

***Tatum Independent School
District***

Annual Financial Report

***For the Year Ended
August 31, 2020***

Malnory, McNeal & Company, PC

Certified Public Accountants

TATUM INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

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

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Annual Financial Report
For The Year Ended August 31, 2020

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Introductory Section

CERTIFICATE OF BOARD

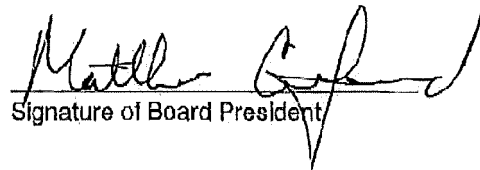
Tatum Independent School District
Name of School District

Panola and Busk
County

201-910
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 11th day of January, 2021.


Signature of Board Secretary


Signature of Board President

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

Financial Section

Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
Johnna W. McNeal, CPA
Beverly Smith, CPA

Members of
American Institute of Certified Public Accountants
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Elizabeth Hamm, CPA
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Independent Auditor's Report

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

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 Tatum 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 Tatum Independent School District as of August 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information section, and Schedule of Required Responses to Selected School First Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 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.

The Schedule of Required Responses to School First Indicators 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 January 11, 2021 on our consideration of the 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 the District's internal control over financial reporting and compliance.

Maloney, McNeal & Company PC

Certified Public Accountants

January 11, 2021
Paris, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Tatum 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 net position as of 8-31-2020 was \$28,325,090
- During the year, the District had general fund expenditures of \$14.79 million and revenues of \$14.02 million for a net deficit of \$778,000.
- The General Fund ended the year with a fund balance of \$10.18 million.

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.

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.

● 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 and liabilities. 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 they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are 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, state revenues, and federal 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 two 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, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **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 assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis of comparative balances and changes therein is inclusive of the current year's and prior year's operations. The analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District's governmental activities.

The District's total net position was \$28,325,090 at August 31, 2020. (See Table A-1) This is a decrease in Total Net Position of \$1.3 million from the year ending August 31, 2019. The net position may, over time serve as an indicator of a District's changing financial position.

Table A-1
Tatum Independent School District's Net Position
Taken from Exhibit A-1, Statement of Net Position
(In thousands of dollars)

| | Governmental Activities | |
|---|----------------------------|---------------|
| | <u>2020</u> | <u>2019</u> |
| Assets: | | |
| Total current assets | 13,761 | 13,670 |
| Total noncurrent assets | 45,042 | 46,666 |
| Total Assets | 58,803 | 60,336 |
| Deferred Outflows of Resources: | | |
| Deferred Outflow Related to Pensions | 2,104 | 2,774 |
| Deferred Outflow Related to OPEB | 1,597 | 1,558 |
| Total Deferred Outflows of Resources | 3,701 | 4,332 |
| Liabilities: | | |
| Total current liabilities | 1,482 | 1,483 |
| Total long-term liabilities | 16,467 | 17,254 |
| Net Pension Liability | 4,647 | 5,630 |
| Net OPEB Liability | 6,191 | 7,267 |
| Total Liabilities | 28,787 | 31,634 |

Deferred Inflows of Resources:

| | | |
|--------------------------------------|--------------|--------------|
| Deferred Gain on Bond Refunding | 708 | 771 |
| Deferred Inflow Related to Pensions | 1,196 | 342 |
| Deferred Inflow Related to OPEB | 3,488 | 2,298 |
| Total Deferred Outflows of Resources | <u>5,392</u> | <u>3,411</u> |

Net position:

| | | |
|----------------------------|---------------|---------------|
| Invested in capital assets | 27,866 | 28,641 |
| Restricted | 1,426 | 413 |
| Unrestricted | (967) | 567 |
| Total Net position | <u>28,325</u> | <u>29,621</u> |

The District's annual revenue as reported on the Government-wide statements totaled \$20.0 million, a 21% increase from the preceding year. This is comparable to what is found on Exhibit C-2--the Statement of Revenues, Expenditures, and Changes where total revenue for the district for the year is reported as \$19.6 million. As is typical, the largest portion of the District's revenue comes from state-funded programs. Local property taxes and federal grants account for the remaining significant revenue sources. The total cost of all programs and services as reported on the Government-wide statements was \$21.5 million; 55% of these costs were for instruction and instructional-related services, and 18% were for student support services.

Table A-2
Changes in Tatum Independent School District's Net Position
 Taken from Exhibit B-1, Statement of Activities
(In thousands of dollars)

| | Governmental Activities | |
|--|----------------------------|---------------|
| | <u>2020</u> | <u>2019</u> |
| Program Revenues: | | |
| Charges for Services | 1,109 | 1,102 |
| Operating Grants and Contributions | 3,102 | 3,451 |
| General Revenues | | |
| Property Taxes | 10,954 | 9,926 |
| State Aid – Formula | 3,932 | 1,501 |
| Investment Earnings | 152 | 288 |
| Grants and Contributions not restricted | 703 | |
| Other | 164 | 255 |
| Total Revenues | <u>20,116</u> | <u>16,523</u> |
| | | |
| Instruction | 10,867 | 10,248 |
| Instructional Resources and Media Services | 505 | 492 |
| Curriculum Dev. And Instructional Staff Dev. | 281 | 199 |
| Instructional Leadership | 339 | 309 |
| School Leadership | 998 | 1,035 |
| Guidance, Counseling and Evaluation Services | 978 | 1,380 |
| Social Work Services | | |
| Health Services | 199 | 188 |
| Student (Pupil) Transportation | 595 | 560 |
| Food Services | 1,076 | 1,154 |
| Curricular/Extracurricular Activities | 1,467 | 1,118 |
| General Administration | 1,002 | 884 |
| Plant Maintenance & Operations | 2,017 | 2,037 |
| Security & Monitoring Services | 57 | 62 |
| Data Processing Services | 387 | 279 |
| Community Services | 24 | 26 |
| Interest and Fees on Long-term Debt | 393 | 283 |
| Bond Issuance Costs and Fees | -- | 153 |
| Capital Outlay | | |
| Pmts Related to Shared Services Arrangement | 161 | 253 |
| Intergovernmental Charges | 190 | 192 |
| Total Expenses | <u>21,536</u> | <u>20,852</u> |

| | | |
|---------------------------------------|-----------|-----------|
| Increase (Decrease) in Net Position | (1,420) | (4,329) |
| Net Position—Beginning | 29,622 | 33,951 |
| Prior Period Adjustment | 123 | --- |
| Net Position – Beginning, as Restated | 29,745 | 33,951 |
| Net Position—Ending | \$ 28,325 | \$ 29,622 |

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.

- The cost of all *governmental* activities this year was \$21.5 million.
- Comparatively, the amount that Tatum ISD taxpayers paid for these activities through property taxes was \$11 million.
- A portion of the cost was paid by those who directly benefited from the programs (\$1.1 million).
- Another portion was paid by grants and contributions (\$3.1 million).

Table A-3
Net Cost of Selected District Functions
 Taken from Exhibit B-1, Statement of Activities
(in millions of dollars)

| | Total Cost of Services | | Net Cost of Services | |
|---|------------------------|--------|----------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Instruction | 10,867 | 10,248 | (9,185) | (8,292) |
| Plant Maintenance & Operations | 2,017 | 2,037 | (1,836) | (1,917) |
| Food Service | 1,075 | 1,154 | (261) | (171) |
| School Leadership | 997 | 1,035 | (946) | (959) |
| Cocurricular/Extracurricular Activities | 1,467 | 1,118 | (1,051) | (911) |
| Guidance, Counseling and Evaluation | 978 | 1,380 | (386) | (624) |

• **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$19.6 million, an increase of \$3.4 million over the preceding year.. and total costs for the district increased to \$1.3 million from the preceding year. Total revenues exceeded total expenditures by \$3,782. During the year, the District completed outfitting new classroom furniture for the Pre-K students. The District also purchases five new activity buses, new speakers for the coliseum, and a digital marquee sign for the primary campus, and a new washer/dryer for the food services department. There were two construction projects completed by year end; resurfacing the trans and replaces the turf at the football stadium.

General Fund Budgetary Highlights

Over the course of the year, the District revised its original budget by presenting budget amendments at regularly scheduled board meetings. Amendments were made to purchase a new marquee sign at the primary and execute the contract to resurface the track and replace the stadium turf. The original budget of \$14,388,738 was amended to \$14,859,748; however, only \$14,794,572 was actually spent.

• **CAPITAL ASSETS AND DEBT ADMINISTRATION**

• **Capital Assets**

At the end of FY 2020, the District had invested \$87.5 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 deletions) of \$1 million over last year.

