |
| 0100                                  | Fund Balance, Beginning                           | -                                | 13,274                      | -                                | -                                |
| 3000                                  | Fund Balance, Ending                              | \$ -                             | \$ 16,099                   | \$ -                             | \$ -                             |

| 429                  | 461                   |                             | 599               | Total                       |
|----------------------|-----------------------|-----------------------------|-------------------|-----------------------------|
| Other State Programs | Campus Activity Funds | Total Special Revenue Funds | Debt Service Fund | Nonmajor Governmental Funds |
| \$ -                 | \$ 7,113              | \$ 10,084                   | \$ 34,182         | \$ 44,266                   |
| 4,044                | -                     | 4,522                       | 62,942            | 67,464                      |
| -                    | -                     | 131,608                     | -                 | 131,608                     |
| 4,044                | 7,113                 | 146,214                     | 97,124            | 243,338                     |
| -                    | -                     | 8,011                       | -                 | 8,011                       |
| -                    | -                     | 110,442                     | -                 | 110,442                     |
| -                    | 9,631                 | 9,631                       | -                 | 9,631                       |
| 4,044                | -                     | 32,823                      | -                 | 32,823                      |
| -                    | -                     | -                           | 75,000            | 75,000                      |
| -                    | -                     | -                           | 13,862            | 13,862                      |
| 4,044                | 9,631                 | 160,907                     | 88,862            | 249,769                     |
| -                    | (2,518)               | (14,693)                    | 8,262             | (6,431)                     |
| -                    | -                     | 15,000                      | -                 | 15,000                      |
| -                    | -                     | 15,000                      | -                 | 15,000                      |
| -                    | (2,518)               | 307                         | 8,262             | 8,569                       |
| -                    | 6,781                 | 20,055                      | 23,316            | 43,371                      |
| \$ -                 | \$ 4,263              | \$ 20,362                   | \$ 31,578         | \$ 51,940                   |

**Buckholts Independent School District  
Schedule of Delinquent Taxes Receivable  
For the Year Ended August 31, 2021**

Exhibit J-1

| Fiscal<br>Year<br>Ended<br>8/31 | 1         |                 | 2                                                              | 3                              | 10                              | 20                | 31              |                              |                 | 32                           | 40                           | 50 |
|---------------------------------|-----------|-----------------|----------------------------------------------------------------|--------------------------------|---------------------------------|-------------------|-----------------|------------------------------|-----------------|------------------------------|------------------------------|----|
|                                 | Tax Rate  |                 | Assessed /<br>Appraised<br>Value for<br>School Tax<br>Purposes | Beginning<br>Balance<br>9/1/20 | Current<br>Year's<br>Total Levy | Total Collections |                 |                              | Debt<br>Service | Entire Year's<br>Adjustments | Ending<br>Balance<br>8/31/21 |    |
|                                 | M & O     | Debt<br>Service |                                                                |                                |                                 | M & O             | Debt<br>Service | Entire Year's<br>Adjustments |                 |                              |                              |    |
| 2012 &<br>prior                 | Various   | Various         | Various                                                        | \$ 6,020                       |                                 |                   | \$ 4,395        | \$ 231                       | \$ (113)        | \$ 1,281                     |                              |    |
| 2013                            | \$ 1.0400 | \$ 0.0283       | \$ 27,604,044                                                  | 569                            |                                 |                   | 5               | -                            | (309)           | 255                          |                              |    |
| 2014                            | 1.0400    | 0.0412          | 28,414,632                                                     | 683                            |                                 |                   | 5               | -                            | (312)           | 366                          |                              |    |
| 2015                            | 1.0400    | 0.0610          | 29,492,007                                                     | 822                            |                                 |                   | 5               | -                            | (318)           | 499                          |                              |    |
| 2016                            | 1.0400    | 0.0667          | 28,541,559                                                     | 1,228                          |                                 |                   | 5               | -                            | (320)           | 903                          |                              |    |
| 2017                            | 1.0400    | 0.0620          | 32,742,015                                                     | 1,472                          |                                 |                   | 326             | 19                           | (318)           | 809                          |                              |    |
| 2018                            | 1.0400    | 0.0620          | 33,582,577                                                     | 1,856                          |                                 |                   | 672             | 40                           | (318)           | 826                          |                              |    |
| 2019                            | 1.0400    | 0.0620          | 35,709,347                                                     | 3,211                          |                                 |                   | 1,883           | 111                          | (939)           | 278                          |                              |    |
| 2020                            | 0.9700    | 0.0800          | 38,564,667                                                     | 13,079                         |                                 |                   | 8,801           | 726                          | (2,610)         | 942                          |                              |    |
| 2021                            | 0.9646    | 0.0800          | 40,982,290                                                     |                                | \$ 428,101                      |                   | 388,090         | 32,118                       | (3,495)         | 4,398                        |                              |    |
| 1000 TOTALS                     |           |                 |                                                                | \$ 28,940                      | \$ 428,101                      |                   | \$ 404,187      | \$ 33,245                    | \$ (9,052)      | \$ 10,557                    |                              |    |

