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Signatures

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

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended August 31, 2020

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PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

ANNUAL FINANCIAL REPORT  
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## INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Petersburg Independent School District  
Name of School District

Hale  
County

095-904  
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and  approved \_\_\_ disapproved (check one) for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 20<sup>th</sup> day of October, 2020.

Tommy Foden  
Signature of Board Secretary

Chad Byrd  
Signature of Board President

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

(attach list as necessary):



# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

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## Independent Auditors' Report on Financial Statements

Board of Trustees  
Petersburg Independent School District  
Box 160  
Petersburg, Texas 79250

Members of the Board of Trustees:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Petersburg 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.

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Members American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants



The CPA. Never Underestimate The Value.<sup>®</sup>

***Opinions***

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

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Petersburg Independent School District's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

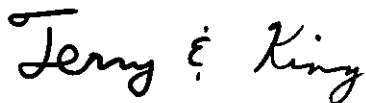


Independent Auditors' Report  
Page 3

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the Petersburg Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Petersburg Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King".

Terry & King, CPAs, P.C.  
Lubbock, Texas  
September 30, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$8,251,048 at August 31, 2020.
- During the year, the District's expenses were \$6,539,572 less than the \$11,561,949 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased \$992,004 or 25%, and no new programs were added this year.
- The general fund reported a fund balance this year of \$3,539,464.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

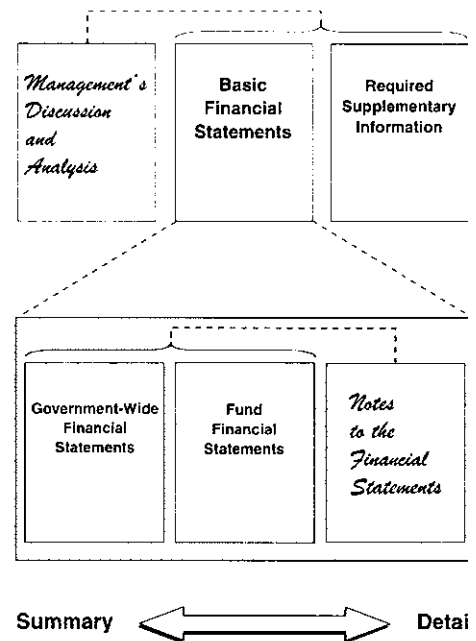


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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 short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	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 thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### 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 it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

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

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

## Fund Financial Statements

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

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

The District has the following kinds of funds:

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

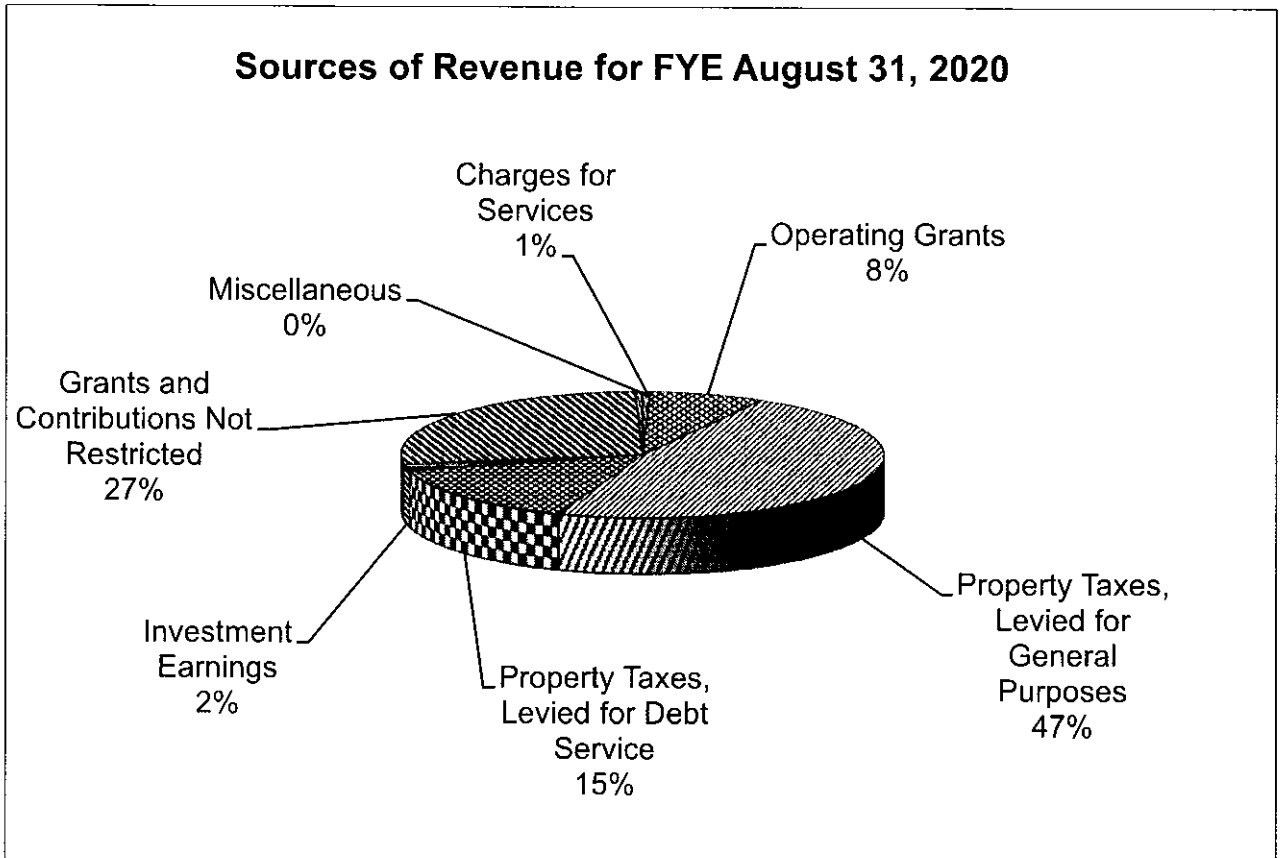
Net position. The District's combined net position was \$8,251,048 at August 31, 2020. (See Table A-1).