Table A-4

District's Capital Assets
Taken from Footnote D

(in thousands of dollars)

| | Governmental Activities | |
|--------------------------------|----------------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Land | 1,018 | 1,018 |
| Buildings and improvements | 80,295 | 79,739 |
| Furniture and Equipment | 6,156 | 5,650 |
| Totals at historical cost | 87,469 | 86,407 |
| Total accumulated depreciation | (42,428) | (39,741) |
| Net capital assets | 45,041 | 46,666 |

● **Long Term Debt**

At year-end the District had long-term liabilities as shown in Table A-5. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-5
District's Long Term Liabilities

Taken from Footnote G and Exhibit A-1

(in millions of dollars)

| | Governmental Activities | |
|-------------------------------|----------------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Notes payable | | |
| Bonds payable | 15,260 | 15,940 |
| Discount/Premium/Loss | 1,207 | 1,314 |
| | 16,467 | 17,254 |
| Net Pension Liability | 4,647 | 5,630 |
| Net OPEB Liability | 6,191 | 7,267 |
| Total Governmental Activities | 27,305 | 30,151 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The 2019-2020 tax rate resulting from tax compression as required by HB3 was \$1.207 per \$100 of valuation. The Board of Trustees adopted a 2020-2021 tax rate of \$1.207 as a result of the second year of required tax compression.
- The freeze adjusted taxable property value used for the 2020-2021 budget preparation was 848,128,431, which was based on 2019 certified values as well as the preliminary 2020 values provided by the Lamar County Appraisal District. This amount was 7.4% lower than the estimated amount used for the 2019-2020 budget. When 2020 certified values were received in late July, freeze adjusted taxable value was \$805,588,031. This was a 7.9% increase over 2019 certified values.
- The District's 2019-2020 refined average daily attendance was 1,417.016, down from 1,419.226 for the previous year. However, this average only included the first 4 six-week attendance periods. COVID-19 shutdown covered the last two attendance periods of the year--from March 16th through May 22nd--and TEA's hold harmless ruling allowed the district to omit those periods from final ADA calculations. The 2020-2021 average daily attendance

is forecasted to be slightly lower; however, TEA has again granted a hold harmless ruling for the first semester of the 2020-2021 school year so that funding will not be affected by remote learning options.

These indicators were taken into account when preparing the budget for 2020-2021. The District adopted a budget of \$16.4 million for all board-approved funds. Amounts available for appropriation in the general fund budget were \$14.4 million, a decrease of \$295 thousand from the prior year.

General fund expenditures are budgeted to be \$14.4 million for 2020-2021. The most significant expenditure, salaries and benefits, makes up 79% of the total board-approved budget.

If the budgetary estimates for 2020-2021 are realized, the fund balance in the District's general fund is expected to remain constant by the close of fiscal year 2021.

● CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Any questions about this report or requests for additional financial information should be directed to the District's Business Office.

Basic Financial Statements

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

| Data Control Codes | 1 | Governmental Activities |
|--|---|----------------------------|
| ASSETS: | | |
| 1110 | <i>Cash and Cash Equivalents</i> | \$ 12,753,760 |
| 1225 | <i>Property Taxes Receivable (Net)</i> | 794,609 |
| 1240 | <i>Due from Other Governments</i> | 211,292 |
| 1250 | <i>Accrued Interest</i> | 1,353 |
| 1260 | <i>Internal Balances</i> | 1,070 |
| 1267 | <i>Due from Fiduciary</i> | (1,070) |
| Capital Assets: | | |
| 1510 | <i>Land</i> | 1,018,454 |
| 1520 | <i>Buildings and Improvements, Net</i> | 43,094,093 |
| 1530 | <i>Furniture and Equipment, Net</i> | 929,049 |
| 1000 | Total Assets | <u>58,802,610</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| | <i>Deferred Outflow Related to Pensions</i> | 2,104,123 |
| | <i>Deferred Outflow Related to OPEB</i> | 1,597,203 |
| 1700 | Total Deferred Outflows of Resources | <u>3,701,326</u> |
| LIABILITIES: | | |
| 2110 | <i>Accounts Payable</i> | 407,296 |
| 2140 | <i>Interest Payable</i> | 24,586 |
| 2165 | <i>Accrued Liabilities</i> | 83,306 |
| 2160 | <i>Accrued Wages Payable</i> | 711,268 |
| 2300 | <i>Unearned Revenue</i> | 255,810 |
| Noncurrent Liabilities: | | |
| 2501 | <i>Due Within One Year</i> | 445,000 |
| 2502 | <i>Due in More Than One Year</i> | 16,022,081 |
| 2540 | <i>Net Pension Liability</i> | 4,646,820 |
| 2545 | <i>Net OPEB Liability</i> | 6,190,837 |
| 2000 | Total Liabilities | <u>28,787,004</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| | <i>Deferred Gain on Bond Refunding</i> | 708,234 |
| | <i>Deferred Inflow Related to Pensions</i> | 1,195,416 |
| | <i>Deferred Inflow Related to OPEB</i> | 3,488,193 |
| 2600 | Total Deferred Inflows of Resources | <u>5,391,843</u> |
| NET POSITION: | | |
| 3200 | Net Investment in Capital Assets | 27,866,281 |
| Restricted For: | | |
| 3820 | Federal and State Programs | 110,661 |
| 3850 | Debt Service | 1,143,820 |
| 3870 | Campus Activities | 171,891 |
| 3900 | Unrestricted | (967,564) |
| 3000 | Total Net Position | <u>\$ 28,325,089</u> |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | Functions/Programs | 1 Expenses | 3 Program Revenues | | 4 Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|--------------------|---|---------------|-----------------------|-------------------------|---|---|
| | | | Charges for Services | Governmental Activities | | |
| | Governmental Activities: | | | | | |
| 11 | <i>Instruction</i> | \$ 10,866,986 | \$ 285,821 | \$ 1,395,818 | \$ (9,185,347) | |
| 12 | <i>Instructional Resources and Media Services</i> | 504,599 | -- | 26,689 | (477,910) | |
| 13 | <i>Curriculum and Staff Development</i> | 281,051 | 1,344 | 47,335 | (232,372) | |
| 21 | <i>Instructional Leadership</i> | 339,191 | 151,728 | 14,635 | (172,828) | |
| 23 | <i>School Leadership</i> | 997,377 | -- | 51,631 | (945,746) | |
| 31 | <i>Guidance, Counseling, & Evaluation Services</i> | 978,144 | 16,936 | 574,823 | (386,385) | |
| 33 | <i>Health Services</i> | 199,111 | -- | 10,511 | (188,600) | |
| 34 | <i>Student Transportation</i> | 594,811 | -- | 15,406 | (579,405) | |
| 35 | <i>Food Service</i> | 1,075,355 | 186,280 | 627,703 | (261,372) | |
| 36 | <i>Cocurricular/Extracurricular Activities</i> | 1,468,640 | 384,935 | 32,552 | (1,051,153) | |
| 41 | <i>General Administration</i> | 1,002,389 | 52,691 | 62,405 | (887,293) | |
| 51 | <i>Facilities Maintenance and Operations</i> | 2,016,507 | 23,715 | 156,687 | (1,836,105) | |
| 52 | <i>Security and Monitoring Services</i> | 56,741 | 269 | -- | (56,472) | |
| 53 | <i>Data Processing Services</i> | 386,628 | 5,699 | 85,875 | (295,054) | |
| 61 | <i>Community Services</i> | 24,227 | -- | -- | (24,227) | |
| 72 | <i>Interest on Long-term Debt</i> | 392,476 | -- | -- | (392,476) | |
| 73 | <i>Bond Issuance Costs and Fees</i> | 676 | -- | -- | (676) | |
| 93 | <i>Payments Related to Shared Services Arrangements</i> | 160,691 | -- | -- | (160,691) | |
| 99 | <i>Other Intergovernmental Charges</i> | 190,000 | -- | -- | (190,000) | |
| TG | Total Governmental Activities | 21,535,600 | 1,109,418 | 3,102,070 | (17,324,112) | |
| TP | Total Primary Government | \$ 21,535,600 | \$ 1,109,418 | \$ 3,102,070 | (17,324,112) | |
| | General Revenues: | | | | | |
| MT | <i>Property Taxes, Levied for General Purposes</i> | | | | 8,779,110 | |
| DT | <i>Property Taxes, Levied for Debt Service</i> | | | | 2,174,211 | |
| SF | <i>State Aid - Formula Grants</i> | | | | 3,931,861 | |
| IE | <i>Investment Earnings</i> | | | | 152,140 | |
| GC | <i>Grants and Contributions Not Restricted to Specific Programs</i> | | | | 703,192 | |
| MI | <i>Miscellaneous</i> | | | | 163,704 | |
| TR | Total General Revenues | | | | 15,904,218 | |
| CN | Change in Net Position | | | | (1,419,894) | |
| NB | Net Position - Beginning | | | | 29,621,921 | |
| PA | Prior Period Adjustment | | | | 123,062 | |
| | Net Position - Beginning, as Restated | | | | 29,744,983 | |
| NE | Net Position - Ending | | | | \$ 28,325,089 | |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds | |
|---------------------------------------|--|-------------------------------|--------------------------------|--------------------------------------|----------------------|
| ASSETS: | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 11,495,116 | \$ 1,112,922 | \$ 145,722 | \$ 12,753,760 |
| 1225 | Taxes Receivable, Net | 626,855 | 167,754 | -- | 794,609 |
| 1240 | Due from Other Governments | -- | 16,068 | 195,224 | 211,292 |
| 1250 | Accrued Interest | 1,353 | -- | -- | 1,353 |
| 1260 | Due from Other Funds | 820 | -- | 12,179 | 12,999 |
| 1000 | Total Assets | <u>12,124,144</u> | <u>1,296,744</u> | <u>353,125</u> | <u>13,774,013</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ 407,296 | \$ -- | \$ -- | \$ 407,296 |
| 2150 | Payroll Deductions & Withholdings | 1,987 | -- | -- | 1,987 |
| 2160 | Accrued Wages Payable | 644,070 | -- | 67,198 | 711,268 |
| 2170 | Due to Other Funds | 8,464 | -- | 4,535 | 12,999 |
| 2200 | Accrued Expenditures | 68,504 | -- | 12,815 | 81,319 |
| 2300 | Unearned Revenue | 255,810 | -- | -- | 255,810 |
| 2000 | Total Liabilities | <u>1,386,131</u> | <u>--</u> | <u>84,548</u> | <u>1,470,679</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| | Deferred Revenue - Property Tax | 562,298 | 152,924 | -- | 715,222 |
| 2600 | Total Deferred Inflows of Resources | <u>562,298</u> | <u>152,924</u> | <u>--</u> | <u>715,222</u> |
| FUND BALANCES: | | | | | |
| Restricted Fund Balances: | | | | | |
| 3450 | Federal/State Funds Grant Restrictions | -- | -- | 96,686 | 96,686 |
| 3480 | Retirement of Long-Term Debt | -- | 1,143,820 | -- | 1,143,820 |
| Committed Fund Balances: | | | | | |
| 3545 | Other Committed Fund Balance | -- | -- | 171,891 | 171,891 |
| 3600 | Unassigned | 10,175,715 | -- | -- | 10,175,715 |
| 3000 | Total Fund Balances | <u>10,175,715</u> | <u>1,143,820</u> | <u>268,577</u> | <u>11,588,112</u> |
| 4000 | Total Liabilities, Deferred Inflow of Resources and Fund Balances | <u>\$ 12,124,144</u> | <u>\$ 1,296,744</u> | <u>\$ 353,125</u> | <u>\$ 13,774,013</u> |

The accompanying notes are an integral part of this statement.

