

PAWNEE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

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PAWNEE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

Pawnee Independent School District
Name of School District

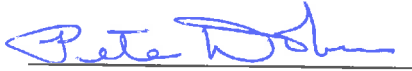
Bee
County

013-902
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and approved
- ___disapproved for the year ended August 31, 2020, at a meeting of the board of school trustees of such school district on the
10th day of November, 2020.



Signature of Board Secretary



Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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Independent Auditor's Report

UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Trustees
Pawnee Independent School District
P.O. Box 569
Pawnee, Texas 78145

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Pawnee 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

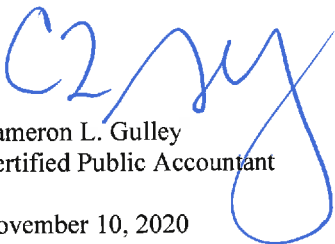
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of District's Proportionate Share of the Net Pension Liability (TRS), Schedule of District Pension Contributions to TRS, Schedule of District's Proportionate Share of the Net OPEB Liability (TRS) and Schedule of District OPEB Contributions to TRS as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedure to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the TEA required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements and the TEA required schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2020, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Cameron L. Gulley
Certified Public Accountant

November 10, 2020

Pawnee Independent School District

P. O. Box 569 • Pawnee, Texas 78145 • Ph 361/456-7256 • Fax 361/456-7388

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Pawnee Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August, 31, 2020. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 5. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into one activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two different types of funds - governmental and proprietary - use different accounting approaches.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Fund Net Position on pages 16 and 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Total net position of the District's governmental activities increased from \$5,988,504 to \$6,653,694. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$1,410,629 to \$1,376,829. Current and other assets increased by \$30,922 due to cash offset by reductions in accrued receivables. Capital assets increased by \$1,455 due to asset additions in excess of depreciation expense. Long-term liabilities decreased by \$89,247 due to the effects of bond principal payments offset by increases in net pension (NPL) and other post-employment benefit (OPEB) liabilities. Other liabilities decreased by \$167,987 related to reductions in ending accrued liabilities. Deferred resource outflows and inflows related to NPL and OPEB liabilities increased by \$755,131 and \$379,552, respectively.

The addition of satellite Head Start campuses during the year contributed to significant changes in both revenues and expenses for the year. The added effects of increased student populations liquidated property wealth within the District and significantly reduced wealth recapture payments by nearly \$1 million from the previous year. Additionally, the effects of reduced property wealth per capita increased state aid earned for the year by nearly \$157,000. Finally, the added satellite Head Start campuses increased operational expenses due to added personnel and related expenses by nearly \$500,000 and added personnel costs in its regular campus by over \$850,000. Those expenses were offset by additional grants and contributions related to the new Head Start campuses of nearly \$650,000 for instructional and food service grant activities.

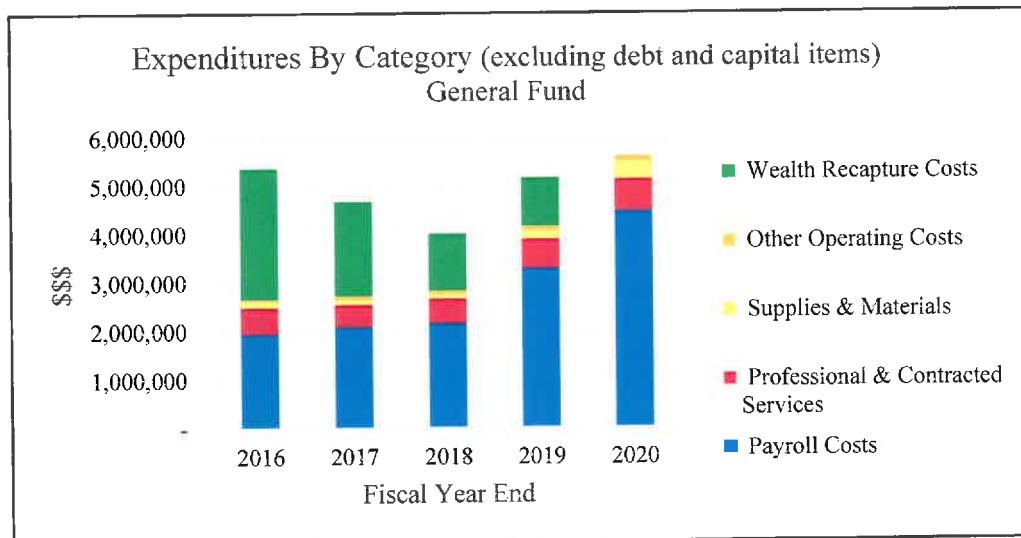
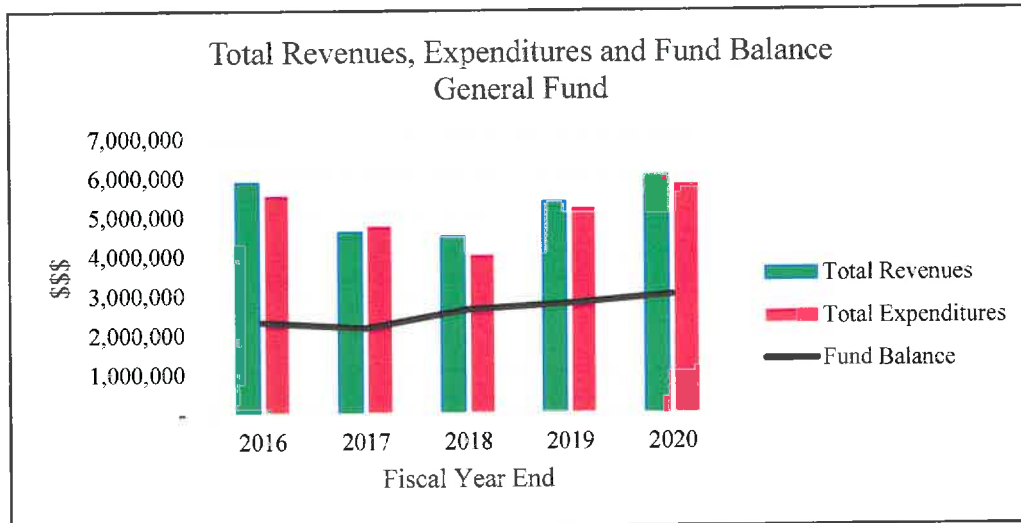
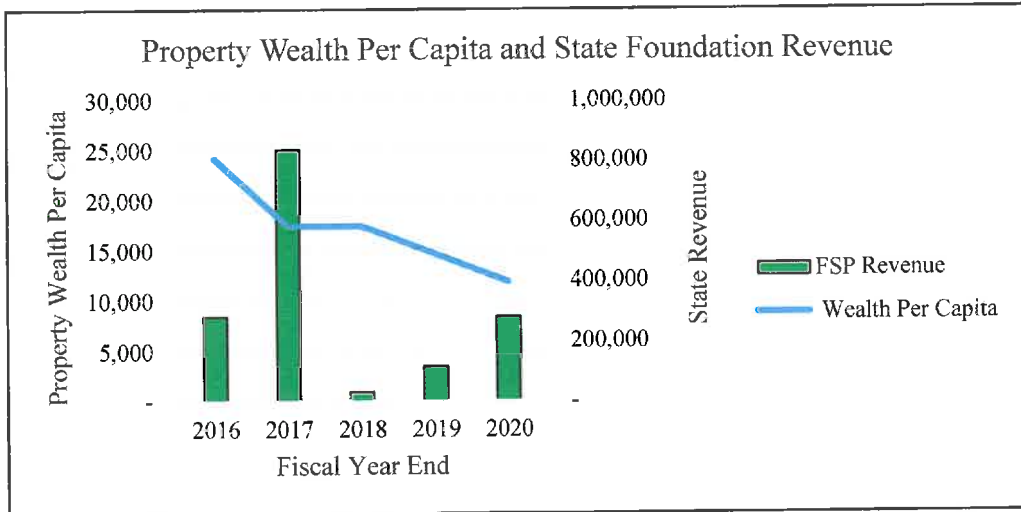
The District's total revenues were \$951,721 more than last year. Operating grants and contributions were \$885,878 more than last year and were related to the Head Start campuses discussed above plus added state onbehalf revenues related to retirement and OPEB. State aid increased by \$157,000 also due to the Head Start campuses discussed above.

