

**RIVERCREST
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

AUGUST 31, 2020

RIVERCREST INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

Rivercrest Independent School District
Name of School District

Red River
County

194-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved _____ disapproved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 28 day of October, 2020.



Signature of Board Secretary



Signature of Board President

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



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rivercrest Independent School District
Bogata, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and net pension liability and contributions to TRS and net OPEB liability and contributions to OPEB on pages 4 through 12 and pages 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. The information is in Exhibits identified in the Table of Contents as J-1, J-4, and J-5. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.
September 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rivercrest Independent School District we offer readers of the Rivercrest Independent School District's financial statements this narrative overview and analysis of the financial activities of the Rivercrest Independent School District for the year ended August 31, 2020. The information presented here should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's total combined net position was \$6.8 million at August 31, 2020. During the year, the District's total revenues exceeded expenses by \$592 thousand. Tax revenue was up \$768 thousand because of an increase in taxable values which resulted in an increase of \$444 thousand and also because state revenue increased \$393 thousand. Expenses were up \$794 thousand mainly due to increased payroll costs.

The District reported fund balance in the general fund of \$6.61 million at August 31, 2020. Revenues exceeded expenditures by \$106 thousand. General fund revenue was up in total \$545 thousand. Tax revenue was up \$220 thousand. Taxable values were up about 18%. State revenue increased \$490 thousand. General fund expenditures increased \$1.3 million, or 16%. This is because \$484 thousand more was spent on capital outlay items this year and because of increased payroll costs. The debt service fund fund balance increased \$145 thousand. The increase is because of the increased tax rate in the debt service fund that was approved the prior year and the increased taxable value. The capital projects fund was created this year to record debt proceeds of \$3.5 million and the construction costs paid. About \$1 million of these funds remain to be spent to complete construction projects.

Under accounting standards as per GASB 68, the District's portion of the net pension liability has been recorded on the government-wide statements. The District's portion of this liability and the related deferred outflow and inflow is a net liability of \$822 thousand which is an increase of \$205 thousand over the prior year.

Under accounting standards as per GASB 75, the District's portion of the net OPEB liability for TRS Care has been recorded in the government-wide statements. The District's portion of this liability and the related deferred outflow and inflow is a net liability of \$3.47 million which is a decrease of \$14 thousand over the prior year.

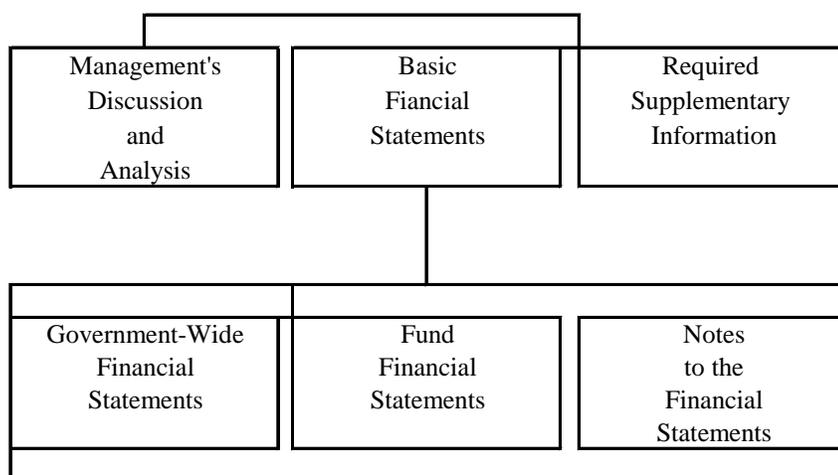
Approximately 96% of the taxes levied for 2019-20 were collected by fiscal year end. The tax values increased about 18%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



Summary ⇐ ⇨ Detail

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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position *Statement of cash flows	*Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	all assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

(A) The District has no enterprise funds.

Government-wide Statements

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

The two government-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no enterprise funds. *Internal service funds* are used to report activities that provide supplies and services for the District's other programs and activities-such as the District's Self Insurance Fund for worker's compensation.
- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$6.84 million at August 31, 2020.

Table A-1
The District's Net Position
(in thousands of dollars)

	Governmental Activities	
	2020	2019
Current and other assets	9,124	7,234
Capital and non-current assets	12,276	9,708
TOTAL ASSETS	21,400	16,942
Deferred charge for refunding	22	25
Deferred resource outflow related to TRS	1,056	1,198
Deferred resource outflow related to TRS OPEB	252	201
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,330	1,424
Long-term liabilities	13,163	10,606
Other liabilities	789	231
TOTAL LIABILITIES	13,952	10,837
Unavailable revenue-property taxes	271	248
Deferred resource inflow related to TRS	299	145
Deferred resource inflow related to TRS OPEB	1,365	885
TOTAL DEFERRED INFLOWS OF RESOURCES	1,935	1,278
Net position		
Invested in capital assets net of related debt	3,073	3,599
Restricted	1,342	143
Unrestricted	2,428	2,509
TOTAL NET POSITION	6,843	6,251

Net assets invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets. The \$2.4 million of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

The \$1.3 million is restricted as follows:

Restricted for federal programs	5
Restricted for debt service	289
Restricted for capital projects	1,048
	<u>1,342</u>

Net position of the District's governmental activities increased from \$6.3 million to \$6.84 million, or \$591 thousand. The increase was the result of these main factors. First, the District's revenues exceeded expenditures by \$1.3 million. Second, the District purchased fixed assets totaling \$3.3 million. Debt proceeds of \$3.7 million were received. Third, the District recorded depreciation of \$778 thousand. Fourth, the District paid principal on debt of \$571 thousand. Fifth, the District's net pension liability net of deferred inflows/outflows increased \$205 thousand.

Changes in net position.

The District's total revenues were \$10.3 million. 32% of this comes from taxes and 53% was from state aid formula grants and 12% was from operating grants and contributions.

The total cost of all programs was \$9.7 million. Approximately 66% of this was for instructional and student services.

Net position increased by \$592 thousand from the excess of revenues over expenses.

