

VERIBEST INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2021

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF THE BOARD	1	
FINANCIAL SECTION		
Independent Auditor's Report	2-3	
Management's Discussion and Analysis	4-8	
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements		
Statement of Net Position	9	A-1
Statement of Activities	10	B-1
Fund Financial Statements		
Balance Sheet - Governmental Funds.....	11	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	13	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14	C-4
Statement of Fiduciary Net Position - Fiduciary Funds.....	15	D-1
Statement of Changes in Fiduciary Fund Net Position - Fiduciary Funds.....	16	D-2
Notes to the Financial Statements	17-43	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	44	E-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	45-46	E-2
Schedule of District's Contributions for Pensions- Teacher Retirement System of Texas	47-48	E-3
Schedule of the District's Proportionate Share of the Net OPEB Liability - Teacher Retirement System of Texas	49	E-4
Schedule of District's Contributions for Other Postemployment Benefits (OPEB) - Teacher Retirement System of Texas	50	E-5
Notes to the Required Supplementary Information.....	51	
<u>Other Supplementary Information</u>		
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable	52-53	F-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program.....	54	F-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund.....	55	F-3
State Compensatory Education and Bilingual Education Program Expenditures.....	56	F-4
COMPLIANCE AND INTERNAL CONTROLS SECTION		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58	
Schedule of Findings and Questioned Costs	59	

CERTIFICATE OF THE BOARD

VERIBEST INDEPENDENT SCHOOL DISTRICT
Name of School District

TOM GREEN
County

226-908
County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

 X approved disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such School District
(Check One)

on the _____ day of _____, 20__.

Dalena Freeman
Signature of Board Secretary

Mark Kellermeier
Signature of Board President

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

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA
Megan Solsbery, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Veribest Independent School District
P.O. Box 490
Veribest, TX 76886-0490

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 Veribest Independent School District as of and for the year ended August 31, 2021, 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Veribest Independent School District as of August 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, described in Note I., N. to the financial statements. As a result, the District reported a restatement of the custodial funds' beginning net position for the change in accounting principle, as described in Note IV., L. to the financial statements. Our opinion is not modified with respect to the restatement.

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, and net pension liability and contributions information and net OPEB liability and contributions information for the Teacher Retirement System of Texas on pages 4 through 8, 44, and 45 through 51, respectively, 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 Veribest Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of the Veribest 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 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 Veribest Independent School 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 Veribest Independent School District's internal control over financial reporting and compliance.

Eckert & Company, LLP

December 1, 2021

VERIBEST INDEPENDENT SCHOOL DISTRICT

**P.O. Box 490
Veribest, Texas 76886**

**Mandy Traylor - Superintendent
Denise Dusek - Business Manager
Kim Dusek – District Secretary
325-655-4912**



**Glen Jones – Secondary Principal
Amber Palmer – Elementary Principal
Leah Zaruba – Campus Secretary
325-655-2851**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Veribest Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2021. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$2,137,501 (net position). This amount includes a deficit balance of unrestricted net position of \$287,138.

The District's total net position decreased by \$197,213 or 8%. This amount consists of a \$115,266 decrease attributable to current year operations, a \$2,099 decrease due to a special item, and a \$79,848 decrease attributable to prior period adjustments described in Note IV., L. to the financial statements. The District's statement of activities shows total revenues of \$3,897,454, total expenses of \$4,010,621, and a special item of \$2,099.