Table A-1  
Petersburg Independent School District's Net Position

	Governmental Activities		Percentage Change
	August 31, 2020	August 31, 2019	
<b>Current assets:</b>			
Cash and cash equivalents	17,621,995	2,376,224	642%
Due from other governments	332,482	589,348	-44%
Taxes Receivable, net	13,421	13,800	-3%
Other Receivables	-	-	0%
Total current assets:	17,967,898	2,979,372	503%
<b>Noncurrent assets:</b>			
Land	251,664	42,712	489%
Construction in Progress	5,086,248	499,538	918%
Buildings & Improvements	3,305,169	3,305,169	0%
Less accumulated depreciation, buildings & improvements	(2,502,112)	(2,451,538)	2%
Vehicles	898,799	612,584	47%
Less accumulated depreciation, vehicles	(524,756)	(456,371)	15%
Furniture & Equipment	375,251	335,952	12%
Less accumulated depreciation, furniture & equipment	(296,784)	(276,200)	7%
Total noncurrent assets	6,593,479	1,611,846	309%
<b>Total Assets</b>	<b>24,561,377</b>	<b>4,591,218</b>	<b>435%</b>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows	844,419	821,618	3%
<b>Current liabilities:</b>			
Accounts Payable	8,998	19,347	-53%
Accrued Interest Payable	29,122	25,062	16%
Accrued Wages Payable	95,039	97,421	-2%
Accrued Expenses	2,545	3,354	-24%
Due within one year	1,085,012	555,682	95%
Unearned Revenue	7,740	-	100%
Total current liabilities	1,228,456	700,866	75%
<b>Long-term liabilities:</b>			
Due in more than one year	12,098,306	273,318	4326%
Net Pension Liability	938,842	914,273	3%
Net OPEB Liability	1,222,587	1,280,668	-5%
Premium on bond issuance	923,763	-	100%
Total long-term liabilities	15,183,498	2,468,259	515%
<b>Total Liabilities</b>	<b>16,411,954</b>	<b>3,169,125</b>	<b>418%</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows	742,794	532,235	40%
<b>Net Position:</b>			
Net Investment in Capital Assets	6,662,593	782,846	751%
Restricted for Capital Acquisition	-	279,846	-100%
Restricted for Debt Service	61,625	18	342261%
Unrestricted	1,526,830	648,766	135%
<b>Total Net Position</b>	<b>8,251,048</b>	<b>1,711,476</b>	<b>382%</b>

**Changes in net position.** The District's total revenues were \$11,561,949. A significant portion, 62 percent, of the District's revenue comes from taxes. (See Figure A-3.) 35 percent comes from grants and contributions, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$5,022,377; 48 percent of these costs are for instruction.



**Governmental Activities**

- In the prior year, the District's M&O property tax rate was \$1.17 per \$100 value. In the current year, the District's M&O tax rate was \$1.06835 and a debt service tax rate of \$0.50 per \$100 value was added. Maintenance & Operation Tax revenues collected increased 34% from \$822,732 in FYE 2019 to \$1,102,526 in FYE August 31, 2020. The additional debt service taxes collected were \$1,726,345 in FYE 2020. The total tax levy increased 244% from \$825,490 in the prior period to \$2,839,068 in the current period.

The District entered into a tax abatement agreement whereby the M&O taxable value of a windmill project is limited to \$20,000,000. The total taxable value of the project was \$262,500,000. The District received a revenue protection payment of \$4,322,131 plus a minimum supplemental payment of \$50,000.

Table A-2  
Changes in Petersburg Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>2020</u>	<u>2019</u>	
Program Revenues:			
Charges for Services	62,399	17,862	249%
Operating Grants and Contributions	887,690	620,363	43%
General Revenues:			
Property Taxes, Levied for General Purposes	5,479,651	886,177	518%
Property Taxes, Levied for Debt Service	1,730,629		
Grants and Contributions not restricted	3,136,771	2,853,069	10%
Investment Earnings	207,704	50,756	309%
Other	57,105	31,446	82%
Total Revenues	<u>11,561,949</u>	<u>4,459,673</u>	<u>159%</u>
Instruction	2,424,171	2,031,611	19%
Instructional Resources and Media Services	64,977	63,515	2%
Curriculum Development and Instructional Staff Development	11,635	14,713	-21%
Instructional Leadership	93	88	6%
School Leadership	387,311	309,763	25%
Guidance, Counseling and Evaluation Services	71,136	73,659	-3%
Social Work Services	2,450	2,000	23%
Health Services	70,608	30,012	135%
Student (Pupil) Transportation	83,174	73,210	14%
Food Services	317,891	277,081	15%
Curricular/Extracurricular Activities	191,309	166,944	15%
General Administration	334,981	386,829	-13%
Plant Maintenance & Operation	391,305	418,122	-6%
Security and Monitoring	6,220	24,361	-74%
Data Processing Services	135,757	38,973	248%
Interest on Long-Term Debt	380,428	25,062	1418%
Debt Service Fees	140,366	7,182	1854%
Payments to Shared Service Arrangements	-	81,673	-100%
Other Intergovernmental Charges	8,565	5,575	54%
Total Expenses	<u>5,022,377</u>	<u>4,030,373</u>	<u>25%</u>
Increase (Decrease) in Net Position	6,539,572	429,300	1423%
Net Position - Beginning	<u>1,711,476</u>	<u>1,282,176</u>	<u>33%</u>
Net Position - Ending	<u><u>8,251,048</u></u>	<u><u>1,711,476</u></u>	<u><u>382%</u></u>

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 \$5,022,377.
- The amount that our taxpayers paid for these activities through property taxes was \$7,210,280.
- Some of the cost was paid by those who directly benefited from the programs \$62,399, or
- By grants and contributions \$4,024,461.

**Table A-3**  
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	<u>2020</u>	<u>2019</u>	<u>% Change 2019-2020</u>	<u>2020</u>	<u>2019</u>	<u>% Change 2019-2020</u>
Instruction	2,424,171	2,031,611	19%	1,836,741	1,748,927	5%
School administration	334,981	386,829	(13%)	308,189	336,763	(8%)
Plant Maintenance & Operations	391,305	418,122	(6%)	378,625	408,571	(7%)
School Leadership	387,311	309,763	25%	358,759	283,827	26%

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

Revenues from governmental fund types totaled \$11,442,923, an increase of \$7,068,387 (162%) from the preceding year. Local Revenues increased \$6,552,719 (665%), state revenues increased \$352,409 (12%), and federal revenues increased \$163,259 (38%).

Expenditures for governmental fund types totaled \$11,604,020, an increase of \$7,319,170 (171%) from the preceding year. This increase was largely a result of the capital projects started in fiscal year 2020.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget 3 times. With these adjustments, actual expenditures were \$50,919 below final budget amounts. The most significant positive variance resulted from staffing. Staffing is budgeted for full employment throughout the full year. Budget amounts for vacant positions throughout the year are not eligible to budget revisions.

On the other hand, resources available were \$170,798 more than the final budgeted amounts.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the District had invested \$9,917,131 in a broad range of capital assets, including, land, equipment, buildings, and vehicles. (See Table A-4.) This represents a net increase of \$5,121,176 including additions and deletions to fixed assets during the current fiscal year.