Table A-2
The District's Changes in Net Position
(in thousands of dollars)

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues:		
Charges for Services	91	133
Operating Grants and Contributions	1,284	1,305
General Revenues:		
Property Taxes	3,255	2,811
State aid - formula	5,474	5,081
Investment earnings	96	128
Other	107	81
Total Revenues	10,307	9,539
Expenses		
Instruction and instructional related	5,282	4,734
Instructional leadership/school administration	455	457
Guidance, social work, health, transportation	693	663
Food services	440	462
Extracurricular activities	444	447
General administration	409	416
Plant maintenance and security	1,219	1,041
Data processing services	82	81
Debt service	228	148
Capital outlay	-	28
Pmts to fiscal agent/member districts - shared service	331	318
Other intergovernmental charges	132	126
Total Expenses	9,715	8,921
Increase (Decrease) in Net Position	592	618
Beginning Net Position	6,251	5,633
Ending Net Position	6,843	6,251

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

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

- The cost of all *governmental* activities this year was \$9.7 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$3.26 million.
- Some of the cost was paid by those who directly benefited from the programs (\$91 thousand), by state aid of \$5.47 million, or by operating grants of \$1.28 million.

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	5,282	4,734	4,477	3,788
School administration	455	457	429	432
Plant Maintenance & Operations	1,219	1,041	1,159	1,010
Debt Service-Interest & Fiscal Charges	228	148	228	148

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$7.96 million reflecting a net increase of \$1.3 million. The general fund balance increased \$106 thousand. The debt service fund balance increased \$146 thousand. Reasons for these changes are presented above on page 4. The capital projects fund was new this year as \$3.5 million of debt proceeds were received to renovate and construct buildings. The food service fund increased \$4 thousand. Revenue and costs were both down as a result of the coronavirus pandemic.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by \$188 thousand or 2%. An increase of \$35 thousand to fund balance was budgeted. The actual increase was \$106 thousand. Local revenues more than budgeted by \$124 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
District's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2020	2019
Land	63	63
Buildings and improvements	16,028	16,015
Furniture and equipment	2,763	2,372
Other	540	540
Construction in progress	2,942	-
Totals at historical cost	<u>22,336</u>	<u>18,990</u>
Total accumulated depreciation	<u>10,060</u>	<u>9,282</u>
Net capital assets	<u><u>12,276</u></u>	<u><u>9,708</u></u>

The District is in the process of building renovations and construction. \$2.9 million was spent this year on renovations. New buses and a truck were purchased.

Long-Term Debt

Table A-5
District's Long-Term Debt
(in thousands of dollars)

	Governmental	
	2020	2019
Leases payable	25	48
Bonds payable	5,543	6,061
Tax notes & warrants	3,479	-
Notes	156	-
Total bonds and notes payable	<u><u>9,203</u></u>	<u><u>6,109</u></u>

Tax notes and warrants were obtained to construct and renovate buildings in the District. Also, new buses were acquired with loan proceeds.

A net pension liability of \$1.57 million is reflected in long-term liabilities on page 8.

A net OPEB liability of \$2.4 million is reflected in long-term liabilities on page 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Rivercrest ISD's elected officials considered many factors when setting the fiscal year 2021 budget and tax rate. Key factors considered were state funding formulas, compressed tax rate for M&O, current property values, enrollment, academic needs of our students, debt payments, staffing needs, and capital improvements.

Since 2016, Rivercrest ISD enrollment has slightly increased. The average enrollment for 2019-2020 was 717 students, which was an increase from prior year. The District's taxable values after freeze decreased from 2018 to 2019 approximately 40 million and continues to slightly decrease for 2020 due to new minerals in Franklin and Titus counties. The M&O tax rate will again compress from \$1.0684 to \$1.0547 due to the requirements of HB 3 passed by the 2019 Legislative Session. The I&S rate will increase from \$0.22 to \$0.2337 to make bond payments making the total tax rate \$1.2884, the same as the prior year.

The amount of expenditures projected for 2020-21 general fund is \$8,804,754, an increase of \$31,036 from prior year, and the projected revenue is \$8,804,754. The District will continue to monitor enrollment, tax collections, and all significant factors affecting the budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Rivercrest Independent School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the District's Central Business Office.

RIVERCREST 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	\$ 7,487,152
1120 Current Investments	1,182,284
1220 Property Taxes - Delinquent	825,868
1230 Allowance for Uncollectible Taxes	(449,126)
1240 Due from Other Governments	76,503
1290 Other Receivables, Net	870
Capital Assets:	
1510 Land	62,883
1520 Buildings, Net	8,664,031
1530 Furniture and Equipment, Net	378,364
1550 Leased Property Under Capital Leases, Net	229,022
1580 Construction in Progress	2,942,086
1000 Total Assets	21,399,937
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	22,096
1705 Deferred Outflow Related to TRS Pension	1,056,055
1706 Deferred Outflow Related to TRS OPEB	251,582
1700 Total Deferred Outflows of Resources	1,329,733
LIABILITIES	
2110 Accounts Payable	524,795
2160 Accrued Wages Payable	258,467
2200 Accrued Expenses	6,221
Noncurrent Liabilities:	
2501 Due Within One Year	817,786
2502 Due in More Than One Year	8,407,199
2540 Net Pension Liability (District's Share)	1,579,757
2545 Net OPEB Liability (District's Share)	2,358,219
2000 Total Liabilities	13,952,444
DEFERRED INFLOWS OF RESOURCES	
2601 Unavailable Revenue - Property Taxes	271,466
2605 Deferred Inflow Related to TRS Pension	298,570
2606 Deferred Inflow Related to TRS OPEB	1,364,666
2600 Total Deferred Inflows of Resources	1,934,702
NET POSITION	
3200 Net Investment in Capital Assets	3,073,497
3820 Restricted for Federal and State Programs	4,930
3850 Restricted for Debt Service	289,123
3860 Restricted for Capital Projects	1,047,768
3900 Unrestricted	2,427,205
3000 Total Net Position	\$ 6,842,523

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

RIVERCREST 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	4	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 5,117,741	\$ 2,700	\$ 776,340	\$ (4,338,701)
12 Instructional Resources and Media Services	136,551	-	26,949	(109,602)
13 Curriculum and Instructional Staff Development	29,113	-	-	(29,113)
23 School Leadership	455,079	-	26,361	(428,718)
31 Guidance, Counseling and Evaluation Services	202,573	-	10,636	(191,937)
33 Health Services	71,860	-	4,726	(67,134)
34 Student (Pupil) Transportation	417,572	-	10,890	(406,682)
35 Food Services	440,878	63,879	335,302	(41,697)
36 Extracurricular Activities	443,713	18,697	11,183	(413,833)
41 General Administration	408,811	-	13,477	(395,334)
51 Facilities Maintenance and Operations	1,066,160	5,400	24,510	(1,036,250)
52 Security and Monitoring Services	152,525	-	29,761	(122,764)
53 Data Processing Services	81,954	-	3,131	(78,823)
72 Debt Service - Interest on Long-Term Debt	145,953	-	-	(145,953)
73 Debt Service - Bond Issuance Cost and Fees	81,525	-	-	(81,525)
93 Payments Related to Shared Services Arrangements	331,454	-	10,811	(320,643)
99 Other Intergovernmental Charges	131,811	-	-	(131,811)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 9,715,273	\$ 90,676	\$ 1,284,077	\$ (8,340,520)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		2,687,793
DT	Property Taxes, Levied for Debt Service		566,609
SF	State Aid - Formula Grants		5,474,167
IE	Investment Earnings		96,443
MI	Miscellaneous Local and Intermediate Revenue		106,735
TR	Total General Revenues		8,931,747
CN	Change in Net Position		591,227
NB	Net Position - Beginning		6,251,297
NE	Net Position - Ending		\$ 6,842,524