**Buckholts Independent School District**  
**Budgetary Comparison Schedule - Food Service Fund**  
**For the Year Ended August 31, 2021**

Exhibit J-2

| Data Control Codes                    | Budgeted Amounts                                  |           | Actual Amounts (GAAP Basis) | Variance with Final Budget Positive (Negative) |            |
|---------------------------------------|---------------------------------------------------|-----------|-----------------------------|------------------------------------------------|------------|
|                                       | Original                                          | Final     |                             |                                                |            |
| <b>REVENUES</b>                       |                                                   |           |                             |                                                |            |
| 5700                                  | Local & Intermediate Sources                      | \$ 6,100  | \$ 6,100                    | \$ 2,971                                       | \$ (3,129) |
| 5800                                  | State Program Revenues                            | -         | -                           | 478                                            | 478        |
| 5900                                  | Federal Program Revenues                          | 84,100    | 84,100                      | 94,818                                         | 10,718     |
| 5020                                  | Total Revenues                                    | 90,200    | 90,200                      | 98,267                                         | 8,067      |
| <b>EXPENDITURES</b>                   |                                                   |           |                             |                                                |            |
| Current:                              |                                                   |           |                             |                                                |            |
| 0035                                  | Food Services                                     | 108,317   | 118,317                     | 110,442                                        | 7,875      |
| 6030                                  | Total Expenditures                                | 108,317   | 118,317                     | 110,442                                        | 7,875      |
| 1100                                  | Excess (Deficiency) of Revenues over Expenditures | (18,117)  | (28,117)                    | (12,175)                                       | 15,942     |
| <b>OTHER FINANCING SOURCES (USES)</b> |                                                   |           |                             |                                                |            |
| 7915                                  | Transfers In                                      | 18,117    | 38,117                      | 15,000                                         | (23,117)   |
| 7080                                  | Total Other Financing Sources (Uses)              | 18,117    | 38,117                      | 15,000                                         | (23,117)   |
| 1200                                  | Net Change in Fund Balance                        | -         | 10,000                      | 2,825                                          | (7,175)    |
| 0100                                  | Fund Balance, Beginning                           | 13,274    | 13,274                      | 13,274                                         | -          |
| 3000                                  | Fund Balance, Ending                              | \$ 13,274 | \$ 23,274                   | \$ 16,099                                      | \$ (7,175) |

**Buckholts Independent School District**  
**Budgetary Comparison Schedule - Debt Service Fund**  
**For the Year Ended August 31, 2021**

Exhibit J-3

| Data<br>Control<br>Codes | Budgeted Amounts             |           | Actual<br>Amounts<br>(GAAP Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |          |
|--------------------------|------------------------------|-----------|-----------------------------------|---------------------------------------------------------|----------|
|                          | Original                     | Final     |                                   |                                                         |          |
| <b>REVENUES</b>          |                              |           |                                   |                                                         |          |
| 5700                     | Local & Intermediate Sources | \$ 27,910 | \$ 27,910                         | \$ 34,182                                               | \$ 6,272 |
| 5800                     | State Program Revenues       | 60,990    | 60,990                            | 62,942                                                  | 1,952    |
| 5020                     | Total Revenues               | 88,900    | 88,900                            | 97,124                                                  | 8,224    |
| <b>EXPENDITURES</b>      |                              |           |                                   |                                                         |          |
| Debt Service:            |                              |           |                                   |                                                         |          |
| 0071                     | Principal On Long-Term Debt  | 82,600    | 75,000                            | 75,000                                                  | -        |
| 0072                     | Interest On Long-Term Debt   | 6,300     | 13,900                            | 13,862                                                  | 38       |
| 6030                     | Total Expenditures           | 88,900    | 88,900                            | 88,862                                                  | 38       |
| 1200                     | Net Change in Fund Balances  | -         | -                                 | 8,262                                                   | 8,186    |
| 0100                     | Fund Balances, Beginning     | 23,316    | 23,316                            | 23,316                                                  | -        |
| 3000                     | Fund Balances, Ending        | \$ 23,316 | \$ 23,316                         | \$ 31,578                                               | \$ 8,186 |

## **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***

To the Board of Trustees  
Buckholts Independent School District  
Buckholts, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckholts 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, and have issued my report thereon dated January 5, 2022.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding #2021-001, that I consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Finding #2021-001..