**Table A-4**  
District's Capital Assets

	Governmental Activities		Total Percentage Change
	<u>2020</u>	<u>2019</u>	<u>2019-2020</u>
Land	\$ 251,664	\$ 42,712	489%
Construction in Progress	5,086,248	499,538	918%
Buildings and improvements	3,305,169	3,305,169	0%
Vehicles	898,799	612,584	47%
Equipment	375,251	335,952	12%
Totals at historical cost	<u>9,917,131</u>	<u>4,795,955</u>	<u>107%</u>
Total accumulated depreciation	(3,323,652)	(3,184,109)	4%
Net capital assets	<u>\$6,593,479</u>	<u>\$ 1,611,846</u>	<u>309%</u>

The District's fiscal year 2021 capital budget reflects the use of bond proceeds for the construction and equipment of new school buildings. More detailed information about the District's capital assets is presented in the notes to the financial statements.

### Debt Administration and Long-Term Obligations

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

<u>Government Activities</u>	<u>Balance 09/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 08/31/20</u>
Public Property Finance				
Contract	\$ 322,000	\$ -	\$ 48,682	\$ 273,318
Time Warrants	507,000	-	507,000	-
General Obligation Bonds	-	14,125,000	1,215,000	12,910,000
Net Pension Liability	914,273	87,783	63,214	938,842
Net OPEB Liability	<u>1,280,668</u>	<u>(39,733)</u>	<u>18,348</u>	<u>1,222,587</u>
Total	<u>\$ 3,023,941</u>	<u>\$14,173,050</u>	<u>\$1,852,244</u>	<u>\$15,344,747</u>

More detailed information about the District's long-term obligations is presented in the notes to the financial statements.

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

- Appraised value used for the 2020 budget preparation is higher.
- General operating fund spending per student will remain virtually the same.
- The District's 2021 refined average daily attendance is expected to increase slightly.

These indicators were taken into account when adopting the general fund budget for 2021. Property taxes will increase. State revenue should decrease.

Expenditures are budgeted to increase slightly. The District has added no major new programs or initiatives to the 2021 budget.

If these estimates are realized, the District's budgetary general fund fund balance is expected to increase slightly by the close of 2021.

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

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

## BASIC FINANCIAL STATEMENTS

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

STATEMENT OF NET POSITION  
August 31, 2020

1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	<b>ASSETS:</b>	
1110	Cash and Cash Equivalents	\$ 17,621,995
1225	Taxes Receivable, Net	13,421
1240	Due from Other Governments	332,482
	Capital Assets:	
1510	Land	251,664
1520	Buildings & Improvements, net	803,056
1530	Furniture & Equipment, net	452,511
1580	Construction in Progress	<u>5,086,248</u>
1000	<u>Total Assets</u>	<u>\$ 24,561,377</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1706	Deferred Outflows - Pension	\$ 532,617
1707	Deferred Outflows - OPEB	<u>311,802</u>
	<u>Total Deferred Outflows of Resources</u>	<u>\$ 844,419</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2110	Accounts Payable	\$ 8,998
2140	Accrued Interest Payable	29,122
2160	Accrued Wages Payable	95,039
2200	Accrued Expenses	2,545
2300	Unearned Revenue	7,740
	Noncurrent Liabilities	
2501	Due within one year	1,085,012
2502	Due in more than one year	12,098,306
2540	Net Pension Liability	938,842
2545	Net OPEB Liability	1,222,587
2590	Premium on bond issuance	<u>923,763</u>
2000	<u>Total Liabilities</u>	<u>16,411,954</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605	Deferred Inflows - Pension	213,884
2606	Deferred Inflows - OPEB	<u>528,910</u>
	<u>Total Deferred Inflows of Resources</u>	<u>742,794</u>
	<b>NET POSITION:</b>	
3200	Net investment in capital assets	6,662,593
	Restricted:	
3850	Debt Service	61,625
3900	Unrestricted	<u>1,526,830</u>
3000	<u>TOTAL NET POSITION</u>	<u>\$ 8,251,048</u>

The accompanying notes are an integral part of this statement.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2020

Data		1	3	4	Net (Expense)
Control			Program Revenues		Revenue and
Codes	Functions/Programs	Expenses	Charges for	Grants and	Changes in
			Services	Contributions	Net Position
	<b>Government Activities:</b>				
11	Instruction and Instruction-Related Services	\$ 2,424,171	\$ 42,402	\$ 545,028	\$(1,836,741)
12	Instructional Resources and Media Services	64,977	-	4,565	(60,412)
13	Curriculum Development and Instructional				
	Staff Development	11,635	-	6,675	(4,960)
21	Instructional Leadership	93	-	-	(93)
23	School Leadership	387,311	-	28,552	(358,759)
31	Guidance, Counseling, & Evaluation Services	71,136	-	4,178	(66,958)
32	Social Work Services	2,450	-	-	(2,450)
33	Health Services	70,608		3,584	(67,024)
34	Student (Pupil) Transportation	83,174	-	2,199	(80,975)
35	Food Services	317,891	3,813	244,889	(69,189)
36	Extracurricular Activities	191,309	14,684	5,974	(170,651)
41	General Administration	334,981	-	26,792	(308,189)
51	Plant Maintenance and Operations	391,305	1,500	11,180	(378,625)
52	Security and Monitoring Services	6,220	-	328	(5,892)
53	Data Processing	135,757	-	3,746	(132,011)
72	Interest on Long-Term Debt	380,428	-	-	(380,428)
73	Other Debt Service Fees	140,366			(140,366)
99	Other Intergovernmental Charges	8,565	-	-	(8,565)
TG	<u>Total Government Activities</u>	<u>5,022,377</u>	<u>62,399</u>	<u>887,690</u>	<u>(4,072,288)</u>
TP	Total Primary Government	<u>5,022,377</u>	<u>62,399</u>	<u>887,690</u>	<u>(4,072,288)</u>
	<b>General Revenues:</b>				
MT	Property Taxes, Levied for General Purposes				5,479,651
DT	Property Taxes, Levied for Debt Service				1,730,629
IE	Investment Earnings				207,704
GC	Grants and Contributions Not Restricted to Specific Programs				3,136,771
MI	Miscellaneous				57,105
TR	Total General Revenue				<u>10,611,860</u>
CN	Change in Net Position				6,539,572
NB	Net Position -- Beginning				<u>1,711,476</u>
NE	Net Position -- Ending				<u>\$ 8,251,048</u>

The accompanying notes are an integral part of this statement.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2020