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

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

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 5,837,019	\$ 1,390,449	\$ 259,524	\$ 7,486,992
1120 Investments - Current	1,140,390	-	41,894	1,182,284
1220 Property Taxes - Delinquent	726,764	-	99,104	825,868
1230 Allowance for Uncollectible Taxes	(399,720)	-	(49,406)	(449,126)
1240 Due from Other Governments	64,570	-	11,933	76,503
1290 Other Receivables	870	-	-	870
1000 Total Assets	<u>\$ 7,369,893</u>	<u>\$ 1,390,449</u>	<u>\$ 363,049</u>	<u>\$ 9,123,391</u>
LIABILITIES				
2110 Accounts Payable	\$ 174,749	\$ 342,681	\$ 7,365	\$ 524,795
2160 Accrued Wages Payable	247,700	-	10,767	258,467
2200 Accrued Expenditures	5,055	-	1,166	6,221
2000 Total Liabilities	<u>427,504</u>	<u>342,681</u>	<u>19,298</u>	<u>789,483</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	327,044	-	49,698	376,742
2600 Total Deferred Inflows of Resources	<u>327,044</u>	<u>-</u>	<u>49,698</u>	<u>376,742</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	4,930	4,930
3470 Capital Acquisition and Contractual Obligation	-	1,047,768	-	1,047,768
3480 Retirement of Long-Term Debt	-	-	289,123	289,123
Committed Fund Balance:				
3530 Capital Expenditures for Equipment	300,000	-	-	300,000
3545 Other Committed Fund Balance	3,000,000	-	-	3,000,000
3600 Unassigned Fund Balance	3,315,345	-	-	3,315,345
3000 Total Fund Balances	<u>6,615,345</u>	<u>1,047,768</u>	<u>294,053</u>	<u>7,957,166</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,369,893</u>	<u>\$ 1,390,449</u>	<u>\$ 363,049</u>	<u>\$ 9,123,391</u>

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

RIVERCREST 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	\$	7,957,166
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		160
2 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 \$18,989,601 and the accumulated depreciation was (\$9,282,023). 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 decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.		3,598,552
3 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 2020 capital outlays and debt principal payments is to decrease net position.		3,939,368
4 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. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$1,198,171, a Deferred Resource Inflow in the amount of \$143,735 and a net pension liability in the amount of \$1,671,478. The impact of this on Net Position is (617,042). Changes in the plan reported by TRS for this measurement period resulted in a decrease in net position in the amount of (\$205,230). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$822,272) .		(822,272)
5 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. At the beginning of the year, the net position related to the OPEB liability was a Deferred Resource Outflow in the amount of \$201,162 a Deferred Resource Inflow in the amount of \$885,623 and a net OPEB liability in the amount of \$2,800,619. The impact of this on Net Position is \$(3,485,880). Changes in the OPEB reported by TRS for this measurement period resulted in an increase in net position in the amount of \$13,777. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$3,471,303) .		(3,471,303)
6 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(778,385)
7 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, reclassifying the proceeds of bond sales as an increase in bonds payable, 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.		(3,580,762)
19 Net Position of Governmental Activities	\$	6,842,524

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

RIVERCREST 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	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,970,981	\$ -	\$ 623,872	\$ 3,594,853
5800 State Program Revenues	5,868,092	-	121,946	5,990,038
5900 Federal Program Revenues	111,623	-	580,127	691,750
5020 Total Revenues	<u>8,950,696</u>	<u>-</u>	<u>1,325,945</u>	<u>10,276,641</u>
EXPENDITURES:				
Current:				
0011 Instruction	4,418,664	-	318,163	4,736,827
0012 Instructional Resources and Media Services	121,044	-	-	121,044
0013 Curriculum and Instructional Staff Development	29,113	-	-	29,113
0023 School Leadership	436,533	-	-	436,533
0031 Guidance, Counseling, and Evaluation Services	195,139	-	-	195,139
0033 Health Services	70,563	-	-	70,563
0034 Student (Pupil) Transportation	554,971	-	-	554,971
0035 Food Services	9,861	-	359,225	369,086
0036 Extracurricular Activities	416,543	-	-	416,543
0041 General Administration	365,875	-	-	365,875
0051 Facilities Maintenance and Operations	899,900	-	-	899,900
0052 Security and Monitoring Services	126,263	-	25,000	151,263
0053 Data Processing Services	81,804	-	-	81,804
Debt Service:				
0071 Principal on Long-Term Debt	242,216	-	350,000	592,216
0072 Interest on Long-Term Debt	24,987	-	151,562	176,549
0073 Bond Issuance Cost and Fees	-	80,825	700	81,525
Capital Outlay:				
0081 Facilities Acquisition and Construction	594,945	2,351,407	-	2,946,352
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	320,643	-	10,811	331,454
0099 Other Intergovernmental Charges	131,811	-	-	131,811
6030 Total Expenditures	<u>9,040,875</u>	<u>2,432,232</u>	<u>1,215,461</u>	<u>12,688,568</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(90,179)</u>	<u>(2,432,232)</u>	<u>110,484</u>	<u>(2,411,927)</u>
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	236,675	3,480,000	-	3,716,675
7915 Transfers In	-	-	40,000	40,000
8911 Transfers Out (Use)	(40,000)	-	-	(40,000)
7080 Total Other Financing Sources (Uses)	<u>196,675</u>	<u>3,480,000</u>	<u>40,000</u>	<u>3,716,675</u>
1200 Net Change in Fund Balances	106,496	1,047,768	150,484	1,304,748
0100 Fund Balance - September 1 (Beginning)	<u>6,508,849</u>	<u>-</u>	<u>143,569</u>	<u>6,652,418</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,615,345</u>	<u>\$ 1,047,768</u>	<u>\$ 294,053</u>	<u>\$ 7,957,166</u>

