

**ODEM-EDROY  
INDEPENDENT SCHOOL DISTRICT**

***ANNUAL FINANCIAL REPORT***

***FOR THE YEAR ENDED AUGUST 31, 2020***



**Lovvorn & Kieschnick**

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

**DIRECTORY OF OFFICIALS**

**AUGUST 31, 2020**

**BOARD OF TRUSTEES**

JACOB ROMERO	PRESIDENT
JANIE G. VARGAS	VICE-PRESIDENT
MARK MORENO	SECRETARY
BENJAMIN BREWER	MEMBER
JON R. WHATLEY	MEMBER
ANTHONY MARTINEZ	MEMBER
MAX MORENO	MEMBER

**OTHER OFFICIALS**

YOLANDA CARR	SUPERINTENDENT
TONYA ROMERO	BUSINESS MANAGER

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Odem-Edroy Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2020

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## *Introductory Section*

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CERTIFICATE OF BOARD

Odem-Edroy Independent School District  
Name of School District

San Patricio  
County

205905  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the 25<sup>th</sup> day of February, 2021.

Mark Moreno  
Board Secretary

Jacob Romero  
Board President

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

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## *Financial Section*

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**Lovvorn & Kieschnick, LLP**  
418 Peoples Street, Ste. 308  
Corpus Christi, TX 78401

**Independent Auditor's Report**

To the Board of Trustees  
Odem-Edroy Independent School District  
One Owl Square  
Odem, Texas 78370

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District as of August 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021 on our consideration of Odem-Edroy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Odem-Edroy Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

*Lovvorn & Kieschnick, LLP*

Lovvorn & Kieschnick, LLP

Corpus Christi, TX

February 25, 2021

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## *Management's Discussion and Analysis*

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# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2020 UNAUDITED

This section of Odem-Edroy Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

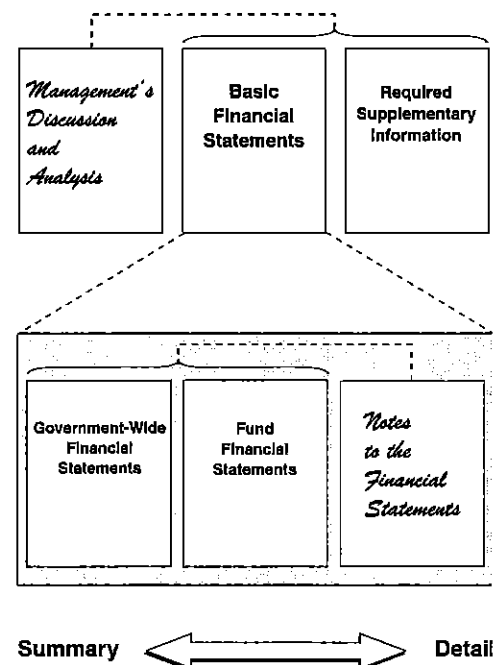
- The District's total combined net position was \$1,838,556 at August 31, 2020.
- During the year, the District's expenses were \$43,412 less than the \$14,298,106 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$4,401,221.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds statements* tell how *general government services* were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund statements* provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Internal Service fund*—The District's worker compensation insurance coverage costs are accounted for in an internal service fund. Costs related to worker compensation insurance coverage services provided to parties inside the District are distributed to the users of support services on a cost-reimbursement basis.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these

activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The District's combined net position was \$1,838,556 at August 31, 2020. (See Table A-1.)

**Table A-1**  
Odem-Edroy Independent School District's Net Position  
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2020	2019*	2020-2019
<b>Assets</b>			
Cash and Cash Equivalents	5.6	4.5	24.4%
Property Taxes Receivable (Net)	0.4	0.4	0.0%
Due from Other Governments	0.7	0.7	0.0%
Other Current Assets	0.2	-	0.0%
<b>Capital Assets</b>			
Land	0.6	0.6	0.0%
Buildings, Net	29.4	30.1	-2.3%
Furniture and Equipment, Net	0.7	0.6	16.7%
<b>Total Assets</b>	<b>37.6</b>	<b>36.9</b>	<b>1.9%</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge for Refundings	-	-	0.0%
Deferred Outflow Related to Pensions	1.3	1.5	-13.3%
Deferred Outflow Related to OPEB	0.5	0.5	0.0%
<b>Total Deferred Outflows of Resources</b>	<b>1.8</b>	<b>2.0</b>	<b>-10.0%</b>
<b>Liabilities</b>			
Accounts Payable	0.2	0.2	0.0%
Accrued Liabilities	0.5	0.3	66.7%
Unearned Revenue	0.1	0.1	0.0%
Due to Other Governments	0.9	-	0.0%
<b>Noncurrent Liabilities</b>			
Due within One Year	0.7	0.7	-5.4%
Due in More Than One Year	26.5	27.2	-2.6%
Net Pension Liability	2.7	3.0	-10.0%
Net OPEB Liability	3.5	4.0	-12.5%
<b>Total Liabilities</b>	<b>35.1</b>	<b>35.5</b>	<b>-1.2%</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflow Related to Pensions	0.7	0.3	133.3%
Deferred Inflow Related to OPEB	1.8	1.3	38.5%
<b>Total Deferred Inflows of Resources</b>	<b>2.5</b>	<b>1.6</b>	<b>56.3%</b>
<b>Net Position</b>			
Net Investment in Capital Assets	3.5	3.4	2.9%
Restricted	0.5	0.4	25.0%
Unrestricted	(2.2)	(2.0)	-10.0%
<b>Total Net Position</b>	<b>1.8</b>	<b>1.8</b>	<b>0.0%</b>

\*Restated

The (\$2,180,193) of unrestricted net position represents that part of the net position that is not restricted by parties outside the District.

## Changes in Net Position

The District's total revenues were \$14.3 million. A significant portion, 37 percent, of the District's revenue comes from taxes. 46 percent comes from state aid—formula grants, while only 16 percent from operating grants, and 1 percent other.

The total cost of all programs and services was \$14.3 million.

## Governmental Activities

- The Maintenance and Operation tax rate was \$1.068350. The Interest and Sinking property tax rate remained the same at \$0.50.