**District's Response to Findings**

The District's Response to Findings identified in my audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "Karl Kacir". The signature is written in a cursive, flowing style.

Karl Kacir, CPA  
January 5, 2022



# Buckholts Independent School District Schedule of Findings and Questioned Costs For the Year Ended August 31, 2021

## Section 1. Summary of Auditor's Results

Financial Statements:

|                                                                                                    |                        |
|----------------------------------------------------------------------------------------------------|------------------------|
| Type of auditor's report issued:                                                                   | Unmodified             |
| Internal control over financial reporting:                                                         |                        |
| One or more material weaknesses identified?                                                        | Yes, Finding #2021-001 |
| One or more significant deficiencies identified that are not considered to be material weaknesses? | No                     |
| Noncompliance material to financial statements noted?                                              | Yes, Finding #2021-001 |

## Section 2. Financial Statement Findings

### #2021-001 Material Weakness in Internal Controls over Procurement, and Material Noncompliance

#### Criteria

The District is responsible for establishing internal controls to ensure compliance with federal procurement laws. Federal procurement laws require quotes for purchases over \$10,000, and verification of suspension and debarment for purchases over \$25,000.

#### Condition

There were two purchases from federal grants that exceeded the \$10,000 threshold. One purchase was funded by multiple sources, including \$16,184 from Title IV, Part A, Subpart 1, and \$10,000 from the Small Rural Schools Achievement Grant. The second purchase was funded by ESSER I, Cares Act, for \$22,072. Multiple quotes were not obtained for either of these purchases, and the District did not check the vendor in the first purchase for suspension and debarment.

#### Cause

The District does not have processes established to obtain quotes under the micro-purchases standard, or check for suspension and debarment.

#### Effect or Potential Effect

Noncompliance with federal procurement laws and possible disallowance of costs.

#### Recommendation

Administration should establish processes for procurement from federal funding.

#### Views of Responsible Officials and Planned Corrective Actions

See the Corrective Action Plan.

## Section 3. Federal Award Findings and Questioned Costs

A Single Audit was not required for the current year.



## **BUCKHOLTS INDEPENDENT SCHOOL DISTRICT**

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January 19, 2022

**RE: Corrective Action Plan**

**Finding #2021-001 - Material Weakness in Internal Controls over Procurement, and Material Noncompliance**

Planned Corrective Action

The purchases from Title IV and the Small Rural Schools Grant were made by a previous superintendent. We believe that quotes were obtained from multiple sources, but documentation cannot be located. The District requested two quotes on the ESSER I purchase, but one vendor did not respond, and the District failed to follow up.

A State and Federal Grants Manual was already in place, but District staff failed to follow the procurement guidance.

District staff were instructed on purchasing requirements immediately, and purchase orders are monitored for compliance.

Anticipated Completion Date

Corrective action has been made

Contact Person

Name: Dr. Remy Godfrey

Title: Superintendent

Respectfully,

Dr. Remy Godfrey  
Superintendent  
Buckholts ISD

**Buckholts ISD**

203 South 10<sup>th</sup> Street | Buckholts, TX 76518 | PH:254-593-2744 | FAX: 254-593-2077  
| WWW.BUCKHOLTSISD.NET

**Buckholts Independent School District  
 Summary Schedule of Prior Audit Findings  
 For the Year Ended August 31, 2021**

| <u>Finding / Recommendation</u>                                                                          | <u>Current Status</u> | <u>Management's<br/>Explanation if Not<br/>Implemented</u> |
|----------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------------------|
| #2020-001 Controls over Data Reporting to TEA (Significant Deficiency)                                   | Resolved.             | N/A                                                        |
| #2020-002 Controls over Compliance with IDEA-B MOE and State Allotment Spending (Significant Deficiency) | Resolved.             | N/A                                                        |