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

RIVERCREST 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	\$	1,304,748
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.</p>		
		(9,149)
<p>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 2020 capital outlays and debt principal payments is to decrease net position.</p>		
		3,939,368
<p>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.</p>		
		(778,385)
<p>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, reclassifying the proceeds of bond sales, 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.</p>		
		(3,673,902)
<p>Current year changes due to GASB 68 resulted in a net effect on the change in the ending net position as a decrease in the amount of \$(205,230).</p>		
		(205,230)
<p>Current year changes due to GASB 75 resulted in a net effect on the change in the ending net position as an increase in the amount of \$13,777.</p>		
		13,777
Change in Net Position of Governmental Activities	\$	591,227

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

RIVERCREST 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	\$ 2,628,105	\$ 2,847,202	\$ 2,970,981	\$ 123,779
5800 State Program Revenues	6,117,675	6,118,416	5,868,092	(250,324)
5900 Federal Program Revenues	90,000	90,000	111,623	21,623
5020 Total Revenues	8,835,780	9,055,618	8,950,696	(104,922)
EXPENDITURES:				
Current:				
0011 Instruction	4,404,509	4,423,320	4,418,664	4,656
0012 Instructional Resources and Media Services	97,028	121,045	121,044	1
0013 Curriculum and Instructional Staff Development	26,110	29,115	29,113	2
0023 School Leadership	432,696	436,696	436,533	163
0031 Guidance, Counseling, and Evaluation Services	200,337	200,337	195,139	5,198
0033 Health Services	73,248	73,248	70,563	2,685
0034 Student (Pupil) Transportation	326,144	574,073	554,971	19,102
0035 Food Services	-	9,862	9,861	1
0036 Extracurricular Activities	431,206	440,209	416,543	23,666
0041 General Administration	336,955	369,955	365,875	4,080
0051 Facilities Maintenance and Operations	963,508	963,508	899,900	63,608
0052 Security and Monitoring Services	85,167	126,908	126,263	645
0053 Data Processing Services	82,174	82,174	81,804	370
Debt Service:				
0071 Principal on Long-Term Debt	238,378	242,217	242,216	1
0072 Interest on Long-Term Debt	25,738	24,987	24,987	-
0073 Bond Issuance Cost and Fees	700	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	733,437	658,437	594,945	63,492
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	250,000	320,643	320,643	-
0099 Other Intergovernmental Charges	128,445	131,812	131,811	1
6030 Total Expenditures	8,835,780	9,228,546	9,040,875	187,671
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(172,928)	(90,179)	82,749
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	247,928	236,675	(11,253)
8911 Transfers Out (Use)	-	(40,000)	(40,000)	-
7080 Total Other Financing Sources (Uses)	-	207,928	196,675	(11,253)
1200 Net Change in Fund Balances	-	35,000	106,496	71,496
0100 Fund Balance - September 1 (Beginning)	6,508,849	6,508,849	6,508,849	-
3000 Fund Balance - August 31 (Ending)	\$ 6,508,849	\$ 6,543,849	\$ 6,615,345	\$ 71,496

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

RIVERCREST INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2020

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 160
Total Assets	<u>160</u>
NET POSITION	
Unrestricted Net Position	<u>160</u>
Total Net Position	<u><u>\$ 160</u></u>

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

RIVERCREST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 12,671
Total Operating Revenues	12,671
OPERATING EXPENSES:	
Professional and Contracted Services	21,820
Total Operating Expenses	21,820
Operating Income (Loss)	(9,149)
Total Net Position - September 1 (Beginning)	9,309
 Total Net Position - August 31 (Ending)	 \$ 160

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

RIVERCREST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 12,671
Cash Payments for Insurance Claims	(21,820)
Net Cash Used for Operating Activities	(9,149)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	-
Net Cash Provided by Non-Capital Financing Activities	-
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	-
Net Cash Provided by Capital and Related Financing Activities	-
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	-
Net Cash Provided by Investing Activities	-
Net Decrease in Cash and Cash Equivalents	(9,149)
Cash and Cash Equivalents at Beginning of Year	9,309
Cash and Cash Equivalents at End of Year	\$ 160
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (9,149)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	-
Net Cash Used for Operating Activities	\$ (9,149)

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

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

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 103,781
Total Assets	\$ 103,781
LIABILITIES	
Due to Student Groups	\$ 103,781
Total Liabilities	\$ 103,781

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

RIVERCREST INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RIVERCREST 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 promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; 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. 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.

RIVERCREST INDEPENDENT SCHOOL DISTRICT applies 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. The District's investments are accounted for using the cost amortization method.

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 RIVERCREST INDEPENDENT SCHOOL DISTRICT activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. The District has no business type activities.

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. Direct costs are those that are clearly identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. 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.

Inter-fund 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 inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund 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.

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, as do the proprietary fund and fiduciary fund financial statements. 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 un-matured 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. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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 deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes 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 position, and unrestricted net position.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues and expenditures.

The District reports the following major governmental fund:

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. **Capital Projects Fund** – The proceeds from long-term debt financing and revenue and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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

Governmental Funds:

1. **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.
2. **Debt Service Fund** -- The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Funds:

1. **Internal Service Funds** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a self-funded worker's compensation fund.

Fiduciary Funds:

1. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity funds.

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. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-50
Vehicles	10
Office Equipment	10
Computer Equipment	10

4. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
5. The District has a self-insurance fund for worker's compensation insurance.
6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change.
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. Investments are reported at fair value.
9. 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 State-wide data base for policy development and funding plans.
10. Deferred Outflows/Inflows of Resources—The District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended August 31, 2013. The District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions for the year ended August 31, 2015. The District implemented GASB Statement No. 75 Accounting and Financial Reporting for Other Post-Employment Benefits for the year ended August 31, 2018. In addition to assets, the statement of net 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. The District has three types of items that qualify for reporting in this category, deferred charge for refunding bonded indebtedness and deferred outflows related to TRS as per GASB 68 related to pension accounting, and related to TRS OPEB related to TRS Care as per GASB 75. These will be recognized as an outflow of resources in the subsequent years as they are amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category, property taxes, deferred inflows related to pension accounting and related to OPEB accounting. These will be recognized as an inflow of resources in the subsequent years as collected.

11. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
12. Fund balance measures the net financial resources available to finance expenditures of future periods.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Rivercrest ISD Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Rivercrest ISD Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the beginning of the Year	Historic Cost	Accumulated Depreciation	Beginning of the Year	Change in Net Position
Land	62,883	-	62,883	
Buildings	16,015,127	(6,865,802)	9,149,325	
Furniture & Equipment	2,371,602	(2,119,833)	251,769	
Construction in Progress	-	-	-	
Capital Leases	539,989	(296,388)	243,601	
Change in Net Position	18,989,601	(9,282,023)	9,707,578	9,707,578
			Payable at the Beginning of the Year	
Long-term liabilities at the Beginning of the Year				
Bonds Payable			5,722,000	
Capital Leases Payable			47,667	
Premium on Issuance of Debt			363,910	
Deferred Charge on Refunding			(24,551)	
Change in Net Position				6,109,026
Net Adjustment to Net Pension				3,598,552

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

<u>Current year Capital Outlay</u>			
Construction in progress	2,942,086	2,942,086	2,942,086
Buildings & improvements	13,178	13,178	13,178
Furniture & Equipment	391,929	391,929	391,929
Total Capital Outlay	<u>3,347,193</u>	<u>3,347,193</u>	<u>3,347,193</u>
<u>Debt Principal Payments</u>			
Bond Principal	488,000	488,000	488,000
Loan Principal	81,023	81,023	81,023
Capital Lease Payments	23,152	23,152	23,152
Total Principal Payments	<u>592,175</u>	<u>592,175</u>	<u>592,175</u>
Total Adjustment to Net Position		<u>3,939,368</u>	<u>3,939,368</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	67,412	(67,412)	-
Uncollected taxes (assumed collectible) from Current Year Levy	105,276	105,276	105,276
Effect of prior year tax entries	25,728	(25,728)	-
<u>Adjustments related to debt</u>			
Amortization of premium	33,093	33,093	33,093
Amortization of deferred charge on refunding	2,455	(2,455)	(2,455)
Debt proceeds	3,716,676	<u>(3,716,676)</u>	<u>(3,716,676)</u>
Total		<u><u>(3,673,902)</u></u>	<u><u>(3,580,762)</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service 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 if they are considered major funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-4 and J-5.

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. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2020
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	4,930
Nonappropriated Budget Funds	-
All Special Revenue Funds	<u><u>4,930</u></u>

IV. 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.

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 not allowing foreign investments.

As of August 31, 2020, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash, Money Market, and FDIC Insured Accounts	7,590,931	100%	7,590,931	-	-	N/A
Total Cash and Cash Equivalents	\$ 7,590,931	100%	\$ 7,590,931	\$ -	\$ -	

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

- a. Depository: Guaranty Bank & Trust
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$8,153,577.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$8,287,567 and occurred during the month of August, 2020.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

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. RIVERCREST 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 RIVERCREST INDEPENDENT SCHOOL 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, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2020, the district's investments in commercial paper were rated, AAAf/SI+ and AAAM by Standard & Poor's.

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.

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%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

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 allowing foreign investments.

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.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

As of August 31, 2020, RIVERCREST INDEPENDENT SCHOOL DISTRICT had the following investments subject to the fair value measurement.

Investment by Fair Value Level	Fair Value Measurements Using Quoted Prices in Significant Other				Credit Rating
	Balance at August 31, 2020	Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Debt Securities:					
Lone Star					
Commercial Paper	1,028,587	-	1,028,587	-	AAAf/S1
Treasuries	47,291	47,291	-	-	AAAf/S1
Agencies	106,406	106,406	-	-	AAAf/S1
Total Debt Securities	<u>1,182,284</u>	<u>153,697</u>	<u>1,028,587</u>	<u>-</u>	
 Total	<u>1,182,284</u>	<u>153,697</u>	<u>1,028,587</u>	<u>-</u>	

The above securities have a maturity of less than 1 year. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of the commercial paper at August 31, 2020 was determined primarily based on level 2 inputs. The District estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. This is acquired through the investment pool mix.

RIVERCREST INDEPENDENT SCHOOL DISTRICT has no investments measured at the Net Asset Value (NAV) per Share.

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 and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

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 and Debt Service Funds are 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 RECEIVABLES AND PAYABLES

There were no interfund balances at August 31, 2020.

\$40,000 was transferred to the food service fund from the General fund so as to not have a deficit in that fund.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2020, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	726,764	64,570	-	870	792,204
Nonmajor Governmental Funds	99,104	11,933	-	-	111,037
Total - Governmental Activities	<u>825,868</u>	<u>76,503</u>	<u>-</u>	<u>870</u>	<u>903,241</u>
Amounts not scheduled for collection during the subsequent year	449,126	-	-	-	449,126

Payables at August 31, 2020, were as follows:

	<u>Accounts</u>	<u>Loans, Leases and Bonds Payable - Current Year</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:							
General Fund	174,749	-	252,755	-	-	-	427,504
Major Capital Project Fund	342,681	-	-	-	-	-	342,681
Nonmajor Governmental Funds	7,365	-	11,933	-	-	-	19,298
Total - Governmental Activities	<u>524,795</u>	<u>-</u>	<u>264,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>789,483</u>
Amounts not scheduled for payment during the subsequent year	-	-	-	-	-	-	-

F. CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Primary Government		Ending Balance
		Additions	Retirements	
Governmental Activities:				
Land	62,883	-	-	62,883
Buildings and Improvements	16,015,127	13,178	-	16,028,305
Furniture and Equipment	2,371,602	391,929	-	2,763,531
Construction in Progress	-	2,942,086	-	2,942,086
Capital Leases	539,989	-	-	539,989
Totals at Historic Cost	<u>18,989,601</u>	<u>3,347,193</u>	<u>-</u>	<u>22,336,794</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,865,802)	(498,472)	-	(7,364,274)
Furniture and Equipment	(2,119,833)	(265,334)	-	(2,385,167)
Capital Leases	(296,388)	(14,579)	-	(310,967)
Total Accumulated Depreciation	<u>(9,282,023)</u>	<u>(778,385)</u>	<u>-</u>	<u>(10,060,408)</u>
Governmental Activities Capital Assets, Net	<u>9,707,578</u>	<u>2,568,808</u>	<u>-</u>	<u>12,276,386</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	310,645
Instructional Resources and Media Services	14,071
Student (Pupil) Transportation	160,979
Food Services	55,355
Cocurricular/Extracurricular Activities	47,107
General Administration	30,115
Plant Maintenance and Operations	160,113
Total Depreciation Expense	<u>778,385</u>

G. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds and Notes	5,722,000	-	(487,000)	5,235,000	506,000
Maintenance Tax Notes & Warrants	-	3,480,000	(1,000)	3,479,000	211,000
Unamortized Premium	363,910	-	(33,093)	330,817	-
Deferred Charge on Refunding	(24,551)	2,455	-	(22,096)	-
Other Liabilities:					
Loan Payable	-	236,676	(81,023)	155,653	76,271
Capital Leases	47,667	-	(23,152)	24,515	24,515
Total Governmental Activities:					
Long-Term Liabilities	<u>6,109,026</u>	<u>3,719,131</u>	<u>(625,268)</u>	<u>9,202,889</u>	<u>817,786</u>

There are no lines of credit, either used or unused. No assets are pledged as collateral for debt.