TATUM 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 | \$ 11,588,112 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 45,041,596 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 715,222 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (15,260,000) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (24,587) |
| Payables for unamortized bond premium are not due in the current period are not reported in the funds. | (1,207,080) |
| The deferred gain on refunding of debt is not reported in the funds. | (708,234) |
| Deferred Resource Inflows related to OPEB plan are not reported in the funds. | (3,488,193) |
| Recognition of the District's proportionate share of the net OPEB is not reported in the funds. | (6,190,837) |
| Deferred Resource Outflows related to OPEB plan are not reported in the funds. | 1,597,203 |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (4,646,820) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (1,195,416) |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 2,104,123 |
| Net position of governmental activities - Statement of Net Position | <u>\$ 28,325,089</u> |

The accompanying notes are an integral part of this statement.

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

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|----------------------|-------------------------|-----------------------------|--------------------------------|
| REVENUES: | | | | |
| 5700 Local and Intermediate Sources | \$ 9,169,813 | \$ 2,181,027 | \$ 1,063,602 | \$ 12,414,442 |
| 5800 State Program Revenues | 4,694,040 | 16,434 | 237,411 | 4,947,885 |
| 5900 Federal Program Revenues | 152,282 | -- | 2,102,480 | 2,254,762 |
| 5020 Total Revenues | <u>14,016,135</u> | <u>2,197,461</u> | <u>3,403,493</u> | <u>19,617,089</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 7,317,882 | -- | 1,267,538 | 8,585,420 |
| 0012 Instructional Resources and Media Services | 391,025 | -- | -- | 391,025 |
| 0013 Curriculum and Staff Development | 188,488 | -- | 37,097 | 225,585 |
| 0021 Instructional Leadership | 112,873 | -- | 188,453 | 301,326 |
| 0023 School Leadership | 759,796 | -- | -- | 759,796 |
| 0031 Guidance, Counseling, & Evaluation Services | 288,100 | -- | 537,271 | 825,371 |
| 0033 Health Services | 152,356 | -- | -- | 152,356 |
| 0034 Student Transportation | 847,799 | -- | -- | 847,799 |
| 0035 Food Service | -- | -- | 906,913 | 906,913 |
| 0036 Cocurricular/Extracurricular Activities | 955,426 | -- | 332,935 | 1,288,361 |
| 0041 General Administration | 801,414 | -- | 89,712 | 891,126 |
| 0051 Facilities Maintenance and Operations | 1,766,082 | -- | 138,826 | 1,904,908 |
| 0052 Security and Monitoring Services | 56,381 | -- | 360 | 56,741 |
| 0053 Data Processing Services | 230,019 | -- | 75,566 | 305,585 |
| 0061 Community Services | 20,050 | -- | -- | 20,050 |
| 0071 Principal on Long-term Debt | -- | 680,000 | -- | 680,000 |
| 0072 Interest on Long-term Debt | -- | 563,388 | -- | 563,388 |
| 0073 Bond Issuance Costs and Fees | -- | 676 | -- | 676 |
| 0081 Capital Outlay | 556,190 | -- | -- | 556,190 |
| 0093 Payments to Shared Service Arrangements | 160,691 | -- | -- | 160,691 |
| 0099 Other Intergovernmental Charges | 190,000 | -- | -- | 190,000 |
| 6030 Total Expenditures | <u>14,794,572</u> | <u>1,244,064</u> | <u>3,574,671</u> | <u>19,613,307</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | <u>(778,437)</u> | <u>953,397</u> | <u>(171,178)</u> | <u>3,782</u> |
| Other Financing Sources and (Uses): | | | | |
| 7915 Transfers In | -- | -- | 93,183 | 93,183 |
| 8911 Transfers Out | <u>(93,183)</u> | -- | -- | <u>(93,183)</u> |
| 7080 Total Other Financing Sources and (Uses) | <u>(93,183)</u> | -- | <u>93,183</u> | -- |
| 1200 Net Change in Fund Balances | <u>(871,620)</u> | <u>953,397</u> | <u>(77,995)</u> | <u>3,782</u> |
| 0100 Fund Balances - Beginning | 11,047,335 | 190,423 | 223,510 | 11,461,268 |
| 1300 Prior Period Adjustment | -- | -- | 123,062 | 123,062 |
| Fund Balances - Beginning, as Restated | 11,047,335 | 190,423 | 346,572 | 11,584,330 |
| 3000 Fund Balances - Ending | <u>\$ 10,175,715</u> | <u>\$ 1,143,820</u> | <u>\$ 268,577</u> | <u>\$ 11,588,112</u> |

The accompanying notes are an integral part of this statement.

TATUM 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 | \$ 3,782 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 1,061,912 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (2,686,224) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | (35,860) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 680,000 |
| Deferred gain on refunding and similar items are amortized in the SOA but not the funds. | 63,477 |
| (Increase) decrease in accrued interest from beginning or period to end of period | 907 |
| Bond premiums are reported in the funds but not in the SOA. | 106,528 |
| GASB 68 required that certain plan expenditures be de-expanded and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase. | 334,302 |
| Pension contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. | (318,643) |
| The District's proportionate share of the TRS pension expense on the decreased the change on the net pension | (555,517) |
| GASB 75 required that certain plan expenditures be de-expanded and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase. | 106,537 |
| OPEB contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. | (87,574) |
| The District's proportionate share of the TRS OPEB expense on the plan decreased the change on net position. | (93,521) |
| Change in net position of governmental activities - Statement of Activities | <u>\$ (1,419,894)</u> |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2020

| Data Control Codes | Private-purpose Trust Fund | Custodial Fund |
|---------------------------------------|---------------------------------------|-----------------------------|
| <u>ASSETS:</u> | <u>Private-Purpose Trust Fund</u> | <u>Student Activity</u> |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 26,328 | \$ 12,229 |
| 1000 Total Assets | <u>26,328</u> | <u>12,229</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| 2190 <i>Due to Student Groups</i> | \$ --- | \$ 12,229 |
| 2000 Total Liabilities | <u>---</u> | <u>12,229</u> |
| NET POSITION: | | |
| 3800 <i>Held in Trust</i> | 26,328 | -- |
| 3000 Total Net Position | <u>\$ 26,328</u> | <u>\$ --</u> |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| | Private Purpose Trusts |
|---|------------------------------|
| Additions: | |
| Investment Income | \$ 335 |
| Net (Decrease) in Fair Value of Investments | -- |
| Employer Contributions | -- |
| Plan Member Contributions | -- |
| Total Additions | <u>335</u> |
| Deductions: | |
| Scholarship Awards | -- |
| Benefits | -- |
| Refunds of Contributions | -- |
| Administrative Expenses | -- |
| Total Deductions | <u>--</u> |
| Change in Net Position | 335 |
| Net Position-Beginning of the Year | 25,993 |
| Net Position-End of the Year | <u>\$ 26,328</u> |

The accompanying notes are an integral part of this statement.

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

TATUM INDEPENDENT SCHOOL DISTRICT

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

In addition, the District reports the following fund types:

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

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements. The District's private purpose fund is the Irene Allen Pool Memorial Scholarship. In order for students to be eligible, they must have attended Tatum High School for at least 3 consecutive years including their senior year, ranked in the top 50% of their senior class, and plan to enroll in a college or university with the intention of earning a degree in the area of Elementary Education. The recipient can receive \$500 each year for four consecutive years. In the past five years, there were no eligible students that applied.

Special Revenue Funds: These funds account for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service Fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures required in excess of NSLP and user fees, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. 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

TATUM INDEPENDENT SCHOOL DISTRICT

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

capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

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

b. Inventories and Prepaid Items

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

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

c. Capital Assets

Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life more than two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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> |
|-----------------------|-------------------------------|
| Infrastructure | 30 |
| Buildings | 50 |
| Building Improvements | 20 |
| Vehicles | 2-15 |

TATUM INDEPENDENT SCHOOL DISTRICT

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

| | |
|--------------------|------|
| Office Equipment | 3-15 |
| Computer Equipment | 3-15 |

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

f. Internal Service Fund

Internal Service Funds support the operations of governmental funds and are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole. The District has no Internal Service Funds.