**Table A-2**  
Changes in Odem-Edroy Independent School District's Net Position  
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2020	2019*	2020-2019
Program Revenues:			
Charges for Services	0.1	0.1	0.0%
Operating Grants and Contributions	2.4	2.7	-11.1%
General Revenues:			
Property Taxes	5.2	5.2	0.0%
State Aid – Formula	6.5	6.4	1.6%
Investment Earnings	0.1	0.1	0.0%
Other	-	0.4	-100.0%
Total Revenues	14.3	14.9	-4.0%
Expenses:			
Instruction	6.8	6.0	13.3%
Instructional Resources and Media Services	0.2	0.2	0.0%
Curriculum Dev. and Instructional Staff Dev.	0.2	0.3	-33.3%
Instructional Leadership	0.1	0.1	0.0%
School Leadership	0.8	0.7	14.3%
Guidance, Counseling and Evaluation Services	0.4	0.2	100.0%
Health Services	0.2	0.1	100.0%
Student (Pupil) Transportation	0.4	0.4	0.0%
Food Services	0.8	0.7	14.3%
Curricular/Extracurricular Activities	0.8	0.7	14.3%
General Administration	0.7	0.7	0.0%
Plant Maintenance & Operations	1.5	1.6	-6.3%
Data Processing Services	0.3	0.2	50.0%
Debt Service	1.0	1.0	0.0%
Capital Outlay	-	-	0.0%
Other Intergovernmental Charges	0.1	0.1	0.0%
Total Expenses	14.3	13.1	9.2%
Increase (Decrease) in Net Position	-	1.8	-100.0%

\*Restated

- The cost of all *governmental* activities this year was \$14.3 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$5.2 million. Some of the cost was paid by grants totaling \$2.4 million.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

**Table A-3**  
Net Cost of Selected Odem-Edroy Independent School District Functions  
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2020	2019	% Change	2020	2019	% Change
Instruction	6.8	6.0	13.3%	5.5	4.7	17.0%
School Administration	0.7	0.7	0.0%	0.6	0.6	0.0%
Plant Maintenance & Operations	1.5	1.6	-6.3%	1.5	1.5	0.0%
Debt Service - Interest & Fiscal Charges	1.0	1.0	0.0%	1.0	1.0	0.0%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$14.1 million, a decrease of 2% from the preceding year.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Actual expenditures were \$1,445,271 under final budget amounts. The most significant positive variance resulted from plant maintenance and operations expenditures. Revenues were under budget by \$997,206.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the District had invested \$42.1 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$0.6 million.

**Table A-4**  
Odem-Edroy Independent School District's Capital Assets  
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Land	0.6	0.6	0.0%
Buildings and Improvements	37.5	37.4	0.3%
Vehicles	1.4	1.4	0.0%
Equipment	2.6	2.4	8.3%
<b>Totals at Historical Cost</b>	<b>42.1</b>	<b>41.8</b>	<b>0.7%</b>
Total Accumulated Depreciation	11.4	10.5	8.6%
<b>Net Capital Assets</b>	<b>30.7</b>	<b>31.3</b>	<b>-1.9%</b>

### Long Term Obligations

At year-end the District had \$25.3 million in bonds outstanding as shown in Table A-5. More detailed information about the District's obligations is presented in the notes to the financial statements.

The District had the following obligations at August 31, 2020:

**Table A-5**  
Odem-Edroy Independent School District's Long-Term Obligations  
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Bonds Payable	25.3	25.9	-2.3%
Plus Premiums	1.8	1.9	-5.3%
Capital Leases	0.1	0.1	0.0%
<b>Total Debt - Bonds and Notes</b>	<b>27.2</b>	<b>27.9</b>	<b>-2.5%</b>
Net Pension Liability	2.7	3.0	-10.0%
Net OPEB Liability	3.5	4.0	-12.5%
<b>Total Long-Term Obligations</b>	<b>33.4</b>	<b>34.9</b>	<b>-4.3%</b>



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

The economic factors influencing OEISD's budget for the 2020-21 school year include:

- Coronavirus Pandemic
- 86<sup>th</sup> Texas Legislative Session – House Bill 3 (HB3) School Finance Reform
- Local Property Values – Tax Rate Compression
- Safety & Security - Senate Bill 11 (SB11)

The Board of Trustees adopted a \$1 million deficit budget for 2020-21 providing:

- Teachers – Staffing Adjustments - Class Ratios
- Employee Retention Incentives
- Technology Purchases
- Classroom Equipment Purchases
- Remote Learning Alternatives
- CCMR Course Additions
- Vehicle Purchases
- Energy Efficiency Upgrades – Lighting, Clean Air, & HVAC
- Construction Projects – Hurricane Harvey Roof Replacements
- Insurance Premium Increases
- General Maintenance and Operation Cost Increases
- Expenditures due to Coronavirus
- Provision for unfunded mandates

The Texas coastal area economy remains strong due to its ties to the oil and gas industry, agriculture, tourism, and the port. Our local District property values are stable. The effects of the coronavirus pandemic are not entirely known. The District and Board of Trustees adopted a conservative general operating budget and practices prudent spending.

- The District is always focused on adding to Fund Balance, which increased in 2020.
- The District provided \$1,000 retention incentives to all employees.
- The District provided improved health insurance coverage at lower rate.
- The District signed a Chapter 313 Value of Limitations Agreement, which provided a positive financial gain on District revenues.
- The District initiated a Property Values Review of 2017.
- The District's student enrollment is stable and continues to be a focus.
- The District refined average daily attendance continues to be a daily focus.
- The District reopened in September for Face-to-Face (F2F) Instruction – 100%.
- The District serves a large population of economically disadvantaged students.
- The District qualified for four years of Community Eligibility Program (CEP) after Hurricane Harvey. This is year three.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

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## *Basic Financial Statements*

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**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION**

AUGUST 31, 2020

Data Control Codes		1	Governmental Activities
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	5,607,792
1225	Property Taxes Receivable (Net)		399,383
1240	Due from Other Governments		732,262
1290	Other Receivables (Net)		14,667
1300	Inventories		50,987
1410	Unrealized Expenses		119,618
Capital Assets:			
1510	Land		551,499
1520	Buildings and Improvements, Net		29,390,223
1530	Furniture and Equipment, Net		738,513
1800	Restricted Assets		1,375
1000	Total Assets		<u>37,606,319</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1701	Deferred Charge for Refunding		31,771
1705	Deferred Outflow Related to Pensions		1,253,870
1706	Deferred Outflow Related to OPEB		532,992
1700	Total Deferred Outflows of Resources		<u>1,818,633</u>
<b>LIABILITIES:</b>			
2110	Accounts Payable		165,882
2140	Interest Payable		45,090
2165	Accrued Liabilities		470,057
2180	Due to Other Governments		902,989
2300	Unearned Revenue		84,328
Noncurrent Liabilities:			
2501	Due Within One Year		743,421
2502	Due in More Than One Year		26,495,017
2540	Net Pension Liability		2,711,718
2545	Net OPEB Liability		3,515,977
2000	Total Liabilities		<u>35,134,479</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2605	Deferred Inflow Related to Pensions		646,035
2606	Deferred Inflow Related to OPEB		1,805,881
2600	Total Deferred Inflows of Resources		<u>2,451,917</u>
<b>NET POSITION:</b>			
3200	Net Investment in Capital Assets		3,486,105
Restricted For:			
3820	Federal and State Programs		209,340
3850	Debt Service		298,284
3890	Other		25,020
3900	Unrestricted		(2,180,193)
3000	Total Net Position	\$	<u>1,838,556</u>

The accompanying notes are an integral part of this statement.