The total fund balance of the General Fund is \$2,496,071 which is a decrease of \$156,460 or 6% compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Fiduciary Funds - Fiduciary Funds account for assets held by the District in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the District's own programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District's net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2021	2020
Current and Other Assets	\$ 3,642,276	\$ 3,673,158
Capital Assets	<u>3,089,292</u>	<u>3,274,315</u>
Total Assets	<u>\$ 6,731,568</u>	<u>\$ 6,947,473</u>
Deferred Outflows of Resources	<u>\$ 789,217</u>	<u>\$ 983,947</u>
Long-Term Liabilities Outstanding	\$ 3,577,021	\$ 4,294,644
Other Liabilities	<u>344,919</u>	<u>316,737</u>
Total Liabilities	<u>\$ 3,921,940</u>	<u>\$ 4,611,381</u>
Deferred Inflows of Resources	<u>\$ 1,461,344</u>	<u>\$ 987,424</u>
Net Position		
Net Investment in Capital Assets	\$ 1,675,831	\$ 1,766,202
Restricted	748,808	673,531
Unrestricted (Deficit)	<u>(287,138)</u>	<u>(107,118)</u>
Total Net Position	<u><u>\$ 2,137,501</u></u>	<u><u>\$ 2,332,615</u></u>

A large portion of the District's net position (\$1,675,831) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$748,808) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position is \$287,138.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities decreased the District's net position by \$115,266 and increased the District's net position by \$75,065 for the fiscal years ended August 31, 2021 and 2020, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 70,478	\$ 92,609
Operating Grants and Contributions	420,601	539,230
General Revenues		
Maintenance and Operations Taxes	1,671,327	1,615,117
Debt Service Taxes	189,948	181,399
State Aid - Formula Grants	1,435,769	1,590,685
Investment Earnings	4,169	46,342
Other	105,162	196,857
Total Revenues	<u>\$ 3,897,454</u>	<u>\$ 4,262,239</u>
Expenses		
Instruction and Instructional-Related Services	\$ 1,880,047	\$ 1,979,874
Instructional and School Leadership	248,433	299,254
Support Services - Student (Pupil)	653,857	630,567
Administrative Support Services	389,533	534,667
Support Services - Nonstudent Based	557,084	525,785
Debt Service	71,305	46,704
Intergovernmental Charges	210,362	170,323
Total Expenses	<u>\$ 4,010,621</u>	<u>\$ 4,187,174</u>
Change in Net Position Before Special Item	\$ (113,167)	\$ 75,065
Special Item - Maintenance of Effort Return to TEA	<u>(2,099)</u>	<u>0</u>
Change in Net Position	\$ (115,266)	\$ 75,065
Net Position - Beginning	2,332,615	2,256,354
Prior Period Adjustments	<u>(79,848)</u>	<u>1,196</u>
Net Position - Ending	<u>\$ 2,137,501</u>	<u>\$ 2,332,615</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$3,245,205, a decrease of \$85,830 or 3% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$2,496,071. Of this balance \$1,270,000 is committed for future construction.

Special Revenue Funds \$6,106. This balance is committed for use by the Campus Activity Fund of the District.

Debt Service Fund \$743,028. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$3,427,941 and the final amended budget was \$3,979,241 which represents a \$551,300 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit E-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$3,393,566 for the fiscal year 2022, which is a decrease of \$585,675 from the fiscal year 2021.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2021.

Long-Term Debt - Financial statement footnote III., H. discloses the District's debt activity for the year ended August 31, 2021.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Amanda Traylor, Superintendent, Veribest Independent School District, P.O. Box 490, Veribest, TX 76886-0490.

Basic Financial Statements

VERIBEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,508,265
1220 Property Taxes - Delinquent	68,286
1230 Allowance for Uncollectible Taxes	(5,157)
1240 Due from Other Governments	70,882
Capital Assets:	
1510 Land	662,859
1520 Buildings, Net	2,095,310
1530 Furniture and Equipment, Net	331,123
1000 Total Assets	6,731,568
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	410,176
1706 Deferred Outflow Related to TRS OPEB	379,041
1700 Total Deferred Outflows of Resources	789,217
LIABILITIES	
2110 Accounts Payable	55,454
2140 Interest Payable	10,977
2160 Accrued Wages Payable	121,460
2177 Due to Fiduciary Funds	226
2200 Accrued Expenses	2,996
2300 Unearned Revenue	153,806
Noncurrent Liabilities:	
2501 Due Within One Year: Bonds and Tax Notes	211,880
Due in More than One Year:	
2502 Bonds and Tax Notes	1,143,364
2540 Net Pension Liability (District's Share)	867,034
2545 Net OPEB Liability (District's Share)	1,354,743
2000 Total Liabilities	3,921,940
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Gain on Refunding	47,845
2605 Deferred Inflow Related to TRS Pension	117,481
2606 Deferred Inflow Related to TRS OPEB	1,296,018
2600 Total Deferred Inflows of Resources	1,461,344
NET POSITION	
3200 Net Investment in Capital Assets	1,675,831
3850 Restricted for Debt Service	748,808
3900 Unrestricted (Deficit)	(287,138)
3000 Total Net Position	\$ 2,137,501