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. Actual results could differ from those estimates.

i. Data Control Codes

Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide* and appears in the rows and above the columns of

TATUM INDEPENDENT SCHOOL DISTRICT

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

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.

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.

The District does not have a policy to pay any amounts when employees separate from service with the district; therefore, there is no liability for unpaid accumulated sick leave.

TATUM INDEPENDENT SCHOOL DISTRICT

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

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' 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' fiduciary net position. Benefit payments (including refunds of employee contributions) 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 did not implement any new standards.

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>a.</u> | <u>Violation</u> | <u>Action Taken</u> |
|-----------|---|---------------------|
| | General Administration exceeded budget by \$80,684 | Under Consideration |
| | Capital Outlay exceeded budget by \$334,190 | Under Consideration |
| <u>b.</u> | In fiscal year 2020 the District failed to spend the required fifty-five percent state mandated amount in their Career and Technology allocation. During fiscal year 2020 the District's direct expenditure were \$511,603, forty-one percent and the three-year direct spending amount was \$1,466,616, fifty-one percent. | |

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> |
|------------------|-----------------------|----------------|
| None reported | Not applicable | Not applicable |

C. Deposits and Investments

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

TATUM INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

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 \$12,792,319 and the bank balance was \$12,821,083. 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.

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

- a. Depository: Texas Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$ 20,891,682.
- c. The highest combined balances of cash, savings and time deposit accounts amount to \$18,565,103 and occurred during the month of February.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

2. Investments:

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

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

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

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

| <u>Investments or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|---------------------------------------|-----------------|-------------------|
| None | N/A | \$ -- |
| Total Investments | | \$ -- |

TATUM INDEPENDENT SCHOOL DISTRICT

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

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At year end, the District had no investments.

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. The District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. The District did not have any securities at year end.

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market prices losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District requires any internally created pool fund group of the District to have a maximum of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is

TATUM INDEPENDENT SCHOOL DISTRICT

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

reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|----------------|-----------|--------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 1,018,454 | \$ -- | \$ -- | \$ 1,018,454 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 79,738,775 | 556,190 | -- | 80,294,965 |
| Equipment & Furniture | 5,650,036 | 505,722 | -- | 6,155,758 |
| Total Capital Assets being depreciated | 85,388,811 | 1,061,912 | -- | 86,450,723 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (34,740,768) | (2,460,104) | -- | (37,200,872) |
| Equipment & Furniture | (5,000,589) | (226,120) | -- | (5,226,709) |
| Total accumulated depreciation | (39,741,357) | (2,686,224) | -- | (42,427,581) |
| Total capital assets being depreciated, net | 45,647,454 | (1,624,312) | -- | 44,023,142 |
| Governmental activities capital assets, net | \$ 46,665,908 | \$ (1,624,312) | \$ -- | \$ 45,041,596 |

Depreciation was charged to functions as follows:

| | | |
|----|---|---------------------|
| 11 | Instruction | \$ 1,531,686 |
| 12 | Instructional Resource/Media Serv | 79,895 |
| 13 | Curriculum and Staff Development | 35,599 |
| 21 | Instructional Leadership | 21,021 |
| 23 | School Leadership | 166,144 |
| 31 | Guidance, Counseling, & Evaluation Services | 62,670 |
| 33 | Health Services | 33,491 |
| 34 | Student Transportation | 156,312 |
| 35 | Food Services | 123,402 |
| 36 | Extracurricular Services | 129,464 |
| 41 | General Administration | 107,711 |
| 51 | Facilities Maintenance and Operations | 183,814 |
| 53 | Data Processing Services | 50,840 |
| 61 | Community Services | 4,175 |
| | | <u>\$ 2,686,224</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:

TATUM INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2020

| Due to Fund | Due from Fund | Amount | Purpose |
|---|-------------------------------|------------------|------------------------|
| General Fund | Special Revenue Fund | \$ 820 | Reimburse Expenditures |
| Special Revenue Fund | General Fund | 9,534 | Reimburse Expenditures |
| Special Revenue Fund – Special Education | Special Revenue - IDEA Part B | 2,645 | Reimburse Expenditures |
| Total | | <u>\$ 12,999</u> | |

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

2. Transfer To and From Other Funds

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

| Transfer From | Transfer To | Amount |
|---------------|---|------------------|
| General Fund | National School Breakfast and Lunch Program | \$ 78,678 |
| | Summer Food Service Program | 14,505 |
| | Total | <u>\$ 93,183</u> |

F. Short-Term Debt Activity

In the event that the District would have any short-term debts for maintenance purposes they would be accounted for through the General Fund. The proceeds from loans would be shown in the financial statements as Other Resources. The District had no short-term loans.

G. Long-Term Obligations

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

1. Long-Term Obligation Activity

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--|-------------------|-----------|-----------|----------------|-----------------------------|
| 3%-5% Unlimited Tax School Building Bonds Series 2012 TEC Code 45.032 | \$ 1,655,000 | \$ -- | \$ -- | \$ 1,655,000 | \$ -- |
| 2%-4% Unlimited Tax Refunding Bonds Series 2016 TEC Code 45.004 | 8,185,000 | -- | -- | 8,185,000 | -- |
| 2%-4% Unlimited Tax Refunding Bonds Series 2019 TEC Code 45.004 | 6,100,000 | -- | 680,000 | 5,420,000 | 445,000 |
| Unamortized Premium | | | | | |
| Series 2016 | 993,945 | -- | 78,893 | 915,052 | |
| Series 2019 | 319,664 | -- | 27,635 | 292,029 | |

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

| | | | | |
|-------------------------------|----------------------|---------------|---------------------|----------------------|
| Net Pension Liability | 5,630,386 | -- | 983,566 | 4,646,820 |
| Net OPEB Liability | 7,267,105 | -- | 1,076,268 | 6,190,837 |
| Total Governmental Activities | <u>\$ 30,151,100</u> | <u>\$ ---</u> | <u>\$ 2,846,362</u> | <u>\$ 27,304,738</u> |
| | | | | <u>\$ 445,000</u> |

2. Debt Services Requirements

Debt Service requirements at August 31, 2020, are as follows:

| Year Ending August 31, | Unlimited Tax School Building & Refunding, Series 2012 | | |
|------------------------|--|-------------------|---------------------|
| | Principal | Interest | Total |
| 2021 | -- | 53,788 | 53,788 |
| 2022 | -- | 53,788 | 53,788 |
| 2023 | -- | 53,788 | 53,788 |
| 2024 | -- | 53,788 | 53,788 |
| 2025 | -- | 53,788 | 53,788 |
| 2026 | -- | 53,788 | 53,788 |
| 2027 | -- | 53,788 | 53,788 |
| 2028 | -- | 53,788 | 53,788 |
| 2029 | -- | 53,788 | 53,788 |
| 2030 | -- | 53,788 | 53,788 |
| 2031 | -- | 53,788 | 53,788 |
| 2032 | 1,655,000 | 26,888 | 1,681,894 |
| Totals | <u>\$ 1,655,000</u> | <u>\$ 618,556</u> | <u>\$ 2,273,556</u> |

| Year Ending August 31, | Unlimited Tax Refunding Bonds, Series 2016 | | |
|------------------------|--|---------------------|----------------------|
| | Principal | Interest | Total |
| 2021 | -- | 298,050 | 298,050 |
| 2022 | -- | 298,050 | 298,050 |
| 2023 | -- | 298,050 | 298,050 |
| 2024 | -- | 298,050 | 298,050 |
| 2025 | -- | 298,050 | 298,050 |
| 2026 | 1,235,000 | 273,350 | 1,508,350 |
| 2027 | 1,285,000 | 222,950 | 1,507,950 |
| 2028 | 1,340,000 | 170,450 | 1,510,450 |
| 2029 | 1,390,000 | 115,850 | 1,505,850 |
| 2030 | 1,445,000 | 66,375 | 1,511,375 |
| 2031 | 1,490,000 | 22,350 | 1,512,350 |
| Totals | <u>\$ 8,185,000</u> | <u>\$ 2,361,575</u> | <u>\$ 10,546,575</u> |

| Year Ending August 31, | Unlimited Tax Refunding Bond, Series 2019 | | |
|------------------------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| 2021 | \$ 445,000 | \$ 194,675 | \$ 639,675 |
| 2022 | 1,100,000 | 171,500 | 1,271,500 |
| 2023 | 1,145,000 | 132,100 | 1,277,100 |
| 2024 | 1,185,000 | 85,500 | 1,270,500 |
| 2025 | 1,235,000 | 37,100 | 1,272,100 |
| 2026 | 45,000 | 11,500 | 56,500 |
| 2027 | 50,000 | 9,600 | 59,600 |
| 2028 | 50,000 | 7,600 | 57,600 |
| 2029 | 50,000 | 5,600 | 55,600 |
| 2030 | 55,000 | 3,500 | 58,500 |
| 2031 | 55,000 | 1,300 | 56,300 |
| 2032 | 5,000 | 100 | 5,100 |
| Totals | <u>\$ 5,420,000</u> | <u>\$ 660,075</u> | <u>\$ 6,080,075</u> |

TATUM INDEPENDENT SCHOOL DISTRICT

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

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

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued 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/cafr_2019.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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description 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

TATUM INDEPENDENT SCHOOL DISTRICT

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

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 the 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

4. Contributions

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

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

| | <u>Contributions and Rates</u> | |
|---|--------------------------------|-------------|
| | <u>2019</u> | <u>2020</u> |
| Member | 7.70% | 7.70% |
| Non-Employer Contributing Entity (NECE – State) | 6.80% | 7.50% |
| Employers | 6.80% | 7.50% |
| District Employer Contributions | | \$ 334,302 |
| District Member Contributions | | \$ 819,157 |
| NECE On-Behalf Contributions to District | | \$ 463,870 |

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

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 explained above.