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1  Expenses	3  Charges for Services	4 Program Revenues		Net (Expense) Revenue and Changes in Net Position
				Operating Grants and Contributions	Governmental Activities	
	Governmental Activities:					
11	Instruction	\$ 6,759,798	\$ 550	\$ 1,235,020	\$	(5,524,228)
12	Instructional Resources and Media Services	152,136	--	9,945		(142,191)
13	Curriculum and Staff Development	209,692	--	41,620		(168,072)
21	Instructional Leadership	76,523	--	1,072		(75,451)
23	School Leadership	838,426	--	54,117		(784,309)
31	Guidance, Counseling, & Evaluation Services	409,414	--	64,812		(344,602)
33	Health Services	148,591	--	26,901		(121,690)
34	Student Transportation	453,151	--	25,671		(427,480)
35	Food Service	771,957	21,471	714,506		(35,980)
36	Cocurricular/Extracurricular Activities	774,867	33,833	33,239		(707,795)
41	General Administration	709,987	--	107,702		(602,285)
51	Facilities Maintenance and Operations	1,548,016	--	58,476		(1,489,540)
52	Security and Monitoring Services	48,245	--	30,075		(18,170)
53	Data Processing Services	252,716	--	9,241		(243,475)
72	Interest on Long-term Debt	1,016,400	--	--		(1,016,400)
73	Bond Issuance Costs and Fees	1,500	--	--		(1,500)
81	Capital Outlay	677	--	--		(677)
99	Other Intergovernmental Charges	82,598	--	--		(82,598)
TG	Total Governmental Activities	<u>14,254,694</u>	<u>55,854</u>	<u>2,412,397</u>		<u>(11,786,443)</u>
TP	Total Primary Government	<u>\$ 14,254,694</u>	<u>\$ 55,854</u>	<u>\$ 2,412,397</u>		<u>(11,786,443)</u>
	General Revenues:					
MT	Property Taxes, Levied for General Purposes					3,569,910
DT	Property Taxes, Levied for Debt Service					1,663,893
IE	Investment Earnings					63,596
GC	Grants and Contributions Not Restricted to Specific Programs					6,510,429
MI	Miscellaneous					209,647
	Special and Extraordinary Items:					
S2	Special Item Outflow - Refund to TEA					(187,620)
TR	Total General Revenues					<u>11,829,855</u>
CN	Change in Net Position					43,412
NB	Net Position - Beginning (Restated)					1,795,144
NE	Net Position - Ending					<u>\$ 1,838,556</u>

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 5,279,128	\$ 188,319	\$ 60,817	\$ 5,528,264
1225 Taxes Receivable, Net	304,873	94,510	--	399,383
1240 Due from Other Governments	379,240	--	353,022	732,262
1260 Due from Other Funds	275,945	58,155	12,413	346,513
1290 Other Receivables	12,277	2,390	--	14,667
1300 Inventories	21,570	--	29,417	50,987
1410 Unrealized Expenditures	119,618	--	--	119,618
1800 Restricted Assets	--	--	1,375	1,375
1000 Total Assets	<u>6,392,651</u>	<u>343,374</u>	<u>457,044</u>	<u>7,193,069</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 121,904	\$ --	\$ 43,978	\$ 165,882
2150 Payroll Deductions & Withholdings	23,335	--	--	23,335
2160 Accrued Wages Payable	327,234	--	73,234	400,468
2170 Due to Other Funds	219,170	--	56,085	275,255
2180 Due to Other Governments	902,989	--	--	902,989
2200 Accrued Expenditures	7,597	--	6,666	14,263
2300 Unearned Revenue	84,328	--	--	84,328
2000 Total Liabilities	<u>1,686,557</u>	<u>--</u>	<u>179,963</u>	<u>1,866,520</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
2601 Unavailable Revenue - Property Taxes	<u>304,873</u>	<u>94,510</u>	<u>--</u>	<u>399,383</u>
2600 Total Deferred Inflows of Resources	<u>304,873</u>	<u>94,510</u>	<u>--</u>	<u>399,383</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410 Inventories	21,570	--	29,417	50,987
3430 Prepaid Items	119,618	--	--	119,618
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	179,923	179,923
3480 Retirement of Long-Term Debt	--	248,864	--	248,864
3490 Other Restrictions of Fund Balance	--	--	37,560	37,560
Committed Fund Balances:				
3545 Other Committed Fund Balance	--	--	30,181	30,181
3600 Unassigned	<u>4,260,033</u>	<u>--</u>	<u>--</u>	<u>4,260,033</u>
3000 Total Fund Balances	<u>4,401,221</u>	<u>248,864</u>	<u>277,081</u>	<u>4,927,166</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 6,392,651</u>	<u>\$ 343,374</u>	<u>\$ 457,044</u>	<u>\$ 7,193,069</u>

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2020**

Total fund balances - governmental funds balance sheet	\$ 4,927,166
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	30,680,235
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	399,382
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	(23,721)
Payables for bond principal which are not due in the current period are not reported in the funds.	(25,319,998)
Payables for capital leases which are not due in the current period are not reported in the funds.	(119,238)
Payables for bond interest which are not due in the current period are not reported in the funds.	(45,090)
Unamortized deferred charge for refunding is not reported in the funds.	31,771
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,711,718)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(646,035)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,253,870
Bond premiums are amortized in the SNA but not in the funds.	(1,799,202)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,515,977)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,805,881)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	532,992
Net position of governmental activities - Statement of Net Position	\$ <u>1,838,556</u>

The accompanying notes are an integral part of this statement.