Total expenses increased by \$909,765 for the year. The significant increase in expenses was due to additional personnel added from the satellite Head Start campuses added during the current year plus the effects of state-mandated salary increases which were effective for the current year. Nearly all functional categories were affected from the increase in payroll costs of approximately \$1.3 million. The added student enrollment had a positive effect on Chapter 41 wealth recapture costs as those expenses decreased by approximately \$1 million from last year.

	Governmental Activities 2020	Governmental Activities 2019	Variance Increase/ (Decrease)
Current and other assets	\$ 3,525,283	\$ 3,494,361	\$ 30,922
Capital assets	7,817,158	7,815,703	1,455
Deferred resource outflows for TRS	1,795,303	1,040,172	755,131
Total assets and deferred resource outflows	13,137,744	12,350,236	787,508
Long-term liabilities	5,482,747	5,571,994	(89,247)
Other liabilities	210,689	378,676	(167,987)
Deferred resource inflows for TRS	790,614	411,062	379,552
Total liabilities and deferred resource inflows	6,484,050	6,361,732	122,318
Net position:			
Net investment in capital assets	5,036,100	4,316,334	719,766
Restricted for other purposes	240,765	261,541	(20,776)
Unrestricted	1,376,829	1,410,629	(33,800)
Total net position	\$ 6,653,694	\$ 5,988,504	\$ 665,190

	Governmental Activities 2020	Governmental Activities 2019	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 14,098	\$ 11,908	\$ 2,190
Operating grants and contributions	2,547,079	1,661,201	885,878
General Revenues:			
Property taxes	4,398,779	4,436,888	(38,109)
State aid - formula grants	366,503	209,679	156,824
Other	36,583	91,645	(55,062)
Total Revenues	7,363,042	6,411,321	951,721
Expenses:			
Instruction, curriculum and media services	4,186,488	3,172,868	(1,013,620)
Instructional and school leadership	350,255	214,017	(136,238)
Student support services	459,692	330,974	(128,718)
Child nutrition	457,001	125,212	(331,789)
Extracurricular activities	78,293	61,080	(17,213)
General administration	418,737	262,526	(156,211)
Plant maintenance, security & data processing	605,031	483,521	(121,510)
Debt service	40,383	48,546	8,163
Contracted instructional services between schools	1,289	1,000,423	999,134
Payments related to shared service arrangements	4,898	8,388	3,490
Other intergovernmental charges	95,785	80,532	(15,253)
Total Expenses	6,697,852	5,788,087	(909,765)
Increase (Decrease) in Net Position	665,190	623,234	41,956
Net Position - beginning of year	5,988,504	5,365,270	623,234
Net Position - end of year	\$ 6,653,694	\$ 5,988,504	\$ 665,190

The following charts depict trend information for the past five years.



THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$3,229,556, an increase of \$205,822 in the District's Governmental Funds from last year's fund balance of \$3,023,734. The primary reasons for the net increase are similar to the narrative related to the tables above. The major exceptions are depreciation expense which is not charged to the governmental funds and the net effect relative to GASB 68 and 75 whose impacts are only at the government-wide level financial statements. The specific variances in the changes in fund balance versus the change in net position are detailed out on Exhibit C-4 on the accompanying general purpose financial statements.

The Board of Trustees revised the District's budget several times during the year. Most budget amendments were for professional fees related to tax limitation agreement applications, facilities maintenance and repair costs and added child-care program during the year.

The District's General Fund balance of \$3,003,703 reported on pages 14 and 41 differs from the General Fund's budgetary fund balance of \$2,858,158 reported in the budgetary comparison schedule on page 41 primarily due to expenditures being more favorable than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the District had \$10,422,424 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Following were asset additions for the year.

Asset additions:

Blue Bird school bus	\$ 100,215
Cafeteria equipment	26,469
Playground improvements	40,328
Security cameras	17,588
Building and septic system improvements	60,980
Total asset additions	<u>\$ 245,580</u>

Debt

The District had one outstanding long-term bond payable to finance construction of a new school building in 2007. The bonds will be repaid over the next seven years at annual interest rates varying from 1.05% - 1.75%. Annual payments should approximate \$755,000 due semi-annually on February 15 and August 15 each year until final maturity on August 15, 2024.