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>						
1110	Cash and Cash Equivalents	\$ 3,316,081	\$ 77,084	\$14,175,551	\$ 53,279	\$17,621,995
1225	Taxes Receivable, Net	10,747	2,674	-	-	13,421
1240	Due from Other Governments	242,334	1,871	-	88,277	332,482
1260	Due from Other Funds	79,254	-	644	-	79,898
1000	<u>TOTAL ASSETS</u>	<u>\$ 3,648,416</u>	<u>\$ 81,629</u>	<u>\$14,176,195</u>	<u>\$ 141,556</u>	<u>\$18,047,796</u>
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
2110	Accounts Payable	\$ 8,999	\$ -	\$ -	\$ -	\$ 8,999
2160	Accrued Wages Payable	86,824	-	-	8,215	95,039
2170	Due to Other Funds	644	-	-	79,254	79,898
2200	Accrued Expenditures	1,738	-	-	807	2,545
2300	Unearned Revenue	-	-	-	7,740	7,740
2000	<u>Total Liabilities</u>	<u>98,205</u>	<u>-</u>	<u>-</u>	<u>96,016</u>	<u>194,221</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
2601	Unavailable Revenue - Property Taxes	10,747	2,674	-	-	13,421
	<u>Total Deferred Inflows of Resources</u>	<u>10,747</u>	<u>2,674</u>	<u>-</u>	<u>-</u>	<u>13,421</u>
<b>FUND BALANCES:</b>						
<b>Restricted Fund Balances:</b>						
3470	Capital Acquisition Program	-	-	14,176,195	-	14,176,195
3480	Debt Service	-	78,955	-	-	78,955
<b>Committed Fund Balances:</b>						
3510	Construction	500,000	-	-	-	500,000
3545	Other	275,000	-	-	-	275,000
<b>Assigned Fund Balances:</b>						
3590	Other Assigned Fund Balances	-	-	-	45,540	45,540
3600	Unassigned	2,764,464	-	-	-	2,764,464
3000	<u>Total Fund Balance</u>	<u>3,539,464</u>	<u>78,955</u>	<u>14,176,195</u>	<u>45,540</u>	<u>17,840,154</u>
4000	<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 3,648,416</u>	<u>\$ 81,629</u>	<u>\$14,176,195</u>	<u>\$ 141,556</u>	<u>\$18,047,796</u>

644 - 3470  
399 - 3480  
199 - 3510  
154 - 3545  
461 - 3590  
178 - 3600

The accompanying notes are an integral part of this statement.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
August 31, 2020

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 17,840,154
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,593,479
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.	13,422
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(13,183,318)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	(923,763)
5 Accrued interest expense on long-term debt is not reported in the funds.	(29,122)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$532,617, a deferred resource inflow in the amount of \$213,884, and a net pension liability in the amount of \$938,842. This resulted in a decrease in net position.	(620,109)
7 Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$311,802, a deferred resource inflow in the amount of \$528,910, and a net OPEB liability in the amount of \$1,222,587. This resulted in a decrease in net position	<u>(1,439,695)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 8,251,048</u>

The accompanying notes are an integral part of this statement.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
For the Year Ended August 31, 2020

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>						
5700	Local and Intermediate Sources	\$ 1,268,824	\$ 1,728,081	\$ 4,493,844	\$ 47,118	\$ 7,537,867
5800	State Program Revenues	3,254,387	-	-	62,768	3,317,155
5900	Federal Program Revenues	285,751	-	-	302,150	587,901
5020	<u>Total Revenues</u>	<u>4,808,962</u>	<u>1,728,081</u>	<u>4,493,844</u>	<u>412,036</u>	<u>11,442,923</u>
<b>EXPENDITURES:</b>						
Current:						
0011	Instruction and Instruction-Related Services	1,816,743	-	-	347,162	2,163,905
0012	Instructional Resources and Media Services	60,956	-	-	-	60,956
0013	Curriculum Development and Instructional Staff Development	4,960	-	-	6,675	11,635
0021	Instructional Leadership	93	-	-	-	93
0023	School Leadership	349,880	-	-	1,267	351,147
0031	Guidance, Counseling, & Evaluation Services	67,455	-	-	-	67,455
0032	Social Work Services	2,450	-	-	-	2,450
0033	Health Services	67,451	-	-	-	67,451
0034	Student (Pupil) Transportation	355,182	-	-	-	355,182
0035	Food Services	277,146	-	-	14,785	291,931
0036	Cocurricular/Extracurricular Activities	175,276	-	-	4,715	179,991
0041	General Administration	299,750	-	-	8,300	308,050
0051	Plant Maintenance and Operations	406,684	-	20	-	406,704
0052	Security and Monitoring Services	5,931	-	-	-	5,931
0053	Data Processing Services	132,459	-	-	-	132,459
0071	Principal on Long-Term Debt	48,682	1,215,000	507,000	-	1,770,682
0072	Interest on Long-Term Debt	13,487	448,878	21,040	-	483,405
0073	Bond Issuance Costs and Fees	-	-	140,366	-	140,366
0081	Capital Outlay	4,710	-	4,790,952	-	4,795,662
0099	Other Intergovernmental Charges	8,565	-	-	-	8,565
6030	<u>Total Expenditures</u>	<u>4,097,860</u>	<u>1,663,878</u>	<u>5,459,378</u>	<u>382,904</u>	<u>11,604,020</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	711,102	64,203	(965,534)	29,132	(161,097)
Other Financing Sources and (Uses):						
7911	Capital-Related Debt Issued (Regular Bonds)	-	-	14,125,000	-	14,125,000
7915	Operating Transfers In	-	14,734	-	-	14,734
7916	Premium or Discount on Issuance of Bonds	-	-	1,030,801	-	1,030,801
8911	Operating Transfers Out	-	-	(14,734)	-	(14,734)
	<u>Total Other Financing Sources and (Uses)</u>	<u>-</u>	<u>14,734</u>	<u>15,141,067</u>	<u>-</u>	<u>15,155,801</u>
1200	Net Change in Fund Balances	711,102	78,937	14,175,533	29,132	14,994,704
0100	Fund Balances -- Beginning	2,828,362	18	662	16,408	2,845,450
3000	<u>Fund Balances -- Ending</u>	<u>\$ 3,539,464</u>	<u>\$ 78,955</u>	<u>\$ 14,176,195</u>	<u>\$ 45,540</u>	<u>\$ 17,840,154</u>

The accompanying notes are an integral part of this statement.



PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2020

Net Change in Fund Balances -- Total Governmental Funds	\$ 14,994,704
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	5,121,176
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(139,543)
Certain property tax revenues are unearned in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period.	(379)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(14,125,000)
Premiums received from the issuance of bonds is recorded in the governmental funds as an other source of current resources. For the statement of net position, these premiums are amortized and a portion recognized as revenue over the life of the bonds.	(1,030,801)
For the statement of net position, the amortization of bond premiums is recognized over the life of the bonds. This is the amount of the current amortization.	107,039
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness.	1,770,682
Accrued interest expense is not reported in the funds. This is the amount of change in accrued interest expense.	(4,060)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$76,657. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$62,991. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$133,125. The net result is a decrease in the change in net position.	(119,459)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$21,188. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$18,331. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$37,644. The result is an increase in the change in net position	<u>(34,787)</u>
Change in Net Position of Governmental Activities -- Statement of Activities	<u>\$ 6,539,572</u>

The accompanying notes are an integral part of this statement.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2020

<u>Data Control Codes</u>		<u>Private- Purpose Trust</u>	<u>Agency Funds</u>
	ASSETS:		
1110	Cash and Cash Equivalents	\$ 16,504	\$ 42,244
1000	TOTAL ASSETS	<u>\$ 16,504</u>	<u>\$ 42,244</u>
	LIABILITIES:		
2190	Due to Student Groups	\$ -	\$ 42,244
2000	Total Liabilities	<u>-</u>	<u>42,244</u>
	NET POSITION:		
3900	Unrestricted Net Position	<u>\$ 16,504</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended August 31, 2020

	<u>Private- Purpose Trust</u>
ADDITIONS:	
Gifts and Bequests	\$ 8,590
Total Additions	<u>8,590</u>
DEDUCTIONS:	
Scholarships	<u>6,910</u>
Total Deductions	<u>6,910</u>
Change in Net Position	1,680
Beginning Net Position	<u>14,824</u>
Ending Net Position	<u>\$ 16,504</u>

The accompanying notes are an integral part of this statement.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies (Continued)

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This is the District's fund for the collection of revenues from property taxes for the specific purpose of retiring loans and bonded indebtedness.

Capital Projects Fund: This fund is used to report the District's construction and investment in physical plant and other capital assets.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or committed for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies (Continued)

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

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

Private Purpose Trust Fund – The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's private-purpose trust fund is made up of scholarship funds with annual scholarships to be awarded to past students of the District in accordance with donor stipulations.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies (Continued)

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

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification represents amounts the District intends to use for a specific purpose, but does not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Fund balance can be assigned by the Superintendent or their designee.

Unassigned: This classification includes the residual fund balance for the General Fund.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies (Continued)

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

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

3. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The District categorizes its fair value measurements within 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. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair value of the pool shares (Level 1 inputs).

b. Property Taxes

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



PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of August 31, 2020, the amount deemed uncollectible by this estimate was \$17,617. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies (Continued)

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of the period end.

f. Interfund Activity

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

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

h. 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.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies (Continued)

i. 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.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has two items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has one type of item which arises under the modified accrual basis of accounting and one type of item that qualifies under the accrual basis of accounting. Accordingly, unavailable ad valorem tax revenue is only reported in the governmental funds balance sheet; and deferred inflows related to pensions and OPEB is only reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

k. Data Control Codes

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

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9  
Year Ended August 31, 2020

A. Summary of Significant Accounting Policies (Continued)

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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

B. Stewardship, Compliance and Accountability (continued)

1. Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Child Nutrition Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10  
Year Ended August 31, 2020

B. Stewardship, Compliance and Accountability (continued)

2. Fair Value Measurements

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11  
Year Ended August 31, 2020

C. Deposits and Investments

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

Cash Deposits

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$17,680,744 and the bank balance was \$17,727,115. The District's cash deposits at August 31, 2020 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12  
Year Ended August 31, 2020

C. Deposits and Investments (Continued)

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

<u>Type of Investment</u>	<u>Book Value</u>	<u>Fair Value Measurement Using Significant Other Observable Inputs (Level2)</u>	<u>Maturity in Less Than 1 Year</u>	<u>Maturity In 1-2 Years</u>	<u>Credit Rating</u>
Cash	\$ 14,393,049	\$ -	\$ 14,393,049	\$ -	N/A
<i>Investments not Subject to Fair Value:</i> FDIC insured certificates of deposit	1,091,399	-	1,091,399	-	N/A
<i>Investments Measured at Fair Value</i> Investment pools:					
Lone Star – Government Overnight Fund	<u>2,196,296</u>	<u>-</u>	<u>2,196,296</u>	<u>-</u>	AAAm
Total cash and cash equivalents	<u>17,680,744</u>	<u>-</u>	<u>17,680,744</u>	<u>-</u>	

Investment Pools are measured at amortized cost or fair value and are not subject to level reporting.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13  
Year Ended August 31, 2020

C. Deposits and Investments (Continued)

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

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



PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14  
Year Ended August 31, 2020

C. Deposits and Investments (Continued)

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

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

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15  
Year Ended August 31, 2020

C. Capital Assets

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

<u>Government Activities</u>	<u>Balance</u> <u>09/01/19</u>	<u>Additions</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>08/31/20</u>
Land	\$ 42,712	\$ 208,952	\$ -	\$ 251,664
Construction in Progress	499,538	4,586,710	-	5,086,248
Buildings & Improvements	3,305,169	-	-	3,305,169
Vehicles	612,584	286,215	-	898,799
Furniture & Equipment	<u>335,952</u>	<u>39,299</u>	-	<u>375,251</u>
Total Capital Assets	4,795,955	5,121,176	-	9,917,131
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	2,451,538	50,574	-	2,502,112
Vehicles	456,371	68,385	-	524,756
Furniture & Equipment	<u>276,200</u>	<u>20,584</u>	-	<u>296,784</u>
Total Accum. Depreciation	<u>3,184,109</u>	<u>139,543</u>	<u>-</u>	<u>3,323,652</u>
 Net Capital Assets	 <u>\$1,611,846</u>	 <u>\$4,981,633</u>	 <u>\$ -</u>	 <u>\$6,593,479</u>

Depreciation was charged to functions as follows:

11-Instructions	\$ 74,304
23-School Leadership	12,132
34-Student (Pupil) Transportation	12,271
35-Food Service	10,086
36-Cocurricular/Extracurricular Activities	6,056
41-General Administration	10,643
51-Plant Maintenance & Operations	<u>14,051</u>
	<u>\$ 139,543</u>

D. Interfund Transfers

The Capital Projects Fund transferred \$14,734 to the debt service fund. These funds were transferred as part of the issuance of the Unlimited Tax School Building Bonds, Series 2019.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16  
Year Ended August 31, 2020

E. Interfund Balances

These interfund receivables and payables represent balances not paid as of year-end. All amounts due are scheduled to be repaid within one year.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Other Governmental Funds	\$ 79,254	
Capital Projects	-	\$ 644
<u>Other Governmental Funds:</u>		
General Fund	-	79,254
<u>Capital Projects Fund:</u>		
General Fund	644	-
Total Governmental Funds	<u>79,898</u>	<u>79,898</u>

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debt for capital projects is reported in the capital projects fund. The proceeds from loans are shown in the financial statements as Other Resources.