**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 3,699,056	\$ 1,658,312	\$ 177,267	\$ 5,534,635
5800 <i>State Program Revenues</i>	6,643,468	53,414	287,075	6,983,957
5900 <i>Federal Program Revenues</i>	146,546	--	1,439,193	1,585,739
5020 <i>Total Revenues</i>	<u>10,489,070</u>	<u>1,711,726</u>	<u>1,903,535</u>	<u>14,104,331</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	5,028,568	--	871,524	5,900,092
0012 <i>Instructional Resources and Media Services</i>	134,385	--	--	134,385
0013 <i>Curriculum and Staff Development</i>	153,747	--	34,021	187,768
0021 <i>Instructional Leadership</i>	71,471	--	--	71,471
0023 <i>School Leadership</i>	733,167	--	--	733,167
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	315,938	--	44,925	360,863
0033 <i>Health Services</i>	112,836	--	18,776	131,612
0034 <i>Student Transportation</i>	378,435	--	3,640	382,075
0035 <i>Food Service</i>	2,640	--	684,305	686,945
0036 <i>Cocurricular/Extracurricular Activities</i>	595,489	--	101,305	696,794
0041 <i>General Administration</i>	599,653	--	33,574	633,227
0051 <i>Facilities Maintenance and Operations</i>	1,616,075	--	4,328	1,620,403
0052 <i>Security and Monitoring Services</i>	15,051	--	29,399	44,450
0053 <i>Data Processing Services</i>	250,768	--	366	251,134
0071 <i>Principal on Long-term Debt</i>	36,288	600,000	--	636,288
0072 <i>Interest on Long-term Debt</i>	7,186	1,097,413	--	1,104,599
0073 <i>Bond Issuance Costs and Fees</i>	--	1,500	--	1,500
0081 <i>Capital Outlay</i>	--	--	677	677
0099 <i>Other Intergovernmental Charges</i>	82,598	--	--	82,598
6030 <i>Total Expenditures</i>	<u>10,134,295</u>	<u>1,698,913</u>	<u>1,826,840</u>	<u>13,660,048</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>354,775</u>	<u>12,813</u>	<u>76,695</u>	<u>444,283</u>
Other Financing Sources and (Uses):				
8949 <i>Other Uses - Refund to TEA</i>	(187,620)	--	--	(187,620)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(187,620)</u>	<u>--</u>	<u>--</u>	<u>(187,620)</u>
1200 <i>Net Change in Fund Balances</i>	<u>167,155</u>	<u>12,813</u>	<u>76,695</u>	<u>256,663</u>
0100 <i>Fund Balances - Beginning (Restated)</i>	4,234,066	236,051	200,386	4,670,503
3000 <i>Fund Balances - Ending</i>	<u>\$ 4,401,221</u>	<u>\$ 248,864</u>	<u>\$ 277,081</u>	<u>\$ 4,927,166</u>

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2020*

Net change in fund balances - total governmental funds	\$ 256,663
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	279,083
The depreciation of capital assets used in governmental activities is not reported in the funds.	(918,217)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	28,264
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	600,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	36,288
(Increase) decrease in accrued interest from beginning of period to end of period.	635
The net revenue (expense) of internal service funds is reported with governmental activities.	(45,401)
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	87,564
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(270,963)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(10,505)
Change in net position of governmental activities - Statement of Activities	\$ <u>43,412</u>

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION****INTERNAL SERVICE FUND****AUGUST 31, 2020**

		Nonmajor Internal Service Fund	
Data Control Codes		Insurance Fund	
<b>ASSETS:</b>			
Current Assets:			
1110	Cash and Cash Equivalents	\$	79,528
Receivables:			
1260	Due from Other Funds		148,602
	Total Current Assets		228,130
1000	Total Assets		228,130
<b>LIABILITIES:</b>			
Current Liabilities:			
2170	Due to Other Funds	\$	219,860
2200	Accrued Expenses		31,991
	Total Current Liabilities		251,851
2000	Total Liabilities		251,851
<b>NET POSITION:</b>			
3900	Unrestricted		(23,721)
3000	Total Net Position	\$	(23,721)

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - INTERNAL SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2020

Data  
Control  
Codes

Nonmajor  
Internal Service  
Fund

Insurance  
Fund

**OPERATING REVENUES:**

5700 *Local and Intermediate Sources*  
5020 Total Revenues

\$ 35  
35

**OPERATING EXPENSES:**

6200 *Professional and Contracted Services*  
6400 *Other Operating Costs*  
6030 Total Expenses

32,855  
12,581  
45,436

1300 Change in Net Position

(45,401)

0100 Total Net Position - Beginning

21,680

3300 Total Net Position - Ending

\$ (23,721)

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2020**

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ --
<i>Cash Received from Grants</i>	--
<i>Cash Receipts (Payments) for Quasi-external         Operating Transactions with Other Funds</i>	--
<i>Cash Payments to Employees for Services</i>	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(43,915)
<i>Cash Payments for Grants to Other Organizations</i>	--
<i>Other Operating Cash Receipts (Payments)</i>	--
Net Cash Provided (Used) by Operating Activities	<u>(43,915)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Proceeds (Payments) from (for) Borrowings</i>	62,200
Net Cash Provided (Used) by Non-capital Financing Activities	<u>62,200</u>
<b>Cash Flows from Investing Activities:</b>	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,285
Cash and Cash Equivalents at Beginning of Year	61,243
Cash and Cash Equivalents at End of Year	<u><u>\$ 79,528</u></u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (45,401)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	--
<i>Increase (Decrease) in Accounts Payable</i>	--
<i>Increase (Decrease) in Accrued Expenses</i>	1,486
<i>Increase (Decrease) in Unearned Revenue</i>	--
Total Adjustments	<u>1,486</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (43,915)</u></u>

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2020**

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Trust Fund	Student Activity
	<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 673,484	\$ 39,020
1000	Total Assets	<u>673,484</u>	<u>39,020</u>
	<b>LIABILITIES:</b>		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ --	\$ 39,020
2000	Total Liabilities	<u>--</u>	<u>39,020</u>
	<b>NET POSITION:</b>		
3800	<i>Donor Restricted (Use Restricted)</i>	73,484	--
3801	<i>Donor Restricted (Corpus Restricted)</i>	600,000	
3000	Total Net Position	<u>\$ 673,484</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	Private Purpose Trust Fund Scholarship Fund
<b>Additions:</b>	
Investment Income	\$ 4,223
Contributions	68,272
Total Additions	<u>72,495</u>
<b>Deductions:</b>	
Scholarship Awards	<u>3,800</u>
Total Deductions	<u>3,800</u>
<b>Change in Net Position</b>	68,695
Net Position-Beginning of the Year	604,789
Net Position-End of the Year	<u>\$ 673,484</u>

The accompanying notes are an integral part of this statement.

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# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

### A. Summary of Significant Accounting Policies

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

#### 1. Reporting Entity

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

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

**Debt Service Fund:** This fund is used to account for the general long-term debt principal and interest for debt issues and other long-term debts for which tax has been dedicated.

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

In addition, the District reports the following fund types:

**Internal Service Funds:** These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

**Private-Purpose Trust Funds:** These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

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

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

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

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. **Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities 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 inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	10
Office Equipment	7
Computer Equipment	7

e. Deferred Outflows and Inflows of Resources

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

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

f. Receivable and Payable Balances

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

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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### NOTES TO THE FINANCIAL STATEMENTS

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

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

*GASB Statement No. 83, Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

*GASB Statement No. 92, Omnibus 2020*

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84*, and a Supersession of GASB Statement No. 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

**7. Future Implementation of New Standards**

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective

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or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
In the General Fund, Other Uses exceeded appropriations.	In the future, other uses will be budgeted prior to spending.