5. Actuarial Assumptions

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

| | |
|--|-----------------------------|
| Valuation Date | August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term Expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2019 | 2.63% |
| Inflation | 2.30% |
| Salary Increases Including Inflation | 3.05% to 9.05% |
| Benefit Changes During the Year | None |
| Ad Hoc Post-Employment Benefit Changes | None |

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full 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 the pension 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

TATUM INDEPENDENT SCHOOL DISTRICT
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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:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2019

| Asset Class | Target Allocation * | Long-Term Expected Geometric Real Rate of Return*** | Expected Contribution To Long-Term Portfolio Returns ** |
|-----------------------------------|---------------------|---|---|
| Global Equity | | | |
| U.S.A. | 18.00% | 6.40% | 18.00% |
| Non-U.S. Developed | 13.00% | 6.30% | 13.00% |
| Emerging Markets | 9.00% | 7.30% | 9.00% |
| Directional Hedge Funds | 4.00% | - | - |
| Private Equity | 13.00% | 8.4% | 14.00% |
| Stable Value | | | |
| U.S. Treasuries**** | 11.00% | 3.10% | 16.00% |
| Stable Value Hedge Funds | 4.00% | 4.50% | 5.00% |
| Absolute Return | 0.00% | 0.00% | 0.00% |
| Real Return | | | |
| Global Inflation Linked Bonds**** | 3.00% | - | - |
| Real Estate | 14.00% | 8.50% | 15.00% |
| Energy & Natural Resources | 5.00% | 7.30% | 6.00% |
| Commodities | 0.00% | 0.00% | 0.00% |
| Risk Parity | | | |
| Risk Parity***** | 5.00% | 5.80%/6.5%* | 8.00% |
| Leverage | | | |
| Cash | 1.00% | 2.50% | 2.00% |
| Asset Allocation Leverage | - | 2.70% | (6.00%) |
| Total | 100.00% | 7.23% | 100.00% |

* Target allocations are based on the Strategic Asset Allocation as of FY2019.

** New allocations are based on the Strategic Asset Allocation to be implemented FY2020.

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.10%.

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

***** 5.80% (6.50%) return expectation corresponds to Risk Parity with a 10.00% (12.00%) target volatility.

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 | \$ 7,142,837 | \$ 4,646,820 | \$ 2,624,564 |

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

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 \$4,646,820 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 | \$ 4,646,820 |
| State's Proportionate Share that is Associated with District | \$ <u>6,889,604</u> |
| Total | \$ <u>11,536,424</u> |

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0089390922%, which was a decrease of 0.0012900820% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

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

For the year ended August 31, 2020, the District recognized pension expense of \$1,956,420 and revenue of \$1,802,260 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:

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 19,521 | \$ 161,345 |
| Changes in Actuarial Assumptions | 1,441,672 | 595,767 |
| Difference Between Projected and Actual Investment Earnings | 46,659 | -- |
| Changes in Proportion and Difference Between The District's Contributions and the Proportionate Share of Contributions | 261,969 | 438,304 |
| Contributions Paid to TRS Subsequent to the Measurement Date | 334,302 | -- |
| Total | \$ 2,104,123 | \$ 1,195,416 |

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 | \$ 182,827 |
| 2022 | \$ 128,861 |
| 2023 | \$ 176,962 |
| 2024 | \$ 155,827 |
| 2025 | \$ 543 |
| Thereafter | \$ (70,615) |

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, selecting About TRS then publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2019 are as follows:

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

| | | |
|---|----|-----------------------|
| <u>Net OPEB Liability</u> | | <u>Total</u> |
| Total OPEB Liability | \$ | 48,583,247,239 |
| Less: Plan Fiduciary Net Position | | <u>1,292,022,349</u> |
| Net OPEB Liability | \$ | <u>47,291,224,890</u> |
| Net Position as a Percentage of Total OPEB Liability | | <u>2.66%</u> |

3. Benefits Provided

TRS-Care provides a basic 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

| | <u>Medicare</u> | <u>Non-Medicare</u> |
|---|-----------------|---------------------|
| Retiree * | \$ 135 | \$ 200 |
| Retiree and Spouse | 529 | 689 |
| Retiree* and Children | 468 | 408 |
| Retiree and Family * or Surviving Spouse | 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 .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 school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

TATUM INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2020

| | Contribution Rates | |
|---|---------------------------|------------|
| | 2019 | 2020 |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (NECE) – State Employers | 1.25% | 1.25% |
| Federal/Private Funding Remitted by Employers | 0.75% | 0.75% |
| | 1.25% | 1.25% |
| Current Fiscal year District Contributions | | \$ 106,537 |
| Current Fiscal year Member Contributions | | \$ 64,148 |
| 2019 Measurement year NECE Contributions | | \$ 123,448 |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When hiring a TRS retiree, they 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 Contribution 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 increase, 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 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% participation after age 65. *** |

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

Ad Hoc Post-Employment Benefit Changes None

- * Includes inflation at 2.5%.
- ** 7.3% for FY 2020, 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.

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 contributions 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 on 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 <u>(1.63%)</u> | Current Single Discount Rate <u>(2.63%)</u> | 1% Increase In Discount Rate <u>(3.63%)</u> |
|---|---|---|---|
| District's Proportionate Share of Net OPEB Liability | \$ 7,474,326 | \$ 6,190,837 | \$ 5,186,762 |

8. Healthcare Cost Trend Rates Sensitivity Analysis

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 <u>(7.5%)</u> | Current Healthcare Cost Trend Rate <u>(8.5%)</u> | 1% Increase in Healthcare Trend Rate <u>(9.5%)</u> |
|---|---|---|---|
| District's Proportionate Share of Net OPEB Liability | \$ 5,050,267 | \$ 6,190,837 | \$ 7,718,676 |

9. 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 \$6,190,837 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:

TATUM INDEPENDENT SCHOOL DISTRICT

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

| | |
|--|----------------------|
| District's Proportionate Share of the Collective Net OPEB Liability | \$ 6,190,837 |
| State's Proportionate Share that is Associated with the District | <u>\$ 8,226,237</u> |
| Total | <u>\$ 14,417,074</u> |

The net OPEB liability was measured as of August 31, 2018 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 through August 31, 2019.

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.0130908784% which was a decrease of 0.0014634408% from its proportion measured as of August 31, 2018.

10. Changes Since the Prior Actuarial Valuation

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

- a. The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the TOL.
- b. The healthcare trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- c. 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%. 35% 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.
- d. 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.
- e. 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 \$397,906 and revenue of \$216,810 for support by the states.

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:

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

| | <u>Deferred Outflow Of Resources</u> | <u>Deferred Inflow Of Resources</u> |
|--|--|---|
| Differences Between Expected and Actual Economic Experience | \$ 303,713 | \$ 1,013,065 |
| Changes in Actuarial Assumptions | 343,853 | 1,665,183 |
| Differences between Projected and Actual Investment Earnings | 668 | --- |
| Changes in Proportion and Difference Between the District's Contributions And the Proportionate Share of Contributions | 842,432 | 809,945 |
| Contributions Paid to TRS Subsequent to the Measurement Date | <u>106,537</u> | <u>---</u> |
| Total | \$ <u>1,597,203</u> | \$ <u>3,488,193</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:

| <u>Year Ended August 31</u> | <u>Pension Expense Amount</u> |
|-----------------------------|-------------------------------|
| 2021 | \$ (322,707) |
| 2022 | \$ (322,707) |
| 2023 | \$ (322,923) |
| 2024 | \$ (323,047) |
| 2025 | \$ (323,016) |
| Thereafter | \$ (383,128) |

11. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$51,156, \$40,703, and \$27,617, respectively.

K. 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 \$378 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable and terms of coverage and premium costs are included in the contractual provisions.

The latest financial statements are available for the year ended August 31, 2020, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Workers' Compensation

The District joined together with other districts in the East Texas area to form the Texas Educational Insurance Association, a public entity risk pool currently operating a workers' compensation risk management and insurance program for various member school districts. During the 2019-2020

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

school year, the District paid a fixed cost in the amount of \$24,676 for administration of claims, loss control, recordkeeping, and the cost of stop-loss insurance.

Total workers' compensation claims and loss funding sharing payments were \$5,022 for the year. The District may be required to pay and retains the risk of loss for workers' compensation claims up to its loss maximum. When and if schools in the Association exceed their loss fund maximum, the District will be required to pay a percentage share of the excess. A reconciliation of claims activity for the past fiscal year is provided below:

| | Beginning Balance | Claims Incurred | Claims Paid | Ending Balance |
|----------------------------|----------------------|--------------------|----------------|-------------------|
| Year ended August 31, 2020 | \$ 70,815 | \$ 5,022 | \$ (21,094) | \$ 54,743 |

M. Rental & Operating Leases

The ISD has three leases for copiers with varying terms starting in September 2018 and some ending September 2024. The monthly lease expense for the copiers in the fiscal year were \$4,020 per month. The District also leases a postage meter for five years beginning September 2018 and ending September 2024 for \$672 per month. The RCSSA is renting a building for their office and are currently doing a month-to-month lease with the contingency of expanding the space and pricing upon completion of the new construction.