The District issued Time Warrants, Series 2018 to finance the beginning phases of the new school construction project. These Time Warrants were extinguished upon the issuance of Unlimited Tax Building Bonds, Series 2019. These Time Warrants have an effective interest rate of 4.15% and matured on December 31, 2019. The District paid \$21,041 of interest cost on these Time Warrants in fiscal year 2020.

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Time Warrants	\$ 507,000	\$ -	\$ 507,000	\$ -	\$ -

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17  
Year Ended August 31, 2020

G. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. During the fiscal year 2019, the District borrowed funds using a Public Property Finance Act Contract for the purchase of vehicles. This note is secured with collateral of the underlying vehicles purchased with this note.

During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures.

1. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Public Property Finance Act Contract	\$ 322,000	\$ -	\$ 48,682	\$ 273,318	\$ 50,012
General Obligation Bonds	-	14,125,000	1,215,000	12,910,000	1,035,000
Net Pension Liability	914,273	87,783	63,214	938,842	-
Net OPEB Liability	<u>1,280,668</u>	<u>(39,733)</u>	<u>18,348</u>	<u>1,222,587</u>	<u>-</u>
Total governmental activities	<u>\$ 2,516,941</u>	<u>\$ 14,173,050</u>	<u>\$ 1,345,244</u>	<u>\$ 15,344,747</u>	<u>\$ 1,085,012</u>

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount Of Original Issue</u>	<u>Amount Outstanding 8/31/2020</u>
Public Property Finance Act Contract No. 8451	4.448%	11-01-2024	\$ 322,000	\$ 273,318
Unlimited Tax School Building Bonds, Series 2019	2.00%-5.00%	02-15-2044	\$ 14,125,000	\$ 12,910,000

2. Debt service requirements on general obligation bonds at August 31, 2020, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,035,000	\$ 459,400	\$ 1,494,400
2022	930,000	415,450	1,345,450
2023	850,000	370,950	1,220,950
2024	780,000	330,200	1,110,200
2025	700,000	293,200	993,200
2026-2030	2,885,000	1,009,100	3,894,100
2031-2035	2,215,000	600,750	2,815,750
2036-2040	1,960,000	316,638	2,276,638
2041-2044	<u>1,555,000</u>	<u>78,187</u>	<u>1,633,187</u>
	<u>\$ 12,910,000</u>	<u>\$ 3,873,875</u>	<u>\$ 16,783,875</u>

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18  
Year Ended August 31, 2020

G. Long-Term Obligations (continued)

3. Debt service requirements on the Public Property Finance Act Contract at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities		Total
	Principal	Interest	
2021	\$ 50,012	\$ 12,157	\$ 62,169
2022	52,237	9,933	62,170
2023	54,560	7,609	62,169
2024	56,987	5,182	62,169
2025	59,522	2,648	62,170
	<u>\$ 273,318</u>	<u>\$ 37,529</u>	<u>\$ 310,847</u>

H. Defined Benefit Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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 <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19  
Year Ended August 31, 2020

H. Pension Plan (continued)

3. Benefits Provided

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

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

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

4. Contributions

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

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
 Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20  
 Year Ended August 31, 2020

H. Pension Plan (continued)

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

<u>Contribution Rates</u>		
	<u>2019</u>	<u>2020</u>
<b>Member</b>	<b>7.7%</b>	<b>7.7%</b>
<b>Non-Employer Contributing Entity (State)</b>	<b>6.8%</b>	<b>7.5%</b>
<b>Employers</b>	<b>6.8%</b>	<b>7.5%</b>
<b>Current Fiscal Year Employer Contributions</b>		<b>\$ 76,657</b>
<b>Current Fiscal Year Member Contributions</b>		<b>\$ 190,111</b>
<b>2019 Measurement Year NECE On-behalf Contributions</b>		<b>\$ 110,495</b>

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21  
Year Ended August 31, 2020

H. Pension Plan (continued)

- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include Only federally tax-exempt municipal Bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None



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Year Ended August 31, 2020

H. Pension Plan (continued)

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

6. Discount Rate

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

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

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

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Year Ended August 31, 2020

H. Pension Plan (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
<b>Global Equity</b>			
U.S.	18%	18%	6.40%
Non-U.S. Developed	13%	13%	6.30%
Emerging Markets	9%	9%	7.30%
Directional Hedge Funds	4%	0%	0.00%
Private Equity	13%	14%	8.40%
<b>Stable Value</b>			
U.S. Treasuries****	11%	16%	3.10%
Stable Value Hedge Funds	4%	5%	4.50%
Absolute Return	0%	0%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds****	3%	0%	0.00%
Real Estate	14%	15%	8.50%
Energy and Natural Resources	5%	6%	7.30%
Commodities	0%	0%	0.00%
<b>Risk Parity</b>			
Risk Parity	5%	8%	5.8%/6.5%*****
Asset Allocation Leverage			
Cash	1%	2%	2.50%
Asset Allocation Leverage	0%	(6%)	2.70%
<b>Total</b>	<u>100%</u>	<u>100%</u>	
<b>Expected Return</b>			<b>7.23%</b>

\*FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018

\*\*New target allocation based on the Strategic Asset Allocation dated 10/1/2019

\*\*\*10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

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

\*\*\*\*\*5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

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 Year Ended August 31, 2020

H. Pension Plan (continued)

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
District's proportionate Share of the net pension liability:	\$ 1,443,137	\$ 938,842	\$ 530,266

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

At August 31, 2020, the District reported a liability of \$938,842 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 938,842
State's proportionate share that is associated with the District	\$ 1,641,119
Total	<u>\$ 2,579,961</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 0.0018060521% which was a decrease of 0.0001450191% from its proportion measured as of August 31, 2018.

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Year Ended August 31, 2020

H. Pension Plan (continued)

**Changes Since the Prior Actuarial Valuation**

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

For the year ended August 31, 2020, the District recognized pension expense of \$453,913 and revenue of \$257,797 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 3,944	\$ 32,598
Changes in actuarial assumptions	\$ 291,275	\$ 120,369
Difference between projected and actual investment earnings	\$ 9,427	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ 151,314	\$ 60,917
Total as of August 31, 2018 measurement date	\$ 455,960	\$ 213,884
Contributions paid to TRS subsequent to the measurement date	\$ 76,657	\$ -
Total as of fiscal year-end	<u>\$ 532,617</u>	<u>\$ 213,884</u>

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Year Ended August 31, 2020

H. Pension Plan (continued)

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:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2021	\$ 57,935
2022	47,028
2023	56,510
2024	55,005
2025	31,119
Thereafter	(5,521)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

Detailed 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.