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Internal Service Fund	\$ 23,721	Deficit will be resolved in FYE 2021

**C. Deposits and Investments**

The Public Funds Investment Act (Texas 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, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

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

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$497,089 and the bank balance was \$828,302. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

As of August 31, 2020 the District had the following investments and maturities:

Investments	Investment Maturities (In Years)			
	Fair Values	Less than 1	1 to 2	2 to 3
Investment in Lone Star	\$ 5,224,572	\$ 5,224,572	--	--
Investment in TexPool	10	10	--	--
Certificate of Deposits	600,000	600,000	--	--
Total Fair Value	<u>\$ 5,824,582</u>	<u>\$ 5,824,582</u>	<u>\$ --</u>	<u>\$ --</u>

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. the District's investments in investment pools were rated AAA.

Concentration of Credit Risk -The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool is administered by First Public. The fair value of the funds in Lone Star is also the same fair value as Lone Star shares.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from Lone Star and TexPool are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that



# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from Lone Star or TexPool requires two signatures from authorized representatives in order to be processed.

### D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 551,499	\$ --	\$ --	\$ 551,499
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>551,499</u>	<u>--</u>	<u>--</u>	<u>551,499</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	37,408,001	58,600	--	37,466,601
Equipment	2,382,912	210,233	--	2,593,145
Vehicles	1,417,248	10,250	--	1,427,498
Total capital assets being depreciated	<u>41,208,161</u>	<u>279,083</u>	<u>--</u>	<u>41,487,244</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,309,222)	(767,157)	--	(8,076,379)
Equipment	(2,151,619)	(88,830)	--	(2,240,449)
Vehicles	(979,451)	(62,230)	--	(1,041,681)
Total accumulated depreciation	<u>(10,440,292)</u>	<u>(918,217)</u>	<u>--</u>	<u>(11,358,509)</u>
Total capital assets being depreciated, net	<u>30,767,869</u>	<u>(639,134)</u>	<u>--</u>	<u>30,128,735</u>
Governmental activities capital assets, net	<u>\$ 31,319,368</u>	<u>\$ (639,134)</u>	<u>\$ --</u>	<u>\$ 30,680,234</u>

Depreciation was charged to functions as follows:

Instruction	\$ 447,679
Instructional Resources and Media Services	10,039
Curriculum and Staff Development	13,837
Instructional Leadership	5,050
School Leadership	55,327
Guidance, Counseling, & Evaluation Services	27,017
Health Services	9,805
Student Transportation	62,230
Food Services	50,941
Extracurricular Activities	51,133
General Administration	46,851
Plant Maintenance and Operations	116,769
Security and Monitoring Services	3,184
Data Processing Services	18,356
	<u>\$ 918,218</u>

### E. Interfund Balances and Activities

#### 1. Due To and From Other Funds

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

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## NOTES TO THE FINANCIAL STATEMENTS

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Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 56,085	Short-term loans
General Fund	Internal Service Fund	219,860	For transfer of federal receipts
Debt Service Fund	General Fund	58,155	Debt service payments
Other Governmental Funds	General Fund	12,413	Short-term loans
Internal Service Fund	General Fund	148,602	To cover claims
	Total	\$ 495,115	

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

### 2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2020.

### F. Long-Term Obligations

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

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/19	Issued	Retired	Amounts Outstanding 8/31/20	Amounts Due Within One Year
Unlimited Tax School Building Bonds Series 2015	4.00%	23,080,000	22,395,000	--	325,000	22,070,000	335,000
Unlimited Tax Refunding Bonds, Series 2016	2.00% to 4.00%	3,585,000	3,525,000	--	275,000	3,250,000	280,000
Sub-Totals			25,920,000	--	600,000	25,320,000	615,000
Capital Leases			155,526	--	36,288	119,238	37,965
Bond Premiums on Refunding			1,889,658	--	90,456	1,799,202	90,456
Net Pension Liability			2,991,451	(97,148)	182,585	2,711,718	--
Net OPEB Liability			3,969,172	(400,429)	52,766	3,515,977	--
Total Governmental Activities			\$ 34,925,807	\$ (497,577)	\$ 962,095	\$ 33,466,135	\$ 743,421

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

#### 2. Debt Service Requirements

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

Year Ending August 31,	General Obligation Bonds		
	Principal	Interest	Total
2021	615,000	1,082,163	1,697,163
2022	630,000	1,063,712	1,693,712
2023	650,000	1,044,812	1,694,812
2024	670,000	1,025,313	1,695,313
2025	685,000	1,005,213	1,690,213
2026-2030	3,795,000	4,666,112	8,461,112
2031-2035	4,780,000	3,902,738	8,682,738
2036-2040	5,930,000	2,809,500	8,739,500
2041-2045	7,565,000	1,171,750	8,736,750
Totals	<u>\$ 25,320,000</u>	<u>\$ 17,771,313</u>	<u>\$ 43,091,313</u>

General Obligation Bonds are paid by the Debt Service Fund.

Defeased Bonds Outstanding -

The District had no defeased bonds outstanding as of August 31, 2020.

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

Odem-Edroy Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC rule 15c2-12 to enable investors to analyze the financial condition and operations of Odem-Edroy Independent School District.

#### 3. Capital Leases

During 2019, the District entered into a lease purchase agreement for the acquisition of two school buses at a cost of \$199,000. Beginning in 2019, the annual lease payment is \$43,474, payable in five equal annual installments at 4.62%.

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

Year Ending August 31:	
2021	43,474
2022	43,474
2023	43,474
Total	<u>130,422</u>
Less amount representing interest	<u>(11,184)</u>
Present value of future minimum lease payments	<u>\$ 119,238</u>

The effective interest rate on the capital lease is 4.62%

#### G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and

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there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**Unemployment Compensation**

During the year ended August 31, 2020, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

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

**Worker's Compensation**

The District has established the Worker's Compensation Internal Service Fund to account for and finance workers compensation claims. It is a modified self-insurance plan, known as SchoolComp. The Plan year began September 1, 2019 and ended September 1, 2020. The District's maximum financial exposure for the plan year is \$96,899. Any costs above \$96,899 or the 2019-2020 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is \$29,070.