The future lease payments at August 2020 are as follows:

| | Copiers | Postage Meter | Total |
|-------|-------------------|------------------|-------------------|
| 2021 | \$ 47,630 | \$ 8,064 | \$ 55,694 |
| 2022 | 47,018 | 8,064 | 55,082 |
| 2023 | 5,501 | 8,064 | 13,565 |
| 2024 | 5,501 | 8,064 | 13,565 |
| Total | \$ <u>105,650</u> | \$ <u>32,256</u> | \$ <u>137,906</u> |

Total lease expense (including operating leases noted above) amounted to \$86,145 in 2020.

N. Unavailable Revenue

Unavailable revenue at year end consisted of the following:

| | General Fund | Debt Service Fund |
|--------------------------------------|-----------------|----------------------|
| Unavailable Revenue – Property Taxes | \$ 562,298 | \$ 152,923 |

O. Due from other Governments

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

| Fund | Grants and Entitlements |
|----------------------|----------------------------|
| Debt Service Fund | \$ 16,068 |
| Special Revenue Fund | 195,224 |
| Total | \$ <u>211,292</u> |

TATUM INDEPENDENT SCHOOL DISTRICT

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

P. Shared Service Arrangement

The district is the fiscal agent for a Shared Service Arrangement ("SSA") which provides services for the special education students of the District and member districts: Mt. Enterprise ISD, Carlisle ISD, Leverett's Chapel ISD, Lanesville ISD, Overton ISD, and West Rusk CCISD. All services are provided by the fiscal agent and funds are received by the fiscal agent from the granting agency. According to guidance provided in the TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the appropriate Special Revenue Funds and has accounted for these funds using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

| Member Districts | <u>Distribution Percentage</u> | <u>Allocated Expenditures</u> |
|-----------------------|------------------------------------|-----------------------------------|
| Carlisle ISD | 13.1% | \$86,424 |
| Lanesville ISD | 3.2% | 21,214 |
| Leverett's Chapel ISD | 6.3% | 41,539 |
| Mt. Enterprise ISD | 6.0% | 39,670 |
| Overton ISD | 12.5% | 83,005 |
| Tatum ISD | 31.4% | 207,871 |
| West Rusk CCISD | 27.6% | 183,281 |
| Total | <u>100%</u> | <u>663,004</u> |

Shared Service Arrangement-Membership

The District participates in a shared services arrangement ("SSA") for which the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent. The District neither has a joint ownership interest in capital assets purchases by the fiscal agent nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Q. Commitments and Contingencies

1. Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. 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

From time to time, the District is involved in litigation that arises in the ordinary course of business. There are other claims and lawsuits arising principally in the normal course of operations. In the opinion of the District's management, the potential losses, after insurance coverage, on all allegations, claims, and lawsuits will not have a material effect of the District's financial position results of operations or liquidity.

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

R. Prior Period Adjustment

During the current year audit, it was realized that some campus activities had been reported as an agency fund in fund 865 instead of as a special revenue fund 461 campus activity. It was found that \$123,062 must be reclassified as campus activity through a prior period adjustment. The adjustment increased the net position of the District.

S. Subsequent Events

Subsequent to year end, the District committed to replacing the turf in the indoor facility and on the baseball and softball fields for \$770,000. Also, the District purchased one special education bus for \$53,900 and two maintenance trucks for \$18,245 each.

Management has evaluated subsequent events through January 11, 2021, the date the financials were available to be distributed and noted no other events to be disclosed.

T. Accounting Standards Applicable to Subsequent Year

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 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

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.

TATUM 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 | | | | | | |
| | Original | Final | Actual | | | | |
| REVENUES: | | | | | | | |
| 5700 | Local and Intermediate Sources | \$ 9,300,274 | \$ 9,376,344 | \$ 9,169,814 | \$ | (206,530) | |
| 5800 | State Program Revenues | 5,247,361 | 5,247,361 | 4,694,040 | | (553,321) | |
| 5900 | Federal Program Revenues | 78,000 | 78,000 | 152,282 | | 74,282 | |
| 5020 | Total Revenues | 14,625,635 | 14,701,705 | 14,016,136 | | (685,569) | |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Instruction & Instructional Related Services: | | | | | | | |
| 0011 | Instruction | 7,243,879 | 7,328,879 | 7,317,882 | | 10,997 | |
| 0012 | Instructional Resources and Media Services | 435,372 | 435,372 | 391,025 | | 44,347 | |
| 0013 | Curriculum and Staff Development | 221,685 | 221,685 | 188,488 | | 33,197 | |
| | Total Instruction & Instr. Related Services | 7,900,936 | 7,985,936 | 7,897,395 | | 88,541 | |
| Instructional and School Leadership: | | | | | | | |
| 0021 | Instructional Leadership | 126,404 | 126,404 | 112,873 | | 13,531 | |
| 0023 | School Leadership | 845,566 | 845,566 | 759,796 | | 85,770 | |
| | Total Instructional & School Leadership | 971,970 | 971,970 | 872,669 | | 99,301 | |
| Support Services - Student (Pupil): | | | | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | 323,538 | 323,538 | 288,100 | | 35,438 | |
| 0033 | Health Services | 154,698 | 154,698 | 152,356 | | 2,342 | |
| 0034 | Student (Pupil) Transportation | 826,218 | 888,658 | 847,799 | | 40,859 | |
| 0036 | Cocurricular/Extracurricular Activities | 682,386 | 974,456 | 955,426 | | 19,030 | |
| | Total Support Services - Student (Pupil) | 1,986,840 | 2,341,350 | 2,243,681 | | 97,669 | |
| Administrative Support Services: | | | | | | | |
| 0041 | General Administration | 720,730 | 720,730 | 801,414 | | (80,684) | |
| | Total Administrative Support Services | 720,730 | 720,730 | 801,414 | | (80,684) | |
| Support Services - Nonstudent Based: | | | | | | | |
| 0051 | Plant Maintenance and Operations | 1,912,265 | 1,937,765 | 1,766,082 | | 171,683 | |
| 0052 | Security and Monitoring Services | 63,500 | 63,500 | 56,381 | | 7,119 | |
| 0053 | Data Processing Services | 234,745 | 234,745 | 230,019 | | 4,726 | |
| | Total Support Services - Nonstudent Based | 2,210,510 | 2,236,010 | 2,052,482 | | 183,528 | |
| Ancillary Services: | | | | | | | |
| 0061 | Community Services | 31,060 | 31,060 | 20,050 | | 11,010 | |
| | Total Ancillary Services | 31,060 | 31,060 | 20,050 | | 11,010 | |
| Capital Outlay: | | | | | | | |
| 0081 | Capital Outlay | -- | 222,000 | 556,190 | | (334,190) | |
| | Total Capital Outlay | -- | 222,000 | 556,190 | | (334,190) | |
| Intergovernmental Charges: | | | | | | | |
| 0093 | Payments to Fiscal Agent/Member Dist.-SSA | 160,692 | 160,692 | 160,691 | | 1 | |
| 0099 | Other Intergovernmental Charges | 406,000 | 190,000 | 190,000 | | -- | |
| | Total Intergovernmental Charges | 566,692 | 350,692 | 350,691 | | 1 | |
| 6030 | Total Expenditures | 14,388,738 | 14,859,748 | 14,794,572 | | 65,176 | |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | | | |
| 1100 | Expenditures | 236,897 | (158,043) | (778,437) | | (620,394) | |

TATUM 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 | | | |
| Other Financing Sources (Uses): | | | | | |
| 7915 | Transfers In | -- | 216,000 | -- | (216,000) |
| 8911 | Transfers Out | -- | (216,000) | (93,183) | 122,817 |
| 7080 | Total Other Financing Sources and (Uses) | -- | -- | (93,183) | (93,183) |
| 1200 | Net Change in Fund Balance | 236,897 | (158,043) | (871,620) | (713,577) |
| 0100 | Fund Balance - Beginning | 11,047,335 | 11,047,335 | 11,047,335 | 11,047,335 |
| 3000 | Fund Balance - Ending | \$ 11,284,232 | \$ 10,889,292 | \$ 10,175,715 | \$ (713,577) |

TATUM 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) | 0.0089390922% | 0.0102291742% | 0.0101989176% | 0.0103307159% | 0.0103622000% | 0.0075251000% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 4,646,820 | \$ 5,630,386 | \$ 3,261,064 | \$ 3,903,824 | \$ 3,662,900 | \$ 2,010,058 |
| States Proportionate Share of the Net Pension Liability (Asset) associated with the District | 6,889,604 | 8,161,124 | 3,740,718 | 5,351,097 | 5,008,879 | 4,171,021 |
| Total | <u>\$ 11,536,424</u> | <u>\$ 13,791,510</u> | <u>\$ 7,001,782</u> | <u>\$ 9,254,921</u> | <u>\$ 8,671,779</u> | <u>\$ 6,181,079</u> |
| District's Covered Payroll | \$ 9,819,243 | \$ 9,738,989 | \$ 9,614,336 | \$ 9,718,033 | \$ 9,087,106 | \$ 8,554,194 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll | 47.32% | 57.81% | 33.92% | 40.17% | 40.31% | 23.50% |
| 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."

TATUM 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 | \$ 334,302 | \$ 319,178 | \$ 320,688 | \$ 334,261 | \$ 328,233 | \$ 306,811 |
| Contribution in Relation to the Contractually Required Contribution | <u>(334,302)</u> | <u>(319,178)</u> | <u>(320,688)</u> | <u>(334,261)</u> | <u>(328,233)</u> | <u>(306,811)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 10,638,387 | \$ 9,819,243 | \$ 9,738,989 | \$ 9,604,987 | \$ 9,718,033 | \$ 9,078,106 |
| Contributions as a percentage of Covered Payroll | 3.14% | 3.25% | 3.29% | 3.48% | 3.38% | 3.38% |

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."