H. LOANS PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the financial statements as Other Resources and principal payments are shown as Other Uses.

A loan payable totaling \$236,676 were issued in August 2019 pursuant to Texas Education Code Section 45.104 to purchase buses. The loan bears an interest rate of 4.00%. The loan is payable October, commencing October, 2019. The final payment is due October 15, 2021.

Date of Issue/Maturity	Purpose and Lawful Authority	Fund Payable From	Loan Amount	Interest Current Year	Payable Amounts			Outstanding 8/31/20
					Outstanding 9/1/2019	Issued	Retired	
8/19-10/21	45.108	General Fund	236,676	1,578	-	236,676	(81,023)	155,653
			<u>236,676</u>	<u>1,578</u>	<u>-</u>	<u>236,676</u>	<u>(81,023)</u>	<u>155,653</u>

Interest of \$1,578 was incurred for the year ended August 31, 2020, on loans payable.

Year Ending August 31,	Principal	Interest	Total Requirements
2021	76,271	6,330	82,601
2022	79,382	3,219	82,601
2023	-	-	-
2024	-	-	-
2025	-	-	-
Total	<u>155,653</u>	<u>9,549</u>	<u>165,202</u>

I. BONDS PAYABLE

During the 2010-2011 fiscal year, \$2 million of Maintenance Tax Notes, Series 2010 were received from the Federal Qualified School Construction Bond (QSCB) program. After a federal rebate each year during the repayment period, the interest rate is payable at 1.08%. These funds were used for construction/renovation programs.

The unlimited tax refunding bonds Series 2006 were issued to accomplish the advance refunding of the Series 1999 debt. This was undertaken to reduce total debt service payments over 23 years by approximately \$506 thousand and to obtain an economic gain (difference between present value of the debt service payments of the refunded and refunding bonds) of approximately \$187 thousand. The balance outstanding on the 1999 refunded bonds is \$3.5 million at August 31, 2015. The advance refunding of the 2001 debt was undertaken to reduce total debt service payments over 23 years by approximately \$287 thousand and to obtain an economic gain of approximately \$194 thousand. The Series 2010 refunding bonds were issued to accomplish this refunding. The balance outstanding on the 2001 refunded bonds is \$1.9 million at August 31, 2020.

The unlimited tax refunding bonds Series 2014 were issued to accomplish the advance refunding of the Series 2006 debt. This was undertaken to reduce total debt service payments over 15 years by approximately \$564 thousand and to obtain an economic gain (difference between present value of the debt service payments of the refunded and refunding bonds) of approximately \$476 thousand. The balance outstanding on the 2006 refunding bonds is \$2.7 million at August 31, 2020.

During the 2017-2018 fiscal year, as authorized in Chapter 1207, Texas Government Code, as amended the District issued the Unlimited Tax Refunding Bonds Series 2017. This was used to refund the Unlimited Tax Refunding Bonds Series 2010. Interest is payable from 2.00%-4.00%. This was under taken to obtain an economic gain (difference between present value of the debt service payments of the refunded and refunding bonds) of approximately \$125 thousand. The balance outstanding on the 2010 refunding bonds is \$1.9 million at August 31, 2020.

During the 2019-2020 fiscal year, \$2.48 million of Maintenance Tax Notes, Series 2020 were received from Live Oak Public Finance, LLC. The interest rate is payable at 2.34%. These funds are being used for construction/renovation programs.

During the 2019-2020 fiscal year, \$1 million of Time Warrants, Series 2020 were received from Live Oak Public Finance, LLC. The interest rate is payable at 2.44%. These funds are being used for construction/renovation programs.

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

<u>DESCRIPTION</u>	<u>Interest</u>	<u>Amounts</u>	<u>Interest</u>	<u>Payable</u>	<u>Issued/</u>	<u>Refunded/</u>	<u>Outstanding</u>	
	<u>Rate</u>	<u>Original</u>	<u>Current</u>	<u>Amounts</u>	<u>Interest</u>	<u>Retired</u>	<u>8/31/2020</u>	
	<u>Payable</u>	<u>Issue</u>	<u>Year</u>	<u>Outstanding</u>	<u>Accreted</u>			
				<u>9/1/2019</u>				
Maintenance Tax Notes								
Series 2010	1.08%	2,000,000	16,128	1,162,000	-	(137,000)	1,025,000	
Unlimited tax refunding	2.00-							
Bonds Series 2014	3.75%	3,520,000	85,388	2,625,000	-	(225,000)	2,400,000	
Unlimited tax refunding	3.00%-							
Bonds Series 2017	4.00%	2,080,000	66,175	1,935,000	-	(125,000)	1,810,000	
Maintenance Tax Notes								
Series 2020	2.34%	2,480,000	-	-	2,480,000	-	2,480,000	
Time Warrant								
Series 2020	2.44%	1,000,000	4,473	-	1,000,000	(1,000)	999,000	
Unamortized Premium	-	203,640	-	142,876	-	(10,991)	131,885	
Unamortized Premium--2014	-	331,544	-	221,034	-	(22,102)	198,932	
Deferred charge on refunding	-	36,826	-	(24,551)	-	2,455	(22,096)	
				<u>172,164</u>	<u>6,061,359</u>	<u>3,480,000</u>	<u>(518,638)</u>	<u>9,022,721</u>

Debt service requirements are as follows:

<u>Year Ended</u>	<u>General Obligations</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
<u>August 31</u>			
2021	717,000	222,235	939,235
2022	729,000	215,768	944,768
2023	760,000	197,883	957,883
2024	779,000	178,826	957,826
2025	811,000	158,604	969,604
2026-2030	3,317,000	464,728	3,781,728
2031-2035	1,601,000	89,230	1,690,230
Total	<u>8,714,000</u>	<u>1,527,274</u>	<u>10,241,274</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District in compliance with all significant limitations and restrictions at August 31, 2020.