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,826,988	\$ 2,531	\$ 250,917	\$ (1,573,540)
12 Instructional Resources and Media Services	30,790	-	1,918	(28,872)
13 Curriculum and Instructional Staff Development	22,269	-	-	(22,269)
23 School Leadership	248,433	-	9,907	(238,526)
31 Guidance, Counseling, and Evaluation Services	90,742	-	6,541	(84,201)
33 Health Services	42,698	-	3,283	(39,415)
34 Student (Pupil) Transportation	93,208	-	2,686	(90,522)
35 Food Services	198,087	31,866	93,457	(72,764)
36 Extracurricular Activities	229,122	1,621	8,109	(219,392)
41 General Administration	389,533	-	16,618	(372,915)
51 Facilities Maintenance and Operations	404,147	34,460	19,678	(350,009)
52 Security and Monitoring Services	29,954	-	16	(29,938)
53 Data Processing Services	122,983	-	7,471	(115,512)
72 Debt Service - Interest on Long-Term Debt	46,924	-	-	(46,924)
73 Debt Service - Bond Issuance Cost and Fees	24,381	-	-	(24,381)
93 Payments Related to Shared Services Arrangements	198,771	-	-	(198,771)
99 Other Intergovernmental Charges	11,591	-	-	(11,591)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 4,010,621</u>	<u>\$ 70,478</u>	<u>\$ 420,601</u>	<u>(3,519,542)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			1,671,327
DT	Property Taxes, Levied for Debt Service			189,948
SF	State Aid - Formula Grants			1,435,769
IE	Investment Earnings			4,169
MI	Miscellaneous Local and Intermediate Revenue			105,162
S2	Special Item - Maintenance of Effort Return to TEA			(2,099)
TR	Total General Revenues & Special Items			<u>3,404,276</u>
CN	Change in Net Position			(115,266)
NB	Net Position - Beginning			2,332,615
PA	Prior Period Adjustments			(79,848)
NE	Net Position - Ending			<u>\$ 2,137,501</u>

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,754,651	\$ 741,461	\$ 12,153	\$ 3,508,265
1220 Property Taxes - Delinquent	61,378	6,908	-	68,286
1230 Allowance for Uncollectible Taxes	(4,635)	(522)	-	(5,157)
1240 Due from Other Governments	13,944	1,567	55,371	70,882
1260 Due from Other Funds	21,801	-	-	21,801
1000 Total Assets	<u>\$ 2,847,139</u>	<u>\$ 749,414</u>	<u>\$ 67,524</u>	<u>\$ 3,664,077</u>
LIABILITIES				
2110 Accounts Payable	\$ 28,181	\$ -	\$ 27,273	\$ 55,454
2160 Accrued Wages Payable	109,852	-	11,608	121,460
2170 Due to Other Funds	226	-	21,801	22,027
2200 Accrued Expenditures	2,260	-	736	2,996
2300 Unearned Revenue	153,806	-	-	153,806
2000 Total Liabilities	<u>294,325</u>	<u>-</u>	<u>61,418</u>	<u>355,743</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	56,743	6,386	-	63,129
2600 Total Deferred Inflows of Resources	<u>56,743</u>	<u>6,386</u>	<u>-</u>	<u>63,129</u>
FUND BALANCES				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	743,028	-	743,028
Committed Fund Balance:				
3510 Construction	1,270,000	-	-	1,270,000
3545 Other Committed Fund Balance	-	-	6,106	6,106
3600 Unassigned Fund Balance	1,226,071	-	-	1,226,071
3000 Total Fund Balances	<u>2,496,071</u>	<u>743,028</u>	<u>6,106</u>	<u>3,245,205</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,847,139</u>	<u>\$ 749,414</u>	<u>\$ 67,524</u>	<u>\$ 3,664,077</u>