Following is a summary of outstanding debt balances:

	2020	2019
Unlimited refunding bonds, series 2016	\$ 2,733,000	\$ 3,440,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's overall fund balance should remain strong with a break-even budget adopted for 2020-21. The tax rate was set at \$0.9664 for maintenance and operations and \$0.2170 for interest and sinking. General fund revenues and expenditures were budgeted at \$6 million for a break-even budget. Therefore, the District expects that its general fund balance will remain approximately \$3 million at August 31, 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Pawnee Independent School District, P.O. Box 569, Pawnee, Texas 78145.

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,152,412
1220 Property Taxes - Delinquent	207,987
1230 Allowance for Uncollectible Taxes	(121,166)
1240 Due from Other Governments	213,712
1290 Other Receivables, Net	72,338
Capital Assets:	
1510 Land	12,587
1520 Buildings, Net	7,511,902
1530 Furniture and Equipment, Net	246,545
1590 Infrastructure, Net	46,124
1000 Total Assets	11,342,441
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	239,776
1705 Deferred Outflow Related to TRS Pension	901,159
1706 Deferred Outflow Related to TRS OPEB	654,368
1700 Total Deferred Outflows of Resources	1,795,303
LIABILITIES	
2110 Accounts Payable	42,438
2140 Interest Payable	1,783
2160 Accrued Wages Payable	162,896
2180 Due to Other Governments	72
2200 Accrued Expenses	3,500
Noncurrent Liabilities:	
2501 Due Within One Year	714,000
2502 Due in More Than One Year	2,305,051
2540 Net Pension Liability (District's Share)	1,179,605
2545 Net OPEB Liability (District's Share)	1,284,091
2000 Total Liabilities	5,693,436
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	235,097
2606 Deferred Inflow Related to TRS OPEB	555,517
2600 Total Deferred Inflows of Resources	790,614
NET POSITION	
3200 Net Investment in Capital Assets	5,036,100
3820 Restricted for Federal and State Programs	8,862
3850 Restricted for Debt Service	231,903
3900 Unrestricted	1,376,829
3000 Total Net Position	\$ 6,653,694

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,149,408	\$ -	\$ 1,871,508	\$ (2,277,900)
12 Instructional Resources and Media Services	10,265	-	-	(10,265)
13 Curriculum and Instructional Staff Development	26,815	-	6,715	(20,100)
23 School Leadership	350,255	-	89,412	(260,843)
31 Guidance, Counseling and Evaluation Services	173,897	-	11,966	(161,931)
33 Health Services	127,209	-	29,665	(97,544)
34 Student (Pupil) Transportation	158,586	-	1,983	(156,603)
35 Food Services	457,001	9,326	402,736	(44,939)
36 Extracurricular Activities	78,293	4,722	2,673	(70,898)
41 General Administration	361,019	-	88,396	(272,623)
51 Facilities Maintenance and Operations	424,383	50	31,038	(393,295)
52 Security and Monitoring Services	13,953	-	-	(13,953)
53 Data Processing Services	166,695	-	7,714	(158,981)
61 Community Services	57,718	-	3,273	(54,445)
72 Debt Service - Interest on Long-Term Debt	40,383	-	-	(40,383)
91 Contracted Instructional Services Between Schools	1,289	-	-	(1,289)
93 Payments Related to Shared Services Arrangements	4,898	-	-	(4,898)
99 Other Intergovernmental Charges	95,785	-	-	(95,785)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 6,697,852</u>	<u>\$ 14,098</u>	<u>\$ 2,547,079</u>	<u>(4,136,675)</u>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		3,633,929
DT	Property Taxes, Levied for Debt Service		764,850
SF	State Aid - Formula Grants		366,503
IE	Investment Earnings		33,712
MI	Miscellaneous Local and Intermediate Revenue		2,871
TR	Total General Revenues		<u>4,801,865</u>
CN	Change in Net Position		665,190
NB	Net Position - Beginning		5,988,504
NE	Net Position - Ending		<u>\$ 6,653,694</u>

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

PAWNEE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,927,403	\$ 216,509	\$ 8,500	\$ 3,152,412
1220 Property Taxes - Delinquent	172,386	35,601	-	207,987
1230 Allowance for Uncollectible Taxes	(100,477)	(20,689)	-	(121,166)
1240 Due from Other Governments	189,849	554	23,309	213,712
1260 Due from Other Funds	18,957	-	-	18,957
1290 Other Receivables	72,338	-	-	72,338
1000 Total Assets	<u>\$ 3,280,456</u>	<u>\$ 231,975</u>	<u>\$ 31,809</u>	<u>\$ 3,544,240</u>
LIABILITIES				
2110 Accounts Payable	\$ 38,448	\$ -	\$ 3,990	\$ 42,438
2160 Accrued Wages Payable	162,896	-	-	162,896
2170 Due to Other Funds	-	-	18,957	18,957
2180 Due to Other Governments	-	72	-	72
2200 Accrued Expenditures	3,500	-	-	3,500
2000 Total Liabilities	<u>204,844</u>	<u>72</u>	<u>22,947</u>	<u>227,863</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	71,909	14,912	-	86,821
2600 Total Deferred Inflows of Resources	<u>71,909</u>	<u>14,912</u>	<u>-</u>	<u>86,821</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	8,862	8,862
3480 Retirement of Long-Term Debt	-	216,991	-	216,991
3600 Unassigned Fund Balance	3,003,703	-	-	3,003,703
3000 Total Fund Balances	<u>3,003,703</u>	<u>216,991</u>	<u>8,862</u>	<u>3,229,556</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,280,456</u>	<u>\$ 231,975</u>	<u>\$ 31,809</u>	<u>\$ 3,544,240</u>

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

PAWNEE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	3,229,556
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$10,176,844 and the accumulated depreciation was (\$2,361,141). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		4,375,703
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position.		952,580
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$901,159, a deferred resource inflow in the amount of \$235,097 and a net pension liability in the amount of \$1,179,605. This resulted in a decrease in net position.		(513,543)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$654,368, a deferred resource inflow in the amount of \$555,517 and a net OPEB liability in the amount of \$1,284,091. This resulted in a decrease in net position.		(1,185,240)
5 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(244,125)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		38,763
19 Net Position of Governmental Activities	\$	<u>6,653,694</u>