Costs for any one claim above the self-insured retention are the shared responsibility of the remaining SchoolComp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy provides for specific stop-loss attachment at \$350,000 per occurrence and aggregate stop-loss attachment at \$11,653,213. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was (\$23,721) at 8/31/20 and is reported as net assets in the Workers' Compensation Internal Service Fund. The claims liability of \$31,991 reported in the fund at 8/31/20, is based on the information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities during the past year are:

	Year Ended 08/31/20	Year Ended 08/31/19
Unpaid claims, beginning of year	\$ 30,505	\$ 33,238
Current year claims and changes in estimate	46,922	37,565
Claim payments	(45,436)	(40,298)
Unpaid claims, end of year	<u>\$ 31,991</u>	<u>\$ 30,505</u>

**H. Pension Plan**

**1. Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67,

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

#### 2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

#### 3. Benefits Provided

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

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

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

#### 4. Contributions

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

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

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Contribution Rates</u>	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2020 Employer Contributions	\$ 232,041	
District's 2020 Member Contributions	\$ 531,244	
2019 NECE On-Behalf Contributions (state)	\$ 302,554	

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

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

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

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

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

#### 5. Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
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# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

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

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

### 6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
<b>Global Equity</b>			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
<b>Stable Value</b>			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
<b>Leverage</b>			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
<b>Expected Return</b>	<b>100.0%</b>	<b>100.0%</b>	<b>7.23%</b>
<p>* Target allocations are based on the Strategic Asset Allocation as of FY2019</p> <p>** New allocations are based on the Strategic Asset Allocation to be implemented FY2020</p> <p>*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%</p> <p>**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds</p> <p>***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility</p>			

### 7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 4,168,304	\$ 2,711,718	\$ 1,531,602

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

At August 31, 2020, the District reported a liability of \$2,711,718 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	\$ 2,711,718
State's proportionate share that is associated with District	4,493,669
<b>Total</b>	<b>\$ 7,205,387</b>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0052165347%, which was an increase (decrease) of -0.0002182753% from its proportion measured as of August 31, 2018.

#### Changes Since the Prior Actuarial Valuation -

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would



**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.

- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of \$1,207,145 and revenue of \$705,892 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,392	\$ 94,155
Changes in actuarial assumptions	841,308	347,668
Difference between projected and actual investment earnings	27,228	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	141,901	204,212
Contributions paid to TRS subsequent to the measurement date	232,041	--
Total	<u>\$ 1,253,870</u>	<u>\$ 646,035</u>

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

Year Ended August 31	Pension Expense Amount
2021	\$ 98,582
2022	\$ 67,132
2023	\$ 99,231
2024	\$ 105,945
2025	\$ 34,586
Thereafter	\$ (29,682)

**I. Defined Other Post-Employment Benefit Plans**

**1. Plan Description**

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

**2. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Com-

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

prehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

#### 3. Benefits Provided

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

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

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

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

#### 4. Contributions

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

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

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

District's 2020 Employer Contributions	\$	64,109
District's 2020 Member Contributions	\$	44,845
2019 NECE On-Behalf Contributions (state)	\$	70,110

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

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

#### 5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

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

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

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

#### Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

\* Includes inflation at 2.5%.

\*\*7.3% for FY2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

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

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

#### 6. Discount Rate

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

#### 7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 4,244,910	\$ 3,515,977	\$ 2,945,728

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

At August 31, 2020, the District reported a liability of \$3,515,977 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	\$ 3,515,977
State's proportionate share that is associated with the District	\$ 4,671,944
Total	<u>\$ 8,187,921</u>

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.0074347296%, which was an increase (decrease) of -0.0005145982% from its proportion measured as of August 31, 2018.

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 2,868,209	\$ 3,515,977	\$ 4,383,684

#### 9. Changes Since the Prior Actuarial Valuation

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$197,165 and revenue of \$123,133 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 172,488	\$ 575,352
Changes in actuarial assumptions	195,285	945,711
Differences between projected and actual investment earnings	379	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	100,731	284,818
Contributions paid to TRS subsequent to the measurement date	64,109	
Total	<u>\$ 532,992</u>	<u>\$ 1,805,881</u>

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

Year ended August 31,	OPEB Expense Amount
2021	\$ (215,134)
2022	\$ (215,134)
2023	\$ (215,257)
2024	\$ (215,330)
2025	\$ (215,311)
Thereafter	\$ (260,832)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1,

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$32,994.

### J. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$266 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2020, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the BlueCross BlueShield are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

### K. Commitments and Contingencies

#### 1. Contingencies

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

#### 2. Litigation

At August 31, 2020, the District was not involved in any lawsuits or other legal actions which, in Administrations opinion (based on discussions with legal counsel) would result in any direct loss to the District which would be material to its financial position.

### L. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020, are reported on the combined financial statements as Due from Other Governments and are summarized below:

Fund	State Entitlements	State Grants	Federal Grants	Total
General	\$ 379,240	\$ --	\$ --	\$ 379,240
Other Governmental	--	58,044	294,978	353,022
Total	\$ 379,240	\$ 58,044	\$ 294,978	\$ 732,262

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**M. Unearned Revenue**

Unearned revenue at year end consisted of the following:

Revenue Description	General Funds	Other Governmental Funds	Total
Grant Programs	\$ --	\$ --	\$ --
Other	84,328	--	84,328
Total Unearned Revenue	<u>\$ 84,328</u>	<u>\$ --</u>	<u>\$ 84,328</u>

**N. Tax Abatements**

The Odem-Edroy ISD Board of Trustees has approved an agreement with one company for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website:  
<https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that a company terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec. 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Below is the abatement information that is required by GASB Statement No. 77 for M&O purposes. It includes the net benefit to the District but does not include any I&S impact.

< A >	< B >	< C >	< D >	< E >	< F >	< G >
Project Value	Project's Value Limitation Amount	Amount of Applicant's M&O Taxes	Amount of Applicant's M&O Taxes	Company Revenue Loss Payment to School District	Company Supplemental Payment to School District	Net Benefit (Loss) to the School District 2019

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED AUGUST 31, 2020**

<u>Project</u>	<u>2019</u>	<u>2019</u>	<u>Paid 2019</u>	<u>Reduced 2019</u>	<u>2019</u>	<u>2019</u>	<u>(C+E+F)</u>
1.	\$40,498,120	--	\$432,662	--	--	--	\$432,662

## Project Description

1. EC & R Papalote Creek Wind Farm I (Application #139)  
First Year Value Limitation: 2011

**O. Fund Balance**

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2020:

## General Fund

## Nonspendable:

Inventories

\$ 21,570

Prepaid Items

119,618

141,188

Unassigned

4,260,033

Total General Fund fund balance

4,401,221

## Debt Service Fund

## Restricted For:

Retirement of Long-Term Debt

248,864

## Other Governmental Funds:

## Nonspendable:

Inventories

29,417

## Restricted:

Child Nutrition

83,123

Dyslexia

96,800

Donor Fund

23,919

Monsanto Fund

1,101

Capital Acquisition

12,540

217,483

## Committed:

Campus Activity

30,181

Total Other Governmental Fund fund balances

277,081

Total Governmental Fund fund balances

\$ 4,927,166**P. COVID - 19**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID - 19) a pandemic. The District is closely monitoring the situation, but the extent of financial impact to the District is unknown at this time.



**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED AUGUST 31, 2020****Q. Restatement of Net Position and Fund Balance**

During fiscal year 2020, the District determined a receivable had been understated in a shared service fund for Dyslexia in the prior year. The restatement is as follows:

	Other Governmental Funds Fund Balance	Government- wide Net Position
Beginning equity and fund balance, as originally stated	110,231	1,704,989
Restatement for understated receivable	90,155	90,155
Beginning equity and fund balance, restated	<u>200,386</u>	<u>1,795,144</u>

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### *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.