3. Benefits Provided

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

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 Year Ended August 31, 2020

I. Defined Other Post-Employment Benefit Plans (continued)

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

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

**TRS-Care Monthly Premium Rates**  
**Effective January 1, 2019 – December 31, 2019**

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family *or surviving spouse	1,020	999

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% 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

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 Year Ended August 31, 2020

I. Defined Other Post-Employment Benefit Plans (continued)

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>
<b>Active Employee</b>	<b>0.65%</b>	<b>0.65%</b>
<b>Non-Employer Contributing Entity (State)</b>	<b>1.25%</b>	<b>1.25%</b>
<b>Employers</b>	<b>0.75%</b>	<b>0.75%</b>
<b>Federal/private Funding remitted by Employers</b>	<b>1.25%</b>	<b>1.25%</b>
<b>Current Fiscal Year Employer Contributions</b>		<b>\$ 21,188</b>
<b>Current Fiscal Year Member Contributions</b>		<b>\$ 16,049</b>
<b>2019 Measurement Year NECE On-behalf Contributions</b>		<b>\$ 24,379</b>

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

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

5. Actuarial Assumptions

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

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

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Year Ended August 31, 2020

I. Defined Other Post-Employment Benefit Plans (continued)

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

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

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

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

**Actuarial Methods and Assumptions**

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases**	3.05% to 9.05%, including inflation
Ad hoc-post-employment benefit changes	None

The impact of the Cadillac Tax, that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include: 1) 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent; 2) Premium data submitted was not adjusted for permissible



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I. Defined Other Post-Employment Benefit Plans (continued)

exclusions to the Cadillac Tax; and 3) 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.

6. Discount Rate

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (1.63%)</u>	<u>Discount Rate (2.63%)</u>	<u>1% Increase in Discount Rate (3.63%)</u>
District's proportionate Share of the OPEB liability:	\$ 1,476,057	\$ 1,222,587	\$ 1,024,300

8. Healthcare Cost Trend Rates Sensitivity Analysis

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate Share of the OPEB liability:	\$ 997,345	\$ 1,222,587	\$ 1,524,312

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NOTES TO THE FINANCIAL STATEMENTS, Page 31  
 Year Ended August 31, 2020

I. Defined Other Post-Employment Benefit Plans (continued)

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

At August 31, 2020, the District reported a liability of \$1,222,587 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 1,222,587
State's proportionate share that is associated with the District	<u>\$ 1,624,547</u>
Total	<u>\$ 2,847,134</u>

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

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.0025852333% which was an increase of 0.0000203542% from its proportion measured as of August 31, 2018.

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

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

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NOTES TO THE FINANCIAL STATEMENTS, Page 32  
Year Ended August 31, 2020

I. Defined Other Post-Employment Benefit Plans (continued)

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

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$98,791 and revenue of \$42,816 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 59,978	\$ 200,064
Changes in actuarial assumptions	\$ 67,905	\$ 328,846
Difference between projected and actual investment earnings	\$ 132	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>\$ 162,599</u>	<u>\$ -</u>
Total as of August 31, 2019 measurement date	\$ 290,614	\$ 528,910
Contributions paid to TRS subsequent to the measurement date	<u>\$ 21,188</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 311,802</u>	<u>\$ 528,910</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2021	\$ (44,553)
2022	(44,553)
2023	(44,596)
2024	(44,621)
2025	(44,615)
Thereafter	(15,358)

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NOTES TO THE FINANCIAL STATEMENTS, Page 33  
Year Ended August 31, 2020

J. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended August 31, 2020, 2019, and 2018 were \$10,076, \$7,577, and \$5,786, respectively.

K. Health Care Coverage

The District sponsors a fully insured health insurance plan to provide health care benefits to staff members and their dependents. The District paid premiums of \$150 per month for staff members participating in the plan. Staff members, at their option, authorized payroll deductions to pay premiums for their dependents. All premiums were paid to a licensed insurer.

L. Unemployment Compensation Pool

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

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Petersburg, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 34  
Year Ended August 31, 2020

M. Workers' Compensation Pool

During the year ended August 31, 2020, Petersburg ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019 are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

N. Property, Liability, and Auto Insurance Programs

During the year ended August 31, 2020, Petersburg ISD participated in the following TASB Risk Management Fund (the Fund) programs:

- Auto Liability & Physical Damage
- Legal Liability
- Privacy & Information Security
- Property

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
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Year Ended August 31, 2020

N. Property, Liability, and Auto Insurance Programs

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability, and Property Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2019, the Fund anticipates that Petersburg ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

O. Litigation

No reportable litigation was pending or in progress against the District at August 31, 2020.

P. Commitments and Contingencies

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

Q. Accumulated Unpaid Sick Leave Benefits

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
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R. Property Tax Abatement

Petersburg ISD entered into an agreement with Hale Wind Energy, LLC on November 17, 2016. The agreement was for Hale Wind Energy, LLC to invest capital of \$585,550,000 on a long-term basis for a valuation limitation of \$20,000,000. For fiscal year 2020, which is year 3 of the agreement, with the M&O tax rate \$1.06835 per \$100, with property valued at \$262,500,000 without considering the limit and \$20,000,000 with the limit. When calculated, the district forgoes collecting \$2,590,749 in tax revenue; however, that will be offset by a Revenue Protection Payment. In addition to the tax abatement, Hale Wind Energy, LLC has committed to pay supplemental payments to the district in the amount of \$100 per ADA based on the District's 2014-15 ADA of 224 or \$50,000, whichever is greater.

S. Subsequent Event

On September 24, 2020, the District received funding from the issuance of Unlimited Tax School Building Bonds-Series 2020 with a par value of \$12,135,000. The funds from these bonds will be used for the construction and equipment of school buildings.