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

PAWNEE 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 Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,348,118	\$ 770,220	\$ 9,326	\$ 6,127,664
5800 State Program Revenues	642,962	3,394	72,518	718,874
5900 Federal Program Revenues	56,214	-	407,846	464,060
5020 Total Revenues	<u>6,047,294</u>	<u>773,614</u>	<u>489,690</u>	<u>7,310,598</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,668,272	-	124,063	3,792,335
0012 Instructional Resources and Media Services	10,265	-	-	10,265
0013 Curriculum and Instructional Staff Development	20,189	-	6,626	26,815
0023 School Leadership	316,634	-	-	316,634
0031 Guidance, Counseling, and Evaluation Services	156,319	-	750	157,069
0033 Health Services	119,069	-	750	119,819
0034 Student (Pupil) Transportation	228,453	-	-	228,453
0035 Food Services	57,282	-	386,968	444,250
0036 Extracurricular Activities	71,394	-	-	71,394
0041 General Administration	331,921	-	5,176	337,097
0051 Facilities Maintenance and Operations	499,854	-	-	499,854
0052 Security and Monitoring Services	29,836	-	-	29,836
0053 Data Processing Services	154,754	-	-	154,754
0061 Community Services	55,535	-	-	55,535
Debt Service:				
0071 Principal on Long-Term Debt	-	707,000	-	707,000
0072 Interest on Long-Term Debt	-	51,694	-	51,694
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	1,289	-	-	1,289
0093 Payments to Fiscal Agent/Member Districts of SSA	4,898	-	-	4,898
0099 Other Intergovernmental Charges	95,785	-	-	95,785
6030 Total Expenditures	<u>5,821,749</u>	<u>758,694</u>	<u>524,333</u>	<u>7,104,776</u>
1200 Net Change in Fund Balances	225,545	14,920	(34,643)	205,822
0100 Fund Balance - September 1 (Beginning)	<u>2,778,158</u>	<u>202,071</u>	<u>43,505</u>	<u>3,023,734</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,003,703</u>	<u>\$ 216,991</u>	<u>\$ 8,862</u>	<u>\$ 3,229,556</u>

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

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	205,822
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net position.		952,580
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(244,125)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		4,027
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. Those contributions made after the measurement date of the plan caused the change in ending net position to increase by \$113,240. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$79,425. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$218,207. The net result is a decrease in the change in net position.		(184,392)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. Those contributions made after the measurement date of the plan caused the change in ending net position to increase by \$28,730. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$19,271. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$78,181. The net result is a decrease in the change in net position.		(68,722)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>665,190</u>

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

PAWNEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,015	\$ 6,717
Total Assets	<u>1,015</u>	<u>\$ 6,717</u>
LIABILITIES		
Due to Student Groups	-	\$ 6,717
Total Liabilities	<u>-</u>	<u>\$ 6,717</u>
NET POSITION		
Unrestricted Net Position	<u>1,015</u>	
Total Net Position	<u>\$ 1,015</u>	

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

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

	Private Purpose Trust Fund
ADDITIONS:	
Contributions from Foundations, Gifts	\$ 21,287
Earnings from Temporary Deposits	1
Total Additions	<u>21,288</u>
DEDUCTIONS:	
Professional and Contracted Services	<u>20,273</u>
Total Deductions	<u>20,273</u>
Change in Fiduciary Net Position	1,015
Total Net Position - September 1 (Beginning)	<u>-</u>
Total Net Position - August 31 (Ending)	<u>\$ 1,015</u>

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

PAWNEE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The District applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. 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.

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

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

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund.** The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The debt service fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

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

Governmental Funds:

3. **Special Revenue Funds.** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

4. **Private Purpose Trust Funds.** The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District.
5. **Agency Funds.** The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the "Pawnee Student Activity Fund."

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

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

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

<u>Asset:</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Vehicles	5-10
Equipment	7
Technology Equipment	5

6. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's board. Assignments of fund balance are amounts set aside by the District's superintendent or his designee with the intent they be used for specific purposes.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. In general governments are required to report investments at fair value. These methods are disclosed in section III.A. below.
9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are as follows:

Deferred charges for bond refunding	\$ 239,776
Deferred charges related to TRS retirement	\$ 901,159
Deferred charges related to TRS OPEB	\$ 654,368

10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 235,097
Deferred charges related to TRS OPEB	\$ 555,517

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other reports are in Exhibits J4 and J5.

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

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the District had the following functional categories that exceeded its final amended budget by more than \$2,500 from the General Fund (see exhibit G-1):

Functional Category	Amount Over Budget	Explanation
0035 - Food services	\$ 57,282	Budget never created for the category.
0099 - Other intergovernmental charges	\$ 3,785	Budget not amended to account for ending accounts payable accruals.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by having no deposits denominated in a foreign currency. Therefore, the District was not exposed to foreign currency risk.

As of August 31, 2020, the following are the District's cash and cash equivalents (including its student activity and private purpose trust fund) with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-10 Yrs	Maturity > 10 Yrs	Credit Rating
Money market and FDIC insured accounts	\$ 311,076	10%	\$ 311,076			N/A
Investment pools	2,849,068	90%	2,849,068			AAA
Total Cash and Cash Equivalents	\$ 3,160,144	100%	\$ 3,160,144			

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Pawnee Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds or mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2020, all investments were rated AAA. Therefore, the District was not exposed to credit risk.

Custodial Credit Risk for Investments. To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party 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. All of the securities are in the District's name and held by the District or its agent. The District was not exposed to custodial credit risk.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance. The District was not exposed to interest rate risk.

Foreign Currency Risk for Investments. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in any foreign currency. Therefore, the District was not exposed to foreign currency risk.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District had no investments at August 31, 2020 except for cash-equivalent investment pools.

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of August 31, 2020 is as follows:

Fund	Receivable	Payable	Purpose	Current?
General fund	\$ 18,957		Temporary advances	Yes
Nonmajor governmental funds		18,957	Temporary advances	Yes
Total	<u>\$ 18,957</u>	<u>\$ 18,957</u>		

Interfund transfers for the year ended August 31, 2020 consisted of the following individual amounts:

None.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2020 were as follows:

	Property Taxes (net)	Other Government	Miscellaneous Receivables	Total Receivables
Governmental Activities:				
General fund	\$ 71,909	\$ 189,849	\$ 72,338	\$ 334,096
Debt service fund	14,912	554		15,466
Nonmajor governmental funds		23,309		23,309
Total Governmental Activities	<u>\$ 86,821</u>	<u>\$ 213,712</u>	<u>\$ 72,338</u>	<u>\$ 372,871</u>

Payables at August 31, 2020 were as follows:

	Accounts	Salaries and Benefits	Other Governments	Total Payables
Governmental Activities:				
General fund	\$ 38,448	\$ 166,396		\$ 204,844
Debt service fund			72	72
Nonmajor governmental funds	3,990			3,990
Total Governmental Activities	<u>\$ 42,438</u>	<u>\$ 166,396</u>	<u>\$ 72</u>	<u>\$ 208,906</u>

F. CAPITAL ASSET ACTIVITY

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

	Balance 8/31/19	Additions	Disposals	Balance 8/31/20
Governmental activities:				
Land and improvements	\$ 12,587			\$ 12,587
Buildings and improvements	9,244,840	40,328		9,285,168
Furniture and equipment	889,032	186,772		1,075,804
Infrastructure	30,385	18,480		48,865
Totals	<u>10,176,844</u>	<u>245,580</u>		<u>10,422,424</u>
Less accumulated depreciation for:				
Buildings and improvements	1,586,517	186,749		1,773,266
Furniture and equipment	773,864	55,395		829,259
Infrastructure	760	1,981		2,741
Total accumulated depreciation	<u>2,361,141</u>	<u>244,125</u>		<u>2,605,266</u>
Governmental activities capital assets, net	<u>\$ 7,815,703</u>	<u>\$ 1,455</u>		<u>\$ 7,817,158</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
11 - Instruction	\$ 142,311
23 - School leadership	11,602
31 - Guidance, counseling and evaluation services	5,755
34 - Student (pupil) transportation	26,879
35 - Food services	17,322
36 - Extracurricular activities	4,108
41 - General administration	12,352
51 - Facilities maintenance and operations	16,420
52 - Security and monitoring services	1,705
53 - Data processing services	5,671
Total depreciation expense - governmental activities	<u>\$ 244,125</u>

G. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is accounted for in the Statement of Net Position and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Effective interest rates range from 1.05% to 1.75%.

A summary of changes in general long-term debt for the year ended August 31, 2020 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 8/31/19	Additions	Retired/ Defeased	Amounts Outstanding 8/31/20
Bonds Payable:						
Unlimited tax refunding bonds, series 2016	1.05% - 1.75%	\$ 5,154,998	\$ 3,440,000		\$ 707,000	\$ 2,733,000
Bond premium			357,565		71,514	286,051
Total Long-Term Debt			<u>\$ 3,797,565</u>		<u>\$ 778,514</u>	<u>\$ 3,019,051</u>

Pawnee ISD Tax Refunding Bonds, Series 2016 -

The bonds were issued on September 20, 2016 for the purpose of an advance refunding of the Unlimited Tax Refunding Bonds, Series 2014. Total bonds issued totaled \$5,154,998. The stated interest rates on the bonds ranged from 1.05% - 1.75% maturing in various amounts with final maturity on August 15, 2024. Bonds maturing on or after August 15, 2017 are callable at par at any date from date of issue. Amounts refunded and considered an in-substance defeasance as a result of the refunding totaled \$5,155,000 for bonds maturing in fiscal years 2017-2024. The cash flow savings from the refunding on the new debt versus the cash flow necessary on the old debt totaled \$588,677 and the economic gain realized as a result of the refunding totaled \$554,332.

H. DEBT SERVICE REQUIREMENTS - BONDS AND LONG-TERM NOTES PAYABLE

Future debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2021	\$ 714,000	\$ 42,786	\$ 756,786
2022	724,000	32,789	756,789
2023	733,000	21,929	754,929
2024	562,000	9,835	571,835
Totals	<u>\$ 2,733,000</u>	<u>\$ 107,339</u>	<u>\$ 2,840,339</u>

I. DEFINED BENEFIT PENSION PLAN

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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report 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#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,961,325,288
Less: Plan Fiduciary Net Position	(157,978,199,075)
Net Pension Liability	<u>\$ 51,983,126,213</u>

Net Position as a percentage of Total Pension Liability 75.24%

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 (A) above.

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. 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

Contribution Rates		
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%

Current fiscal year District contributions	\$ 113,240
Current fiscal year Member contributions	\$ 285,001
2019 measurement year NECE contributions	\$ 121,494

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source.

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 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.

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.3%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2018. For a full description of these assumptions, please see the TRS CAFR and actuarial valuation report dated November 9, 2018.

Discount Rate. The single discount rate used to measure the total pension liability was 7.25%. This was a change in the discount rate from the previous year of 0.343%. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates set during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and State contributions for active and rehired retirees. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Target Allocation	Real Return: Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.00%	0.00%
Hedge Funds (Stable Value)	4%	3.09%	0.12%
Cash	1%	(0.30)%	0.00%
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	16%	5.21%	0.73%
Energy and Natural Resources	3%	7.48%	0.37%
Commodities	0%	0.00%	0.00%
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectations			2.30%
Alpha			(0.79)%
Total	<u>100%</u>		<u>7.25%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns

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 2019 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	\$ 1,813,224	\$ 1,179,605	\$ 666,251

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 \$1,179,605 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	\$ 1,179,605
State's proportionate share that is associated with the District	1,804,478
Total	<u>\$ 2,984,083</u>

The net pension liability was measured as of 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 thru August 31, 2019.

At August 31, 2019 the District's proportion of the collective net pension liability was 0.0022692076% which was an increase of 0.0008487982% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation. Changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period are as follows:

1. 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.
2. 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 based on the actuarial assumptions.

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

For the year ended August 31, 2020, the District recognized pension expense of \$581,090 and revenue of \$283,458 for support provided by the State in the Government-Wide Statement of Activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	\$ 4,955	\$ 40,958
Changes in actuarial assumptions	365,971	151,237
Differences between projected and actual investment earnings	11,844	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	405,149	42,902
Total as of August 31, 2019 measurement date	\$ 787,919	\$ 235,097
Contributions paid to TRS subsequent to the measurement date	113,240	
Total as of August 31, 2020 fiscal year end	<u>\$ 901,159</u>	<u>\$ 235,097</u>

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

Fiscal year ended August 31,	Amount
2021	\$ 123,734
2022	\$ 109,985
2023	\$ 120,654
2024	\$ 113,531
2025	\$ 77,479
Thereafter	\$ 7,439

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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 benefit 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.

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#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

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

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 48,583,247,239
Less: plan fiduciary net position	(1,292,022,349)
Net OPEB liability	<u>\$ 47,291,224,890</u>
Net position as a percentage of total OPEB liability	2.66%

Benefits Provided. TRS-Care provides a basic health insurance coverage at no cost to all 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 pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

The following premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018 and are reflected in the following table.