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,666,883	\$ 3,666,883	\$ 3,699,056	\$ 32,173
5800	State Program Revenues	7,643,676	7,643,676	6,643,468	(1,000,208)
5900	Federal Program Revenues	175,717	175,717	146,546	(29,171)
5020	Total Revenues	<u>11,486,276</u>	<u>11,486,276</u>	<u>10,489,070</u>	<u>(997,206)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,131,797	5,131,797	5,028,568	103,229
0012	Instructional Resources and Media Services	141,993	141,993	134,385	7,608
0013	Curriculum and Staff Development	198,079	198,079	153,747	44,332
	Total Instruction & Instr. Related Services	<u>5,471,869</u>	<u>5,471,869</u>	<u>5,316,700</u>	<u>155,169</u>
Instructional and School Leadership:					
0021	Instructional Leadership	73,700	73,700	71,471	2,229
0023	School Leadership	879,557	879,557	733,167	146,390
	Total Instructional & School Leadership	<u>953,257</u>	<u>953,257</u>	<u>804,638</u>	<u>148,619</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	320,191	320,191	315,938	4,253
0033	Health Services	108,798	108,798	112,836	(4,038)
0034	Student (Pupil) Transportation	472,331	472,331	378,435	93,896
0035	Food Services	60,586	60,586	2,640	57,946
0036	Cocurricular/Extracurricular Activities	658,415	658,415	595,489	62,926
	Total Support Services - Student (Pupil)	<u>1,620,321</u>	<u>1,620,321</u>	<u>1,405,338</u>	<u>214,983</u>
Administrative Support Services:					
0041	General Administration	693,780	693,780	599,653	94,127
	Total Administrative Support Services	<u>693,780</u>	<u>693,780</u>	<u>599,653</u>	<u>94,127</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,393,155	2,393,155	1,616,075	777,080
0052	Security and Monitoring Services	20,532	20,532	15,051	5,481
0053	Data Processing Services	258,179	258,179	250,768	7,411
	Total Support Services - Nonstudent Based	<u>2,671,866</u>	<u>2,671,866</u>	<u>1,881,894</u>	<u>789,972</u>
Debt Service:					
0071	Principal on Long-Term Debt	43,473	36,288	36,288	--
0072	Interest on Long-Term Debt	--	7,185	7,186	(1)
	Total Debt Service	<u>43,473</u>	<u>43,473</u>	<u>43,474</u>	<u>(1)</u>
0099	Other Intergovernmental Charges	125,000	125,000	82,598	42,402
	Total Intergovernmental Charges	<u>125,000</u>	<u>125,000</u>	<u>82,598</u>	<u>42,402</u>
6030	Total Expenditures	<u>11,579,566</u>	<u>11,579,566</u>	<u>10,134,295</u>	<u>1,445,271</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(93,290)</u>	<u>(93,290)</u>	<u>354,775</u>	<u>448,065</u>
Other Financing Sources (Uses):					
8949	Other Uses - Refund to TEA	--	--	(187,620)	(187,620)
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>(187,620)</u>	<u>(187,620)</u>

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

**EXHIBIT G-1**

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1200	Net Change in Fund Balance	(93,290)	(93,290)	167,155	260,445
0100	Fund Balance - Beginning	4,234,066	4,234,066	4,234,066	--
3000	Fund Balance - Ending	<u>\$ 4,140,776</u>	<u>\$ 4,140,776</u>	<u>\$ 4,401,221</u>	<u>\$ 260,445</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year Ended August 31,					
	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0052165347%	0.0054348100%	0.0053462233%	0.0059517448%	0.0062864000%	0.0046431000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,711,718	\$ 2,991,451	\$ 1,709,434	\$ 2,249,076	\$ 2,222,159	\$ 1,240,236
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	4,482,523	5,671,295	3,530,566	4,106,686	3,993,045	3,430,045
<b>Total</b>	<b>\$ 7,194,241</b>	<b>\$ 8,662,746</b>	<b>\$ 5,240,000</b>	<b>\$ 6,355,762</b>	<b>\$ 6,215,204</b>	<b>\$ 4,670,281</b>
District's Covered Payroll	\$ 6,110,947	\$ 6,648,831	\$ 6,302,594	\$ 6,302,594	\$ 6,426,118	\$ 6,351,725
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	44.37%	44.99%	27.12%	35.68%	34.58%	19.53%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only six years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,					
	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 232,041	\$ 187,247	\$ 188,835	\$ 175,218	\$ 189,102	\$ 186,572
Contribution in Relation to the Contractually Required Contribution	(232,041)	(187,247)	(188,835)	(175,218)	(189,102)	(186,572)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 6,899,275	\$ 6,110,947	\$ 6,648,831	\$ 6,622,891	\$ 6,554,676	\$ 6,426,118
Contributions as a percentage of Covered Payroll	3.36%	3.06%	2.84%	2.65%	2.88%	2.90%

Note: Only six years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year Ended August 31,		
	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0074347296%	0.0079493278%	0.0077393563%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 3,515,977	\$ 3,969,172	\$ 3,365,556
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	4,671,944	5,635,417	5,192,289
Total	<u>\$ 8,187,921</u>	<u>\$ 9,604,589</u>	<u>\$ 8,557,845</u>
District's Covered Payroll	\$ 6,110,947	\$ 6,648,831	\$ 6,302,594
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	57.54%	59.70%	53.40%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: Only three years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."



ODEM-EDROY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,		
	2020	2019	2018
Contractually Required Contribution	\$ 64,109	\$ 52,774	\$ 54,994
Contribution in Relation to the Contractually Required Contribution	(64,109)	(52,774)	(54,994)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 6,899,275	\$ 6,110,947	\$ 6,648,831
Contributions as a percentage of Covered Payroll	0.93%	0.86%	0.83%

Note: Only three years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2020

#### Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

#### Defined Benefit Pension Plan

##### *Changes of benefit terms*

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

##### *Changes of assumptions*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

### *Other Supplementary Information*

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

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

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2011 and Prior Years	\$	Various	\$	Various	\$	Various
2012		1.17		.1225		248,250,000
2013		1.04		.1267		283,259,110
2014		1.17		.1173		336,993,059
2015		1.17		.1283		366,415,540
2016		1.17		.4572		367,275,626
2017		1.17		.4789		292,875,068
2018		1.17		.50		271,448,562
2019		1.17		.50		288,536,686
2020 (School Year Under Audit)		1.068350		.50		331,681,959
1000 Totals						

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 188,328	\$ --	\$ 1,789	\$ 169	\$ (24,061)	\$ 162,309
22,515	--	1,020	107	--	21,388
25,782	--	1,191	145	1	24,447
37,929	--	1,626	163	(2)	36,138
54,134	--	4,602	505	2,432	51,459
96,437	--	5,136	2,007	3,593	92,887
120,229	--	11,593	4,745	5,000	108,891
138,573	--	26,867	11,482	828	101,052
201,071	--	53,720	22,957	(4,909)	119,485
--	5,201,934	3,383,642	1,583,580	(1,855)	232,857
<u>\$ 884,998</u>	<u>\$ 5,201,934</u>	<u>\$ 3,491,186</u>	<u>\$ 1,625,860</u>	<u>\$ (18,973)</u>	<u>\$ 950,913</u>

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****EXHIBIT J-2**

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2020

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2020 (Exhibit C-1 object 3000 for the General Fund only)	\$ 4,401,221
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	141,188
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	1,926,628
8	Estimate of delayed payments from state sources (58XX)	437,284
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	294,978
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	2,800,078
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 1,601,143

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive

Unassigned General Fund Fund Balance:

Excess fund balance will be used to build reserves for an emergency or operating expenses.