J. MAINTENANCE OF EFFORT

During the year ended August 31, 2020, employees of the RIVERCREST Independent School District were covered by a health insurance plan with TRS Active Care. Under this plan, the District contributes \$200 per month per covered employee.

Maintenance of effort for 2019-2020 is as follows:

Total District premiums for health care 2019-2020	199,200
Less: Life insurance	-
Dental insurance	-
Long term disability	-
2019-2020 Maintenance of Effort	<u><u>199,200</u></u>

K. COMMITMENTS UNDER LEASES

The District entered into a capital lease purchase agreement October 11, 2018 with Apple, Inc. for the purpose of lease purchasing computers. The amount capitalized was \$73,100, the minimum annual payments of principal and interest are \$25,959 and the interest rate is approximately 6%. The lease purchase is authorized by Section 271 of the Local Government Code.

Commitments under the capital lease purchase agreement for minimum future rental payments as of August 31, 2020 are as follows:

Year Ended	Total		
<u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2021	24,515	1,444	25,959
2022	-	-	-
2023	-	-	-
2024	-	-	-
Total	<u><u>24,515</u></u>	<u><u>1,444</u></u>	<u><u>25,959</u></u>

L. DEFINED BENEFIT PENSION PLAN

Plan Description. RIVERCREST INDEPENDENT SCHOOL 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. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2019.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,961,325,288
Less: Plan Fiduciary Net Position	<u>(157,978,199,075)</u>
Net Pension Liability	<u>\$ 51,983,126,213</u>
 Net Position as 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. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 86th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity	6.8%	6.8%
TRS		
Employers	6.8%	6.8%
District's 2020 Employer Contributions		\$ 365,952
District's 2020 Member Contributions		\$ 389,017
District's 2020 NECE On-Behalf Contributions		\$ 246,151

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 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 source or 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, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	2.63%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	2.5%
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 three year period ending August 31, 2018 and adopted in July, 2019.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. There was an increase from the discount rate of 6.907% since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan 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 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 Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	6.4%	1.15%
Non-U.S. Developed	13%	6.3%	0.86%
Emerging Markets	9%	7.30%	0.66%
Directional Hedge Funds	4%	0.00%	0.00%
Private Equity	13%	8.40%	1.09%
Stable Value			
U.S. Treasuries	11%	3.10%	0.34%
Absolute Return	0%	0.0%	0.0%
Hedge Funds (Stable Value)	4%	4.50%	0.18%
Cash	1%	2.5%	0.03%
Real Return			
Global Inflation Linked Bonds	3%	0.0%	0.00%
Real Assets	14%	8.50%	1.19%
Energy and Natural Resources	5%	7.30%	0.37%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	5.8%	0.29%
Inflation Expectations			2.30%
Alpha			-1.21%
Total	100%		7.25%

* 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:	\$2,428,303	\$1,579,757	\$892,246

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, RIVERCREST INDEPENDENT SCHOOL DISTRICT reported a liability of \$1,579,757 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to RIVERCREST INDEPENDENT SCHOOL DISTRICT. The amount recognized by RIVERCREST INDEPENDENT SCHOOL 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 RIVERCREST INDEPENDENT SCHOOL DISTRICT were as follows:

District's proportionate share of the collective net pension liability	\$ 1,579,757
State's proportionate share that is associated with the District	<u>3,655,948</u>
Total	<u><u>\$ 5,235,705</u></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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was .000030389811% which was an increase of .32% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

A change was made in the measurement date of the total pension liability for the current fiscal year. The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2019. This is the first year using roll forward procedures.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 6,636	\$ 54,852
Changes in actuarial assumptions	490,118	202,540
Difference between projected and actual investment earnings	15,862	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	177,487	41,178
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	365,952	-
Total	\$ 1,056,055	\$ 298,570

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

Year ended August 31:	Pension Expense Amount
2021	\$ 116,495
2022	\$ 95,640
2023	\$ 87,295
2024	\$ 77,255
2025	\$ 29,351
Thereafter	\$ (14,503)

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 of 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:

	2020	2019	2018
Required District Contributions	\$ 365,952	\$ 328,167	\$ 304,728
Actual District Contributions	365,952	328,167	304,728
Federal Contributions	16,421	12,432	12,747
State Contributions	246,151	244,307	234,305
Employee Contributions	389,077	340,130	326,629

M. 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 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	<u>1,292,022,349</u>
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 (TRS-Care 1), 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 retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018.

TRS-Care Monthly Premium Rates		
Effective January 1, 2019 - December 31, 2019		
	<u>Medicare</u>	<u>Non-Medicare</u>
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 TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .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.

<u>Contribution Rates</u>		
	<u>2019</u>	<u>2020</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2020 FY Employer Contributions	\$	37,893
District's 2020 FY Member Contributions	\$	14,198
Measurement Year NECE On-Behalf Contributions	\$	47,024

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.

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

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

Roll Forward—A change was made in the measurement date of the total OPEB liability (TOL) for this fiscal year. The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019. This is the first year using the roll forward procedures. The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
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Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the
delivery of health care benefits are	included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% - 9.05%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 65% participation prior
to age 65 and	50% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

**Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2019.*

***Includes inflation at 2.50%*

****Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a change of 29 percent in the discount rate since the previous year. The Discount Rate can be found in the 2019 TRS CAFR on page 71. 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 (2.63%) 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 the Net OPEB Liability:	\$2,847,126	\$ 2,358,219	\$ 1,975,750

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 the Net OPEB Liability:	\$ 1,923,735	\$ 2,358,219	\$ 2,940,206

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, RIVERCREST INDEPENDENT SCHOOL DISTRICT reported a liability of \$2,358,219 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 RIVERCREST INDEPENDENT SCHOOL DISTRICT were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 2,358,219
State's proportionate share that is associated with the District	<u>3,133,547</u>
Total	<u>\$5,491,766</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 employer's proportion of the Net OPEB Liability was based on the employer'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 employer's proportion of the collective Net OPEB Liability was .00004986592% which was a decrease of 12% compared to the prior year.

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

- The total OPEB liability as of August 31, 2019 was developed using the roll forward method of the August 31, 2018 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- 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 TOL.
- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent, as of August 31, 2019. This change lowered the total OPEB liability \$2.6 billion.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.
- 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.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

For the year ended August 31, 2020, RIVERCREST INDEPENDENT SCHOOL DISTRICT recognized OPEB expense of \$37,893 and revenue of \$47,024 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$115,691	\$ 385,898
Changes in actuarial assumptions	130,981	634,303
Net Difference between projected and actual investment earnings	254	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,656	344,465
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	0	0
Total	\$251,582	\$1,364,666

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2020	\$ (172,328)
2021	(172,328)
2022	(172,410)
2023	(172,457)
2024	(172,446)
Thereafter	(251,113)

N. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. RIVERCREST INDEPENDENT SCHOOL 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 2017, 2018 and 2019. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. 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 problems, the federal programs are required to contribution 1.0 %.