TRS-Care Plan Premium Rates Effective January 1, 2018 - December 31, 2021		
	Medicare	Non-Medicare
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

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 plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for the plan 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2019	2020
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

Current fiscal year District contributions	\$ 28,730
Current fiscal year member contributions	\$ 24,059
2019 measurement year NECE contributions	\$ 25,605

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

A supplemental appropriation was received in 2019 for \$73.6 million, which was re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

Actuarial Assumptions. The total OPEB liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

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

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
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.
Projected Salary Increases	3.05% to 9.05%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annual by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a change of (1.06%) in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income 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” as of August 31, 2019.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District’s proportionate share of net OPEB liability	\$ 1,550,310	\$ 1,284,091	\$ 1,075,828

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of net OPEB liability	\$ 1,047,516	\$ 1,284,091	\$ 1,600,992

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 \$1,284,091 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the collective net OPEB liability	\$ 1,284,091
State’s proportionate share that is associated with the District	1,706,270
Total	<u>\$ 2,990,361</u>

The net OPEB liability was measured as of 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the District’s proportion of the collective net OPEB liability was 0.0027152840% which was an increase of 0.00072773360% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

1. The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability (TOL).
2. The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was not lapse assumption in the prior valuation. These changes decreased the TOL.
3. The trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
4. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
5. 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.

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 \$142,422 and revenue of \$44,970 for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual actuarial experience	\$ 62,996	\$ 210,128
Changes in actuarial assumptions	71,321	345,389
Differences between projected and actual investment earnings	139	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	491,182	
Total as of August 31, 2019 measurement date	\$ 625,638	\$ 555,517
Contributions paid to TRS subsequent to the measurement date	28,730	
Total as of August 31, 2020 fiscal year end	<u>\$ 654,368</u>	<u>\$ 555,517</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:

Fiscal year ended August 31,	Amount
2021	\$ (8,153)
2022	\$ (8,153)
2023	\$ (8,199)
2024	\$ (8,224)
2025	\$ (8,217)
Thereafter	\$ 111,067

K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.25% for 2018 thru 2020. The contribution rate for the district was 0.75% for 2018 thru 2020. The contribution rate for active employees was 0.65% of the district payroll for 2018 thru 2020. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.25% for 2018 thru 2020.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf to the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2020, 2019 and 2018 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2020	0.65%	\$ 24,059	1.25%	\$ 46,266	0.75%	\$ 27,760
2019	0.65%	\$ 16,518	1.25%	\$ 31,765	0.75%	\$ 19,059
2018	0.65%	\$ 11,590	1.25%	\$ 22,288	0.75%	\$ 13,373

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2020, 2019 and 2018 were \$17,745, \$6,903 and \$5,313, respectively.

The 86th Legislative Session of the Texas Legislature appropriated supplemental contributions to the TRS-Care program. Amounts appropriated for fiscal year 2020 totaled \$230.8 million with the District's share of the on behalf contribution recognized during the year as both revenues and expenditures totaling \$6,266.

Active Employee Health Care Coverage

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

L. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 3,440,000		\$ 707,000	\$ 2,733,000	\$ 714,000
Bond premium	357,565		71,514	286,051	0
Net pension liability	781,828	477,202	79,425	1,179,605	0
Net OPEB liability	992,601	310,761	19,271	1,284,091	0
Total	<u>\$ 5,571,994</u>	<u>\$ 787,963</u>	<u>\$ 877,210</u>	<u>\$ 5,482,747</u>	<u>\$ 714,000</u>

M. UNAVAILABLE/UNEARNED REVENUE

Unavailable and unearned revenue at year-end consisted of the following:

Fund	Unavailable Revenue (levied but uncollected property taxes)
General fund	\$ 71,909
Debt service fund	14,912
Total	<u>\$ 86,821</u>

N. DUE FROM STATE AND FEDERAL AGENCIES

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

Fund	State Grants	Federal Grants	Total
General fund	\$ 187,219		\$ 187,219
Nonmajor governmental funds	7,208	16,101	23,309
Total	<u>\$ 194,427</u>	<u>\$ 16,101</u>	<u>\$ 210,528</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Description	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes (net of discounts)	\$ 3,625,262	\$ 762,883		\$ 4,388,145
Penalties, interest and other tax related income	14,898	3,020		17,918
Food sales			9,326	9,326
Investment income	29,395	4,317		33,712
Extracurricular student activities	4,722			4,722
Local grants and contributions	1,670,920			1,670,920
Other income	2,921			2,921
Total	<u>\$ 5,348,118</u>	<u>\$ 770,220</u>	<u>\$ 9,326</u>	<u>\$ 6,127,664</u>

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

Q. JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education services with the Brush Country Special Services Co-op. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Mathis ISD, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

The District also participates in various shared service arrangements with the Education Service Center Region 2. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Education Service Center Region 2 is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement.

R. 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 the fiscal year 2020, the District purchased commercial insurance to cover general liabilities. Additional insurance information by coverage type follows.

Property Casualty Program

The District participated in the Texas Association of School Boards Risk Management Fund (the "Fund") with coverage in auto liability, auto physical damage, general liability, property and legal liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its auto, liability and property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2020, the Fund anticipates the District has not additional liability beyond the contractual obligations for payment of contributions.

Workers' Compensation

During the year, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2019, The Fund carries a discounted reserve of \$45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

Unemployment Compensation

During the year ended August 31, 2020, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2020, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

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

S. GENERAL FUND FEDERAL SOURCE REVENUES

Revenues from federal sources, which are reported in the General Fund, consist of:

Program or Service	CFDA	Amount
School health and related services	N/A	<u>\$ 56,214</u>

T. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2020; the date which the financial statements were available for distribution. There were none noted.

U. TAX ABATEMENTS

On July 14 2020, the District's Board of Trustees approved an Agreement with Helena Wind, LLC (the "Applicant") for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Each company qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(5), as renewable energy projects.

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

In order to qualify for a value limitation agreement, each Applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the Application's approval, the Agreements were deemed to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The Applications, the Agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller's website:

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

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

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

As of the date of the audit report, the Applicant company is in full compliance with all of their obligations under law and the individual Agreement.

The following is a table related to the net benefit of the project to the District but does not include any (if applicable) interest and sinking impact.