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

## NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 25,310	\$ 85,731	\$ 21,612	\$ (64,119)
5800	State Program Revenues	19,792	19,792	24,061	4,269
5900	Federal Program Revenues	535,000	508,065	678,910	170,845
5020	Total Revenues	580,102	613,588	724,583	110,995
<b>EXPENDITURES:</b>					
Current:					
	Support Services - Student (Pupil):				
0035	Food Services	640,688	674,174	674,323	(149)
	Total Support Services - Student (Pupil)	640,688	674,174	674,323	(149)
6030	Total Expenditures	640,688	674,174	674,323	(149)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(60,586)	(60,586)	50,260	110,846
1200	Net Change in Fund Balance	(60,586)	(60,586)	50,260	110,846
0100	Fund Balance - Beginning	62,280	62,280	62,280	--
3000	Fund Balance - Ending	\$ 1,694	\$ 1,694	\$ 112,540	\$ 110,846

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,700,128	\$ 1,700,128	\$ 1,658,312	\$ (41,816)
5800	State Program Revenues	--	--	53,414	53,414
5020	Total Revenues	<u>1,700,128</u>	<u>1,700,128</u>	<u>1,711,726</u>	<u>11,598</u>
EXPENDITURES:					
Current:					
Administrative Support Services:					
0041	General Administration	<u>1,500</u>	<u>--</u>	<u>--</u>	<u>--</u>
	Total Administrative Support Services	<u>1,500</u>	<u>--</u>	<u>--</u>	<u>--</u>
Debt Service:					
0071	Principal on Long-Term Debt	--	600,000	600,000	--
0072	Interest on Long-Term Debt	1,697,413	1,097,413	1,097,413	--
0073	Bond Issuance Costs and Fees	<u>--</u>	<u>1,500</u>	<u>1,500</u>	<u>--</u>
	Total Debt Service	<u>1,697,413</u>	<u>1,698,913</u>	<u>1,698,913</u>	<u>--</u>
6030	Total Expenditures	<u>1,698,913</u>	<u>1,698,913</u>	<u>1,698,913</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>1,215</u>	<u>1,215</u>	<u>12,813</u>	<u>11,598</u>
1200	Net Change in Fund Balance	<u>1,215</u>	<u>1,215</u>	<u>12,813</u>	<u>11,598</u>
0100	Fund Balance - Beginning	<u>236,051</u>	<u>236,051</u>	<u>236,051</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 237,266</u>	<u>\$ 237,266</u>	<u>\$ 248,864</u>	<u>\$ 11,598</u>



**Lovvorn & Kieschnick, LLP**  
418 Peoples Street, Ste. 308  
Corpus Christi, TX 78401

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

Board of Trustees  
Odem-Edroy Independent School District  
One Owl Square  
Odem, Texas 78370

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Odem-Edroy Independent School District's basic financial statements, and have issued our report thereon dated February 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Odem-Edroy Independent School 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Odem-Edroy Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Odem-Edroy Independent School District's internal control.

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

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

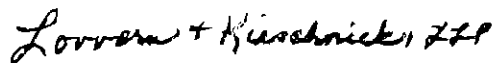
**Compliance and Other Matters**

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

## Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX  
February 25, 2021

**Lovvorn & Kieschnick, LLP**  
418 Peoples Street, Ste. 308  
Corpus Christi, TX 78401

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

Board of Trustees  
Odem-Edroy Independent School District  
One Owl Square  
Odem, Texas 78370

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

We have audited the Odem-Edroy Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Odem-Edroy Independent School District's major federal programs for the year ended August 31, 2020. Odem-Edroy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Odem-Edroy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

## Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX  
February 25, 2021

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

Version of compliance supplement used in audit: August 2020

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster:
	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

***CORRECTIVE ACTION PLAN***

***FOR THE YEAR ENDED AUGUST 31, 2020***

Program

Corrective Action

N/A

No corrective action required

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2020

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
Passed Through Texas Health and Human Services Commission				
Medicaid Administration Claiming Program	93.778	529-07-0157 -00119	\$ --	\$ 4,183
Total U. S. Department of Health and Human Services			--	4,183
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	20610101205905	--	352,342
IDEA-B Cluster:				
IDEA-B Formula	84.027A	20660001205905	--	170,234
IDEA-B Formula	84.027A	21660001205905	--	53,979
IDEA-B Preschool	84.173A	20661001205905	--	916
Total IDEA-B Cluster			--	225,129
Career and Technical - Basic Grant	84.048A	2042000617895	--	796
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	20694501205905	--	50,815
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	21694501205905	--	2,417
Total CFDA Number 84.367A			--	53,232
ESSER Grant	84.425D	20521001205905	--	110,032
Title IV, Part A, Subpart 1	84.424A	19680101205905	--	4,765
Title IV, Part A, Subpart 1	84.424A	20680101205905	--	16,393
Total CFDA Number 84.424A			--	21,158
Total Passed Through State Department of Education			--	762,689
Total U. S. Department of Education			--	762,689
<u>U. S. Department of Agriculture</u>				
Passed Through Texas Department of Agriculture:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	078491214	--	159,694
National School Lunch Program	10.555	078491214	--	448,711
Total Child Nutrition Cluster			--	608,405
Commodity Supplemental Food Program	10.565	078491214	--	57,203
NSLP Equipment Assistance Grant	10.579	078491214	--	13,302
Fresh Fruit & Vegetable Program	10.582	078491214	--	10,129
Total Passed Through Texas Department of Agriculture			--	689,039
Total U. S. Department of Agriculture			--	689,039
<u>Federal Emergency Management Agency</u>				
Passed Through Texas Department of Public Safety:				
Public Assistance Grant - Hurricane Harvey	97.036	078491214	--	13,100
Total Federal Emergency Management Agency			--	13,100
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 1,469,011

The accompanying notes are an integral part of this schedule.



**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	1,585,739
Less: School Health & Related Services (SHARS) revenues reported in General Fund	<u>(116,728)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>1,469,011</u>

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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