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 3,245,205
1 Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds.	3,089,292
2 Deferred outflows of resources related to pensions are not reported in governmental funds.	410,176
3 Deferred outflows of resources related to other postemployment benefits are not reported in governmental funds.	379,041
4 Long-term debt, including unamortized premiums, is not reported in governmental funds.	(1,355,244)
5 Recognition of the District's proportionate share of the net pension liability is not reported in governmental funds.	(867,034)
6 Recognition of the District's proportionate share of the net other postemployment benefit liability is not reported in governmental funds.	(1,354,743)
7 Accrued interest payable on long-term debt is not reported in governmental funds.	(10,977)
8 Deferred gain on refunding is not reported in governmental funds.	(47,845)
9 Deferred inflows of resources related to pensions are not reported in governmental funds.	(117,481)
10 Deferred inflows of resources related to other postemployment benefits are not reported in governmental funds.	(1,296,018)
11 Property taxes unavailable to pay for current period expenditures are deferred in governmental funds.	63,129
19 Net Position of Governmental Activities	<u><u>\$ 2,137,501</u></u>

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,788,624	\$ 192,482	\$ 34,331	\$ 2,015,437
5800 State Program Revenues	1,596,954	1,665	31,051	1,629,670
5900 Federal Program Revenues	-	-	205,031	205,031
5020 Total Revenues	<u>3,385,578</u>	<u>194,147</u>	<u>270,413</u>	<u>3,850,138</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,512,190	-	144,120	1,656,310
0012 Instructional Resources and Media Services	28,347	-	-	28,347
0013 Curriculum and Instructional Staff Development	22,269	-	-	22,269
0023 School Leadership	216,143	-	-	216,143
0031 Guidance, Counseling, and Evaluation Services	81,544	-	-	81,544
0033 Health Services	38,630	-	-	38,630
0034 Student (Pupil) Transportation	117,609	-	-	117,609
0035 Food Services	6,372	-	181,657	188,029
0036 Extracurricular Activities	222,442	-	3,249	225,691
0041 General Administration	355,048	-	-	355,048
0051 Facilities Maintenance and Operations	398,885	-	3,082	401,967
0052 Security and Monitoring Services	29,931	-	-	29,931
0053 Data Processing Services	114,091	-	1,475	115,566
Debt Service:				
0071 Principal on Long-Term Debt	23,927	70,000	-	93,927
0072 Interest on Long-Term Debt	20,367	27,900	-	48,267
0073 Bond Issuance Cost and Fees	-	24,381	-	24,381
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	198,771	-	-	198,771
0099 Other Intergovernmental Charges	11,591	-	-	11,591
6030 Total Expenditures	<u>3,398,157</u>	<u>122,281</u>	<u>333,583</u>	<u>3,854,021</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,579)</u>	<u>71,866</u>	<u>(63,170)</u>	<u>(3,883)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	860,000	-	860,000
7915 Transfers In	-	-	62,386	62,386
8911 Transfers Out (Use)	(62,386)	-	-	(62,386)
8949 Other (Uses)	(2,099)	(860,000)	-	(862,099)
7080 Total Other Financing Sources (Uses)	<u>(64,485)</u>	<u>-</u>	<u>62,386</u>	<u>(2,099)</u>
1200 Net Change in Fund Balances	(77,064)	71,866	(784)	(5,982)
0100 Fund Balance - September 1 (Beginning)	2,652,531	671,162	7,342	3,331,035
1300 Increase (Decrease) in Fund Balance	<u>(79,396)</u>	<u>-</u>	<u>(452)</u>	<u>(79,848)</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,496,071</u>	<u>\$ 743,028</u>	<u>\$ 6,106</u>	<u>\$ 3,245,205</u>