Project:		Helena Wind, LLC (Application #1462)				
First Year Value Limitation:		2022 tax year				
Tax Year 2019 (Fiscal Year 2019-20)						
(A) Project Value	(B) Project's Value Limitation Amount	(C) Amount of Applicant's M&O Taxes Paid	(D) Amount of Applicant's M&O Taxes Reduced	(E) Company Revenue Loss Payment to School District	(F) Company Supplemental Payment to School District	(G) Net Benefit (Loss) to the School District (C+E+F)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

REQUIRED SUPPLEMENTARY INFORMATION

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PAWNEE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,485,527	\$ 5,565,527	\$ 5,348,118	\$ (217,409)
5800 State Program Revenues	514,358	634,358	642,962	8,604
5900 Federal Program Revenues	-	55,000	56,214	1,214
5020 Total Revenues	5,999,885	6,254,885	6,047,294	(207,591)
EXPENDITURES:				
Current:				
0011 Instruction	3,887,143	3,922,143	3,668,272	253,871
0012 Instructional Resources and Media Services	5,000	13,700	10,265	3,435
0013 Curriculum and Instructional Staff Development	38,750	28,750	20,189	8,561
0023 School Leadership	406,751	376,751	316,634	60,117
0031 Guidance, Counseling, and Evaluation Services	146,238	156,238	156,319	(81)
0033 Health Services	147,596	143,596	119,069	24,527
0034 Student (Pupil) Transportation	305,021	256,021	228,453	27,568
0035 Food Services	-	-	57,282	(57,282)
0036 Extracurricular Activities	84,496	74,496	71,394	3,102
0041 General Administration	257,802	340,802	331,921	8,881
0051 Facilities Maintenance and Operations	413,756	514,756	499,854	14,902
0052 Security and Monitoring Services	40,000	35,000	29,836	5,164
0053 Data Processing Services	149,832	156,832	154,754	2,078
0061 Community Services	2,000	56,300	55,535	765
Capital Outlay:				
0081 Facilities Acquisition and Construction	5,500	500	-	500
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	-	2,000	1,289	711
0093 Payments to Fiscal Agent/Member Districts of SSA	20,000	5,000	4,898	102
0099 Other Intergovernmental Charges	90,000	92,000	95,785	(3,785)
6030 Total Expenditures	5,999,885	6,174,885	5,821,749	353,136
1200 Net Change in Fund Balances	-	80,000	225,545	145,545
0100 Fund Balance - September 1 (Beginning)	2,778,158	2,778,158	2,778,158	-
3000 Fund Balance - August 31 (Ending)	\$ 2,778,158	\$ 2,858,158	\$ 3,003,703	\$ 145,545

PAWNEE 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)	0.0022692076%	0.0014204094%	0.0012002442%	0.0014202205%	0.0013194000%	0.0005905000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,179,605	\$ 781,828	\$ 383,773	\$ 536,680	\$ 466,390	\$ 157,731
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,804,478	1,536,245	971,139	971,781	611,037	584,759
Total	<u>\$ 2,984,083</u>	<u>\$ 2,318,073</u>	<u>\$ 1,354,912</u>	<u>\$ 1,508,461</u>	<u>\$ 1,077,427</u>	<u>\$ 742,490</u>
District's Covered Payroll	\$ 2,541,211	\$ 1,783,031	\$ 1,698,038	\$ 1,530,904	\$ 1,031,047	\$ 957,787
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	46.42%	43.85%	22.60%	35.06%	45.23%	16.47%
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."

PAWNEE 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	\$ 113,240	\$ 79,425	\$ 47,850	\$ 39,337	\$ 45,114	\$ 39,068
Contribution in Relation to the Contractually Required Contribution	(113,240)	(79,425)	(47,850)	(39,337)	(45,114)	(39,068)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,701,314	\$ 2,541,211	\$ 1,783,031	\$ 1,698,038	\$ 1,530,904	\$ 1,031,047
Contributions as a percentage of Covered Payroll	3.06%	3.13%	2.68%	2.32%	2.95%	3.79%

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."

PAWNEE 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)	0.0027152840%	0.0019879480%	0.0018032275%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,284,091	\$ 992,601	\$ 784,156
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	1,706,270	1,591,655	1,409,666
Total	<u>\$ 2,990,361</u>	<u>\$ 2,584,256</u>	<u>\$ 2,193,822</u>
District's Covered Payroll	\$ 2,541,211	\$ 1,783,031	\$ 1,698,038
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	50.53%	55.67%	46.18%
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."

PAWNEE 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	\$ 28,730	\$ 19,271	\$ 13,714
Contribution in Relation to the Contractually Required Contribution	(28,730)	(19,271)	(13,714)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,701,314	\$ 2,541,211	\$ 1,783,031
Contributions as a percentage of Covered Payroll	0.78%	0.76%	0.77%

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."

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

Budget

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

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

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

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

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level.

Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

Defined Benefit Pension Plan

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.

See Footnote I page 30 for changes in assumptions that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms.

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

Changes of assumptions.

See Footnote J page 34 for changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

COMBINING SCHEDULES

PAWNEE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rurai & Low Income
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 8,500	\$ -	\$ -
1240 Due from Other Governments	6,051	4,352	-	-
1000 Total Assets	<u>\$ 6,051</u>	<u>\$ 12,852</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 3,990	\$ -	\$ -
2170 Due to Other Funds	6,051	-	-	-
2000 Total Liabilities	<u>6,051</u>	<u>3,990</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	8,862	-	-
3000 Total Fund Balances	<u>-</u>	<u>8,862</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,051</u>	<u>\$ 12,852</u>	<u>\$ -</u>	<u>\$ -</u>

289 Other Federal Special Revenue Funds	410 State Instructional Materials	427 Grow Your Own Grant	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 8,500
5,698	7,008	200	23,309
<u>\$ 5,698</u>	<u>\$ 7,008</u>	<u>\$ 200</u>	<u>\$ 31,809</u>
\$ -	\$ -	\$ -	\$ 3,990
5,698	7,008	200	18,957
<u>5,698</u>	<u>7,008</u>	<u>200</u>	<u>22,947</u>
-	-	-	8,862
-	-	-	8,862
<u>\$ 5,698</u>	<u>\$ 7,008</u>	<u>\$ 200</u>	<u>\$ 31,809</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 9,326	\$ -	\$ -
5800 State Program Revenues	-	11,650	-	-
5900 Federal Program Revenues	22,241	331,349	3,342	20,659
5020 Total Revenues	<u>22,241</u>	<u>352,325</u>	<u>3,342</u>	<u>20,659</u>
EXPENDITURES:				
Current:				
0011 Instruction	22,241	-	-	20,659
0013 Curriculum and Instructional Staff Development	-	-	3,342	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	386,968	-	-
0041 General Administration	-	-	-	-
6030 Total Expenditures	<u>22,241</u>	<u>386,968</u>	<u>3,342</u>	<u>20,659</u>
1200 Net Change in Fund Balance	-	(34,643)	-	-
0100 Fund Balance - September 1 (Beginning)	-	43,505	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 8,862</u>	<u>\$ -</u>	<u>\$ -</u>