TATUM 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) | 0.0130908784% | 0.0145543192% | 0.0127997417% |
| District's Proportionate Share of the Net OPEB Liability (Asset) | \$ 6,190,837 | \$ 7,267,105 | \$ 5,566,128 |
| State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District | <u>8,226,237</u> | <u>8,630,878</u> | <u>6,379,512</u> |
| Total | <u>\$ 14,417,074</u> | <u>\$ 15,897,983</u> | <u>\$ 11,945,640</u> |
| District's Covered Payroll | \$ 9,819,243 | \$ 9,738,989 | \$ 9,614,336 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll | 63.05% | 74.62% | 57.89% |
| 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."

TATUM 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 | \$ 106,537 | \$ 87,574 | \$ 95,860 |
| Contribution in Relation to the Contractually Required Contribution | (106,537) | (8,757) | (95,860) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ 78,817</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 10,638,387 | \$ 9,819,243 | \$ 9,738,989 |
| Contributions as a percentage of Covered Payroll | 1.00% | 0.89% | 0.98% |

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."

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

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

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

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

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

Excess of Expenditures over Appropriations

The district expenditures exceeded appropriations in the following funds in the noted function:

| Fund | Function | Final Budget | Actual | Variance |
|---------|----------|--------------|-----------|-------------|
| General | 41 | \$720,730 | \$801,414 | \$ (80,684) |
| General | 81 | 222,000 | 556,190 | (334,190) |

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:

Except for the assumption about potential impact from the salary increases provided by the 2019 Legislature that were effective September 1, 2019, the actuarial methods and assumptions are primarily based on a study of actual experience for the period ending August 31, 2017 and adopted on July 27, 2018.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables 2D for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP").

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

| | |
|--|---|
| Valuation Date | August 31, 2017 rolled to August 31, 2018 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 6.907% |
| Long-term Expected Rate of Return | 7.25% |
| Municipal Bond Rate | N/A* |
| Inflation | 2.3% |
| Salary Increases* | 3.05% to 9.05%, including inflation |
| Ad hoc post-employment benefit changes | None |

* If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (Le. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax- exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

Defined Other Post-Employment Benefits

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

| | |
|-------------------------------|-------------------------|
| 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 to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Discount Rate * | 2.63% * |
| 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. |
| Payroll Growth Rate | 3.0% |
| Projected Salary Increases ** | 3.05% to 9.05% ** |
| Healthcare Trend Rates *** | 8.50% *** |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65 |
| Ad Hoc Post-Employment Benefit Changes | None |

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

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

**Includes inflation at 2.30%

***Initial medical trend rates of 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. Initial prescription drug trend rate of 10.25% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years. The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

Assumption changes include a discount rate change from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lower participation rates, and updates to the health care trend assumptions.

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.

TATUM 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 | | .780 | | .260 | | 1,561,913,750 |
| 2013 | | .855 | | .315 | | 1,432,057,094 |
| 2014 | | .880 | | .290 | | 1,320,638,718 |
| 2015 | | .947 | | .223 | | 1,227,404,530 |
| 2016 | | .947 | | .223 | | 1,211,500,513 |
| 2017 | | 1.011 | | .184 | | 1,056,222,000 |
| 2018 | | 1.040 | | .167 | | 944,810,936 |
| 2019 | | .970 | | .237 | | 809,813,340 |
| 2020 (School Year Under Audit) | | .970 | | .237 | | 904,883,927 |
| 1000 Totals | | | | | | |
| 9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code | | | | | | |

| 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 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 267,013 | \$ -- | \$ 5,139 | \$ 431 | \$ (29,512) | \$ 231,931 |
| 38,781 | -- | 552 | 184 | (221) | 37,824 |
| 40,756 | -- | 936 | 345 | (154) | 39,321 |
| 39,910 | -- | 1,524 | 502 | (271) | 37,613 |
| 47,628 | -- | 2,259 | 546 | (689) | 44,134 |
| 52,726 | -- | 1,202 | 989 | (3,296) | 47,239 |
| 70,030 | -- | 10,933 | 2,048 | (605) | 56,444 |
| 88,706 | -- | 15,669 | 2,403 | (3,396) | 67,238 |
| 153,213 | -- | 38,960 | 6,301 | (5,803) | 102,149 |
| -- | 10,921,949 | 8,600,404 | 2,127,673 | (12,437) | 181,435 |
| <u>\$ 798,763</u> | <u>\$ 10,921,949</u> | <u>\$ 8,677,578</u> | <u>\$ 2,141,422</u> | <u>\$ (56,384)</u> | <u>\$ 845,328</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |

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

EXHIBIT J-2

| Data Control Codes | 1 | 2 | 3 |
|--|------------------|-----------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 330,000 | \$ 186,822 | \$ (143,178) |
| 5800 <i>State Program Revenues</i> | 120,174 | 43,637 | (76,537) |
| 5900 <i>Federal Program Revenues</i> | 604,000 | 585,797 | (18,203) |
| 5020 Total Revenues | <u>1,054,174</u> | <u>816,256</u> | <u>(237,918)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Support Services - Student (Pupil): | | | |
| 0035 <i>Food Services</i> | 1,054,174 | 894,934 | 159,240 |
| Total Support Services - Student (Pupil) | <u>1,054,174</u> | <u>894,934</u> | <u>159,240</u> |
| 6030 Total Expenditures | <u>1,054,174</u> | <u>894,934</u> | <u>159,240</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>--</u> | <u>(78,678)</u> | <u>(78,678)</u> |
| Other Financing Sources (Uses): | | | |
| 7915 <i>Transfers In</i> | -- | 78,678 | 78,678 |
| 7080 Total Other Financing Sources and (Uses) | <u>--</u> | <u>78,678</u> | <u>78,678</u> |
| 0100 Fund Balance - Beginning | <u>--</u> | <u>--</u> | <u>--</u> |
| 3000 Fund Balance - Ending | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

TATUM INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

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

| Data Control Codes | 1 | 2 | 3 |
|--|---------------------|---------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 2,204,248 | \$ 2,166,197 | \$ (38,051) |
| 5800 <i>State Program Revenues</i> | -- | 16,434 | 16,434 |
| 5020 <i>Total Revenues</i> | <u>2,204,248</u> | <u>2,182,631</u> | <u>(21,617)</u> |
| EXPENDITURES: | | | |
| Debt Service: | | | |
| 0071 <i>Principal on Long-Term Debt</i> | 680,000 | 680,000 | -- |
| 0072 <i>Interest on Long-Term Debt</i> | 563,388 | 563,388 | -- |
| 0073 <i>Bond Issuance Costs and Fees</i> | 1,493 | 676 | 817 |
| <i>Total Debt Service</i> | <u>1,244,881</u> | <u>1,244,064</u> | <u>817</u> |
| 6030 <i>Total Expenditures</i> | <u>1,244,881</u> | <u>1,244,064</u> | <u>817</u> |
| 1100 <i>Excess (Deficiency) of Revenues Over (Under)</i> | | | |
| 1100 <i>Expenditures</i> | <u>959,367</u> | <u>938,567</u> | <u>20,800</u> |
| 1200 <i>Net Change in Fund Balance</i> | <u>959,367</u> | <u>938,567</u> | <u>20,800</u> |
| 0100 <i>Fund Balance - Beginning</i> | 190,423 | 190,423 | 190,423 |
| 3000 <i>Fund Balance - Ending</i> | <u>\$ 1,149,790</u> | <u>\$ 1,128,990</u> | <u>\$ 169,623</u> |

Malnory, McNeal & Company, PC

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Les S. Malnory, CPA

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
Tatum Independent School District
Tatum, Texas

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 Tatum Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Tatum Independent School District's basic financial statements, and have issued our report thereon dated January 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tatum Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tatum Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tatum 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions cost as items [2020-001, 2020-002 and 2020-003] that we consider to be a material weakness.

Compliance and Other Matters

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

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.

January 11, 2021
Paris, Texas



Certified Public Accountants

Malnory, McNeal & Company, PC

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Les S. Malnory, CPA

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

Board of Trustees
Tatum Independent School District
Tatum, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Tatum 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 Tatum Independent School District's major federal programs for the year ended August 31, 2020. Tatum 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 Tatum 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 Tatum 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 Tatum Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tatum 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 Tatum 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 Tatum 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 Tatum 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 consider 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.

Maloney, McNeal & Company PC

Certified Public Accountants

January 11, 2021
Paris, Texas

TATUM 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? X Yes 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> |
|-----------------------|---|
| 84.027 | Special Education Cluster: |
| 84.173 | SSA IDEA - B Formula |
| | SSA IDEA - B Preschool |

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

Auditee qualified as low-risk auditee? Yes X No

TATUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

B. Financial Statement Findings

Finding: 2020-001

Criteria:

The duties of authorization, custody and recordkeeping should be separated so that one individual cannot complete a transaction from start to finish. This is crucial to proper financial reporting as well as the effort to prevent, detect, deter, and correct errors in financial reporting.

Condition:

We noted a deficiency in internal control procedures related to financial processes as well as month end and year-end financial statement close. Controls over several key processes are the sole responsibility of one individual with little to no oversight or review. The Assistant Superintendent of Finance makes journal entries, posts all journal entries, approves and performs bank transfers, preforms all bank reconciliations and has unrestricted access to the general ledger with little to no review.