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2020, 2019, and 2018 the subsidy payments received by TRS-Care on-behalf of the District were \$16,421, \$12,432, and \$12,747 respectively. The information for the year ended August 31, 2020 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

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.

O. SELF INSURED WORKERS' COMPENATION

During the year ended August 31, 2020, employees of the District were covered by the District's workers' compensation self-insurance plan as authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement.

The costs associated with these self-insurance plans are reported as inter-fund transactions to the extent of amount actually determined. Accordingly, they are treated as operating revenues of the Internal Service Funds and operating expenditures of the General and Special Revenue Funds. The liabilities of these plans include incurred but not reported claims.

Changes in the balances of the claim liabilities during the past year for the worker's compensation plan are as follows:

	Year Ended <u>August 31, 2020</u>	Year Ended <u>August 31, 2019</u>
Unpaid claims, beginning of the year	33,998	38,349
Incurred claims (including IBNR'S)	990	7,874
Claim Payments	<u>(7,204)</u>	<u>(12,225)</u>
Unpaid claims, end of fiscal year	<u><u>27,784</u></u>	<u><u>33,998</u></u>

P. DUE FROM OTHER GOVERNMENTS

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

below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>OTHER</u>	<u>TOTAL</u>
General	64,570	-	-	64,570
Special Revenue	-	11,933	-	11,933
Total	<u>64,570</u>	<u>11,933</u>	<u>-</u>	<u>76,503</u>

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Non-major Special Revenue Fund</u>	<u>Major Debt Service Fund</u>	<u>Total</u>
Property Taxes	2,684,023	-	558,243	3,242,266
Penalties, Interest and Other Tax-related Income	41,092	-	-	41,092
Investment Income	94,695	35	1,715	96,445
Food Sales	-	63,879	-	63,879
Co-Curricular Student Activities	18,696	-	-	18,696
Other	132,475	-	-	132,475
Total	<u>2,970,981</u>	<u>63,914</u>	<u>559,958</u>	<u>3,594,853</u>

R. COMMITTED FUND BALANCE

The Board has committed fund balance in the general fund. \$300 thousand is committed for equipment purchases and \$3 million is committed for construction.

S. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

T. RISK MANAGEMENT

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

U. COMMITMENTS AND CONTINGENCIES

The District has no significant commitments and contingencies.

V. LITIGATION

The District has no litigation matters at August 31, 2020.

W. SUBSEQUENT EVENTS

Administration has evaluated subsequent events through September 25, 2020, the financial statement issuance date.

RIVERCREST 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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.000030389%	0.000030369%	0.000029416%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,579,757	\$ 1,671,478	\$ 940,570
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,655,948	3,994,258	2,290,693
Total	<u>\$ 5,235,705</u>	<u>\$ 5,665,736</u>	<u>\$ 3,231,263</u>
District's Covered Payroll	\$ 5,061,394	\$ 4,417,234	\$ 4,242,197
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	31.21%	37.84%	22.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.000031519%	0.000031175%	0.000014884%
\$ 1,191,070	\$ 1,101,995	\$ 397,592
2,759,497	2,673,345	2,343,573
<u>\$ 3,950,567</u>	<u>\$ 3,775,340</u>	<u>\$ 2,741,165</u>
\$ 3,973,361	\$ 3,885,150	\$ 3,781,962
30.15%	28.36%	14.50%
78.00%	78.43%	83.25%

RIVERCREST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 365,952	\$ 328,167	\$ 304,728
Contribution in Relation to the Contractually Required Contribution	(365,952)	(328,167)	(304,728)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,061,394	\$ 4,417,234	\$ 4,242,197
Contributions as a Percentage of Covered Payroll	6.80%	6.80%	6.80%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2017	2016	2015
\$	256,109	\$ 252,912	\$ 257,173
	(256,109)	(252,912)	(257,173)
\$	-	\$ -	\$ -
\$	3,973,361	\$ 3,885,150	\$ 3,781,962
	6.80%	6.80%	6.80%

RIVERCREST 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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000049866%	0.000056089%	0.000559914%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,358,219	\$ 2,800,619	\$ 2,434,857
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,133,547	3,695,515	3,146,869
Total	<u>\$ 5,491,766</u>	<u>\$ 6,496,134</u>	<u>\$ 5,581,726</u>
District's Covered Payroll	\$ 5,061,394	\$ 4,417,234	\$ 4,242,197
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	46.59%	63.40%	57.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

RIVERCREST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 37,893	\$ 33,130	\$ 31,817
Contribution in Relation to the Contractually Required Contribution	(37,893)	(33,130)	(31,817)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,061,394	\$ 4,417,234	\$ 4,242,197
Contributions as a Percentage of Covered Payroll	0.75%	0.75%	0.75%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

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

A. Notes to Schedules for the TRS Pension

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.

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2018.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.
- The long term assumed rate of return was unchanged at 7.25 percent.
- The change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the net enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during

Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in Assumptions.

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- 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.
- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent, as of August 31, 2019. This change lowered the Total OPEB Liability \$2.6 billion.

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.
- 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.

**REPORT ON INTERNAL CONTROL AND
COMPLIANCE**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Rivercrest Independent School District
Bogata, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rivercrest Independent School 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 our report thereon dated September 25, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

September 25, 2020

915 N. Jefferson Ave. • P.O. Box 1217 • Mt. Pleasant, TX 75456
P. 903.572.6606 • F. 903.572.3751 • firm@awacpa.com

Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants

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

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Rivercrest Independent School District was an unmodified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. NONE
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. NONE
- e. The type of report the auditor issued on compliance for major programs. N/A
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under "Uniform Guidance under section 200.516 Audit Findings paragraph (a)" as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). : N/A
- g. An identification of major programs: N/A
- h. The dollar threshold used to distinguish between Type A and Type B programs. N/A
- i. A statement as to whether the auditee qualified as a low-risk auditee. N/A

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

None

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

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

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

CORRECTIVE ACTION

N/A

The contact at the District is Stanley Jessee at (903) 632-5205.

SCHOOLS FIRST QUESTIONNAIRE

RIVERCREST INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2020

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	