289 Other Federal Special Revenue Funds	410 State Instructional Materials	427 Grow Your Own Grant	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 9,326
-	60,868	-	72,518
18,460	-	11,795	407,846
18,460	60,868	11,795	489,690
10,000	60,868	10,295	124,063
3,284	-	-	6,626
-	-	750	750
-	-	750	750
-	-	-	386,968
5,176	-	-	5,176
18,460	60,868	11,795	524,333
-	-	-	(34,643)
-	-	-	43,505
\$ -	\$ -	\$ -	\$ 8,862

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REQUIRED TEA SCHEDULES

PAWNEE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2020

Last 10 Years 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	0.967360	0.323660	158,564,050
2013	0.998000	0.271100	184,151,664
2014	0.909000	0.166800	352,368,792
2015	0.917300	0.166800	502,247,564
2016	0.917300	0.176800	501,612,014
2017	0.917300	0.265300	324,830,144
2018	1.040000	0.232000	326,723,175
2019	1.037500	0.212000	363,244,624
2020 (School year under audit)	0.970000	0.204180	375,449,670
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 2,952	\$ -	\$ -	\$ -	\$ (47)	\$ 2,905
2,631	-	-	-	-	2,631
4,784	-	76	20	-	4,688
9,920	-	2,371	435	-	7,114
11,747	-	1,866	339	(1,996)	7,546
106,484	-	(345)	(66)	(1,960)	104,935
8,960	-	(601)	(174)	(2,056)	7,679
14,817	-	2,476	552	(401)	11,388
35,156	-	13,777	2,815	(666)	17,898
-	4,408,455	3,605,643	758,961	(2,648)	41,203
<u>\$ 197,451</u>	<u>\$ 4,408,455</u>	<u>\$ 3,625,263</u>	<u>\$ 762,882</u>	<u>\$ (9,774)</u>	<u>\$ 207,987</u>

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Independent Auditor's Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS

Board of Trustees
Pawnee Independent School District
P.O. Box 569
Pawnee, Texas 78145

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pawnee 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, and have issued my report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

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

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

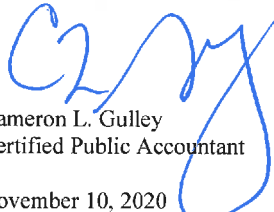
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I identified one deficiency in internal control that I consider to be a material weakness listed as item 2020-1 on the accompanying Schedule of Findings and Questioned Costs. Other material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pawnee Independent School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* listed as item 2020-2 on the accompanying Schedule of Findings and Questioned Costs.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cameron L. Gulley
Certified Public Accountant

November 10, 2020

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

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None.		

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

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:
 Material weakness(es) identified? Yes. Item 2020-1.
 Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported.

Noncompliance material to financial statements noted? No.

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

2020-1	Internal Control Over Financial Reporting - Inaccurate General Ledger Account Balances	
	Criteria	Proper internal controls over financial reporting should ensure that all financial data is accurate for users and stakeholders of the District's finances.
	Statement of Condition	At August 31, 2020 bank statements were not fully reconciled and were out of balance the entire year for the general operating bank account. Beginning in September, 2019 and continuing for the remainder of the year, prior year bank account activity posted again to the current year general ledger for some of its grant funds. Particularly, payroll transactions from fiscal years 2017 thru 2019 posted to the current year general ledger cash accounts as well as prior year grant fund receipts for the same time period. Additionally, debit card charges were not posted to the general ledger periodically throughout the year. Finally, cash moves between funds were not always coded correctly. The result was the bank balances were out of balance for all months during the year.
	Questioned Costs	None.
	Cause and Effect	The cause was primarily due to the prior year grant activities coded to the current year general ledger in error. The volume of debit card transactions also contributed to some bank debit transactions being omitted and not recorded. Cash moves between funds when using a pooled-cash account must be netted to zero between funds when moving expenditures across funds. There was one instance in July, 2020 when cash moves for workers comp liability balances were only posted as cash debits and the related cash credit across funds to zero out the cash move was not recorded. The effect of not reconciling bank balances to the general ledger is that errors in postings will go undetected.
	Recommendations	I recommend that documentary evidence of bank reconciliations performed be provided to the superintendent and board of trustees monthly.

2020-2	Compliance - Expenditures Exceeded Budget	
	Criteria	In accordance with Texas Education Code §44.006, expenditures from governmental fund types cannot be made without authority of appropriation.
	Statement of Condition	The District exceeded two functional categories for the year under audit in the General Fund as follows: 0035 - Food Service over budget by \$57,282 and 0099 - Other Intergovernmental Charges over budget by \$3,785.
	Questioned Costs	None.
	Cause and Effect	The District failed to adopt a budget for food service activities in the General Fund for the year. Ending accounts payable accruals for balances due to the District's county appraisal district were not accounted for in final budget amendments. The effects were a compliance violation of TEC Code §44.006.
	Recommendations	I recommend that budget amendments be made whenever any unforeseen activities occur which are not a part of the originally-adopted budget. Such amendments should be made prior to the expenditure of funds when such expenditures will cause functional categories to exceed budget.

III. Findings and Questioned Costs for Federal Awards

N/A.

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

2020-1	<p>The District has already begun the process of properly reconciling its bank account monthly, accurately and in a timely manner. We will provide documentary evidence of the bank reconciliations being performed to the superintendent and board of trustees on a monthly basis.</p> <p>Contact representative: Josh West, business manager P.O. Box 569 Pawnee, Texas 78145 (361) 456-7256</p> <p>Expected implementation date: Immediately</p>
2020-2	<p>The District will make proposed budget amendments when expenditures are expected to exceed the originally adopted budget.</p> <p>Contact representative: Josh West, business manager P.O. Box 569 Pawnee, Texas 78145 (361) 456-7256</p> <p>Expected implementation date: Immediately</p>

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