REQUIRED SUPPLEMENTARY INFORMATION



EXHIBIT G-1

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 843,034	\$ 1,243,034	\$ 1,268,824	\$ 25,790
5800	State Program Revenues	3,430,130	3,205,130	3,254,387	49,257
5900	Federal Program Revenues	190,000	190,000	285,751	95,751
5020	Total Revenues	4,463,164	4,638,164	4,808,962	170,798
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	2,112,834	1,837,834	1,816,743	21,091
0012	Instructional Resources and Media Services	62,009	62,009	60,956	1,053
0013	Curriculum Dev. & Instructional Staff Dev.	6,050	6,050	4,960	1,090
0021	Instructional Leadership	550	550	93	457
0023	School Leadership	326,338	351,338	349,880	1,458
0031	Guidance, Counseling & Evaluation Services	68,189	68,189	67,455	734
0032	Social Work Services	2,500	2,500	2,450	50
0033	Health Services	69,769	69,769	67,451	2,318
0034	Student (Pupil) Transportation	389,670	359,670	355,182	4,488
0035	Food Services	228,271	278,271	277,146	1,125
0036	Curricular/Extracurricular Activities	184,422	179,422	175,276	4,146
0041	General Administration	296,551	300,051	299,750	301
0051	Plant Maintenance and Operations	403,646	408,146	406,684	1,462
0052	Security and Monitoring Services	23,475	13,475	5,931	7,544
0053	Data Processing Services	99,279	134,279	132,459	1,820
0071	Principal on Long-Term Debt	48,488	49,500	48,682	818
0072	Interest on Long-Term Debt	13,726	13,726	13,487	239
0081	Capital Outlay	-	5,000	4,710	290
0093	Payments to Fiscal Agent/Member Dist. SSA	11,000	-	-	-
0099	Other Intergovernmental Charges	9,000	9,000	8,565	435
6030	Total Expenditures	4,355,767	4,148,779	4,097,860	50,919
	Other Financing Sources (Uses):				
8911	Operating Transfers Out	-	-	-	-
	Total Other Financing Sources and (Uses)	-	-	-	-
1200	Net Change in Fund Balance	107,397	489,385	711,102	221,717
0100	Fund Balance - Beginning	2,828,362	2,828,362	2,828,362	-
3000	Fund Balance - Ending	\$ 2,935,759	\$ 3,317,747	\$ 3,539,464	\$ 221,717

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
For the Year Ended August 31, 2020

	Measurement Year Ended August 31.				
	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0018060621%	0.0016610330%	0.0014555367%	0.0017679737%	0.0017491000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 938,842	\$ 914,273	\$ 465,402	\$ 668,091	\$ 618,284
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,641,119	1,656,850	1,010,884	1,161,210	1,130,523
Total	<u>\$ 2,579,961</u>	<u>\$ 2,571,123</u>	<u>\$ 1,476,286</u>	<u>\$ 1,829,301</u>	<u>\$ 1,748,807</u>
District's Covered Employee Payroll	\$ 2,189,254	\$ 1,960,559	\$ 1,849,236	\$ 1,735,216	\$ 1,745,969
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	42.88%	46.63%	25.17%	38.50%	35.41%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%
					83.25%

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

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM  
For the Year Ended August 31, 2020

	Fiscal Year Ended August 31,				
	2020	2019	2018	2017	2015
Contractually Required Contribution	\$ 76,657	\$ 62,991	\$ 55,957	\$ 47,701	\$ 56,173
Contribution in Relation to the Contractually Required Contribution	(76,657)	(62,991)	(55,957)	(47,701)	(56,173)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 2,468,784	\$ 2,189,254	\$ 1,960,559	\$ 1,849,236	\$ 1,735,216
Contributions as a percentage of Covered Employee Payroll	3.11%	2.88%	2.85%	2.58%	3.24%
					3.17%

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

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended August 31, 2020

	Measurement Year Ended August 31,		
	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0025852333%	0.0025648791%	0.0022496586%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,222,587	\$ 1,280,668	\$ 978,292
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	1,624,547	1,633,123	1,411,480
Total	<u>\$ 2,847,134</u>	<u>\$ 2,913,791</u>	<u>\$ 2,389,772</u>
District's Covered Payroll	\$ 2,189,254	\$ 1,960,559	\$ 1,849,236
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	55.84%	65.32%	52.90%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended August 31, 2020

	Fiscal Year Ended August 31,		
	2020	2019	2018
Contractually Required Contribution	\$ 21,188	\$ 18,331	\$ 17,669
Contribution in Relation to the Contractually Required Contribution	(21,188)	(18,331)	(17,669)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,468,991	\$ 2,189,254	\$ 1,960,559
Contributions as a percentage of Covered Payroll	0.86%	0.84%	0.90%

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

## OTHER SUPPLEMENTARY INFORMATION

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

EXHIBIT J-3

CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2020

Data Control Codes	1	2	3
	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 4,320,000	\$ 4,493,844	\$ 173,844
5020 Total Revenues	<u>4,320,000</u>	<u>4,493,844</u>	<u>173,844</u>
<b>EXPENDITURES:</b>			
Current:			
0051 Plant Maintenance and Operations	50	20	30
Debt Service:			
0071 Principal on Long-Term Debt	507,000	507,000	-
0072 Interest on Long-Term Debt	21,040	21,040	-
0073 Bond Issuance Costs and Fees	140,366	140,366	-
Capital Outlay:			
0081 Capital Outlay:	<u>5,000,000</u>	<u>4,790,952</u>	<u>209,048</u>
6030 Total Expenditures	<u>5,668,456</u>	<u>5,459,378</u>	<u>209,078</u>
Other Financing Sources (Uses):			
7911 Capital Related Debt Issued (Regular Bonds)	14,125,000	14,125,000	-
7916 Premium or Discount on Issuance of Bonds	1,030,801	1,030,801	-
8911 Operating Transfers Out	<u>(15,000)</u>	<u>(14,734)</u>	<u>266</u>
Total Other Financing Sources and (Uses)	<u>15,140,801</u>	<u>15,141,067</u>	<u>266</u>
1200 Net Change in Fund Balance	13,792,345	14,175,533	383,188
0100 Fund Balance - Beginning	<u>662</u>	<u>662</u>	<u>-</u>
3000 Fund Balance - Ending	<u>\$ 13,793,007</u>	<u>\$ 14,176,195</u>	<u>\$ 383,188</u>

# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

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## Independent Auditors' Report

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Petersburg 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 Petersburg Independent School District's basic financial statements, and have issued our report thereon dated September 30, 2020.

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

In planning and performing our audit of the financial statements, we considered the Petersburg Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Petersburg Independent School District's internal control.

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

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





Independent Auditors' Report  
Page 2

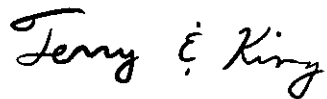
***Compliance and Other Matters***

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

***Purpose of this Report***

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry E. King".

Terry & King, CPAs, P.C.  
Lubbock, Texas  
September 30, 2020

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2020

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

SUMMARY OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2020

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

PETERSBURG INDEPENDENT SCHOOL DISTRICT  
Petersburg, Texas

CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2020

Not Applicable – None Required