Cause:

The cause of the deficiency appears to be a lack of segregation of duties. The District is relatively small and therefore has limited options for segregation.

Effect:

Internal controls over general ledger adjusting entries both manual and system generated, bank reconciliations, general ledger review and close, as well as monitoring of financial transactions were not effectively designed or implemented to achieve proper internal control.

Recommendation:

1. Segregation of Accounting Duties – A good system of internal control provides for a proper segregation of the accounting functions. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. We recommend that management review the current assignment of accounting functions.
2. Journal Entries – Controls be established on the posting and verification of monthly journal entries both recurring and non-recurring entries as well as manual and system generated. Documentation should be attached and maintained that supports the amounts and purpose of the adjustment. We further suggest a special form related to recurring monthly adjustments be developed to aid the administration in knowing all entries have been proposed that must be each month and the actual “debit and credit” movement is in alignment with what would normally be expected. We also recommend that any journal entry proposed to adjust the activity or balance of a special revenue fund be approved by an administrator in charge of that program or grant such as the Special Education Director or Head Start Director.
3. Bank Reconciliation - Bank reconciliations should be presented to the Superintendent by the 20th of each month for his review. A detail list of outstanding items and deposits in transit should be attached to the reconciliation. This should be done for all bank accounts for which the District is responsible.
4. Monthly Accounting Calendar – We recommend the District administration office establish a monthly financial management calendar that includes all tasks to be done each week of the month and the subsequent weeks leading up to the financial statement close. The list should include each task, the person responsible and a sign off area to allow the Assist Superintendent of Finance to monitor the flow of task throughout the month.

TATUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

Finding 2020-002

Criteria:

All campus activity funds, and agency funds activity should be properly recorded in the District's general ledger.

Condition:

Campus Activity and Agency accounts were not recorded in the District's general ledger.

Cause:

The District is aware that these activities need to be recorded and are continuing to work towards including them.

Effect:

The financial statements were inaccurate which can potentially affect financial decisions.

Recommendation:

We recommend the Assistant Superintendent of Finance review their activities monthly and include appropriate transactions in the general ledger.

Finding 2020-003

Criteria:

Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement in an entity's financial statements is an indication of a material weakness in internal control.

Condition:

Accounts payable in the general fund was not properly recorded.

Cause:

District management does not have established procedures in place for year-end general ledger adjustments.

Effect:

Material misstatements of the District's financial statements were not prevented, or detected and corrected, by the District's system of internal control. Inadequate monitoring and closing procedures will allow possible errors to occur without notice.

Recommendation:

We recommend that the District establish a sustainable internal control management program to guide them as they prepare account reconciliations, identification of proper analysis of transactions and procedures put into place for recording year-end entries. Ensure that individuals have been appropriately trained and possess the proper understanding of both the controls they are performing and the transactions they are responsible for recording. This is a repeat of a prior year recommendation; however, the District has made great improvements from the prior year.

C. Federal Award Findings and Questioned Costs

None

TATUM INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

| Finding/Recommendation | Current Status | Management's Explanation If Not Implemented |
|---|--|--|
| Finding 2019-001 <u>Condition</u> Two students that were tested did not have the TELPAS record on file. | Corrected | |
| Finding 2019-002 <u>Condition</u> Campus Activity and Agency accounts were not recorded in the District's general ledger. | See current year finding 2020-002 | See Corrective Action Plan |
| Finding 2019-003 <u>Condition</u> District has not implemented a records retention policy. | Corrected | |
| Finding 2019-004 <u>Condition</u> Control over several duties are concentrated with and approval. The business manager prepares and posts all accounting journal entries, performs and authorizes bank transfers, prepares the bank reconciliation and maintains unrestricted access to the general ledger, for the most part, without a secondary review and approval. The accounts payable clerk is the only employee with access to the vendor setup or change in TxEIS and there is no review of setup or changes to vendors. | See current year finding 2020-001 | See Corrective Action Plan |
| Finding 2019-005 <u>Condition</u> Significant balance sheet and revenue and expenditure accounts were not properly reconciled. Prior year accruals and monthly payroll accruals were not properly reversed. SHARS payments were miscoded to miscellaneous income. Beginning fund balance did not match the prior year ending fund balance on the fund financial statements causing the balance to be inaccurate. Accounts receivable and payable for multiple funds were not properly recorded. Fixed assets additions and disposals were not properly tracked. | District is partially compliant for fiscal year 2019-2020, see current year finding 2020-003 | See Corrective Action Plan |
| Finding 2019-006 <u>Condition</u> Some functions expenses were in excess of the amount budgeted. | In Progress | Two functions exceeded budget which is improvement from prior year. This is expected to be completely resolved in 2020-2021 fiscal year. |



Brandon Milam
Assistant Superintendent of Finance

Tatum ISD
510 Crystal Farms Rd
Tatum, TX 75691

TATUM INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

This corrective action plan is the responsibility of the District's Assistant Superintendent of Finance, Brandon Milam.

2020-001: Finding – Control over several duties are concentrated with specific individuals without secondary review and approval.

Person(s) Responsible: Brandon Milam, Assistant Superintendent of Finance

Corrective Action: The District will implement actions to properly segregate the duties. The Superintendent will review and authorize the processes carried out by the Business Manager, such as reviewing and approving journal entries and bank reconciliations.

Anticipated Completion Date: August 2021

2020-002: Finding – Campus Activity and Agency accounts were not recorded.

Person(s) Responsible: Brandon Milam, Assistant Superintendent of Finance

Corrective Action: The District will track Campus Activity and Agency account activity and record it in the general ledger. Anticipated

Completion Date: August 2021

2020-003: Finding – Accounts payable in the general fund was not properly recorded.

Person(s) Responsible: Brandon Milam, Assistant Superintendent of Finance

Corrective Action: The District will establish procedures for year end processes as we continue to develop reconciliation steps for year-end entries and adjustments.

Anticipated Completion Date: August 2021

Brandon Milam
Assistant Superintendent of Finance
Tatum ISD
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Phone: 903-947-0166

TATUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT K-1

| (1) | (2) | (2A) | (3) |
|---|---------------------------|---|-------------------------|
| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Federal Expenditures |
| U. S. Department of Education | | | |
| <u>Passed Through Union Grove</u> | | | |
| <i>Career and Technical - Basic Grant (Union Grove)</i> | 84.048A | 20420006230908 | \$ 15,143 |
| Total Passed Through Union Grove | | | <u>15,143</u> |
| <u>Passed Through State Department of Education</u> | | | |
| Special Education Cluster | | | |
| *SSA-IDEA-Part B, Formula | 84.027A | 20660012019106600 | 844,171 |
| *SSA - IDEA - Part B, Preschool | 84.173A | 20660012019106610 | 15,606 |
| Total Special Education Cluster | | | <u>859,777</u> |
| ESEA Title 1, Part A - Improving Basic Programs | 84.010A | 20610101201910 | 252,636 |
| Title III, Part A - English Language Acquisition | 84.365A | 20671001201910 | 20,691 |
| ESEA, Title II, Part A, Teacher Principal Training | 84.367A | 2069450121910 | 43,219 |
| Summer School LEP | 84.369A | 69551802 | 1,336 |
| Title IV, Part A, Subpart 1 | 84.424A | 20680101201910 | 13,218 |
| Title VI, Part B Subpart II Rural Low Income School | 84.358B | 20696001201910 | 30,548 |
| ESSER Grant | 84.425D | 20521001201910 | 205,016 |
| Total Passed Through State Department of Education | | | <u>1,426,441</u> |
| Total U. S. Department of Education | | | <u>1,441,584</u> |
| OTHER PROGRAMS: | | | |
| U. S. Department of Agriculture | | | |
| <u>Passed Through the State Department Agriculture</u> | | | |
| *National School Lunch Prog. - Non-Cash Assistance | 10.565 | 201-910 | 83,002 |
| Total Passed Through the State Department Agriculture | | | <u>83,002</u> |
| <u>Passed Through State Department of Education</u> | | | |
| Child Nutrition Cluster | | | |
| *School Breakfast Program | 10.553 | 71402001 | 137,790 |
| *National School Lunch Program - Cash Assistance | 10.555 | 71302001 | 365,005 |
| Total Child Nutrition Cluster | | | <u>502,795</u> |
| Total Passed Through State Department of Education | | | <u>502,795</u> |
| Total U. S. Department of Agriculture | | | <u>585,797</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 2,027,381</u> |

The accompanying notes are an integral part of this schedule.

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tatum Independent School District and is presented on the modified accrual basis of accounting. The information in this 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal grants funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly when such funds are received, they are recorded as deferred revenues until earned.

The Commodity Supplemental Food Program (CFDA 10.565) received like-kind goods. The monetary value of these goods was \$83,001 for the year ended August 31, 2020. This monetary value was reported on the schedule.

The District participates in numerous state and federal grant programs governed by various rules and regulations of the grantor agencies. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020, may be impaired. Negative amounts shown, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. 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 contingency.

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

Reconciliation of Federal Awards

The following reconciles federal expenditures per the Schedule of Expenditures of Federal Awards (SEFA) to the federal revenue reported on Exhibit C-2:

| | | |
|-----------------------------------|----|------------------|
| Federal expenditures per SEFA | \$ | 2,027,381 |
| SHARS | | 152,282 |
| Other Federal Contracted Services | | 75,099 |
| Federal revenue per Exhibit C-2 | \$ | <u>2,254,762</u> |

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

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