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (5,982)
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.	57,769
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(242,792)
Issuance of bonds is shown as other resources in governmental funds but is shown as an increase in long-term debt in the government-wide financial statements.	(860,000)
Payments to bond refunding escrow agent are shown as other uses in governmental funds but are shown as reductions in long-term debt in the government-wide financial statements.	860,000
Long-term debt principal payments are expenditures in governmental funds but are shown as reductions in long-term debt in the government-wide financial statements.	93,942
Interest is accrued on outstanding long-term debt in the government-wide financial statements but is reported as an expenditure in governmental funds when due.	1,119
Deferral on refunding associated with bonds payable is reported net of amortization in the government-wide financial statements.	209
Changes in the net pension liability and related deferred outflows and inflows are recognized in the government-wide financial statements but are not reported in governmental funds.	(101,649)
Changes in the net other postemployment benefit liability and related deferred outflows and inflows are recognized in the government-wide financial statements but are not reported in governmental funds.	56,471
Revenues from property taxes are deferred in governmental funds until they are considered available to finance current expenditures. In the government-wide financial statements, revenues are recognized when assessed, net of an allowance for uncollectible taxes.	25,647
Change in Net Position of Governmental Activities	\$ (115,266)

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

	Custodial Fund
<hr/>	
ASSETS	
Due from Other Funds	\$ 226
Restricted Assets	47,016
Total Assets	<u>47,242</u>
NET POSITION	
Restricted for Student Organizations	<u>47,242</u>
Total Net Position	<u><u>\$ 47,242</u></u>

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Custodial Fund
ADDITIONS:	
Miscellaneous Revenue - Student	\$ 41,114
Earnings from Temporary Deposits	107
Total Additions	<u>41,221</u>
DEDUCTIONS:	
Student Activities	<u>42,769</u>
Total Deductions	<u>42,769</u>
Change in Fiduciary Net Position	(1,548)
Total Net Position - September 1 (Beginning)	-
Prior Period Adjustment	<u>48,790</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 47,242</u></u>

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Veribest Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Veribest Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Additionally, the government reports the following fund types:

Special Revenue Funds - These Funds account for resources restricted to, or committed for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds account for assets held by the District in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the District's own programs.

The District has the following Fiduciary Funds:

Custodial Fund - This Fund reports resources that are held by the District for other parties. This Fund is used to account for the District's student activity funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-50
Vehicles	5-10
Furniture and Equipment	5-10

G. Restricted Assets

Restricted assets consist of cash held by the District in a trustee capacity for student organizations.

H. Long-Term Obligations

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

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

I. Pensions

In accordance with accounting guidance prescribed by GASB Statement No. 68, 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.

J. Other Postemployment Benefits (OPEB)

In accordance with accounting guidance prescribed by GASB Statement No. 75, 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

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Other Postemployment Benefits (OPEB) - Continued

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 postemployment 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.

K. Compensated Absences

On retirement or death of certain employees, the District pays any accrued vacation leave and sick leave in a lump sum cash payment to such employee or his/her estate.

A liability for these amounts is reported in governmental funds only if they are payable as a result of employee retirements.

L. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources and liabilities that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

M. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. 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, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Fund Balances/Equity - Continued

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is three months operating expenditures and the unassigned fund balance is three months operating expense of the total operating expenditures.

Restricted net position for Fiduciary Funds represents custodial funds held by the District in a trustee capacity for student organizations.

N. Implementation of New Accounting Standard

The District implemented the provisions of GASB Statement No. 84, Fiduciary Activities. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and, therefore, should be reported as such. The statement defines types of fiduciary funds, eliminating agency funds and replacing them with custodial funds. Under this guidance, fiduciary funds will now report a net position and a statement of changes in net position.

O. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

P. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

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.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

A. Budget - Continued

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in Other Uses as shown on Exhibit E-1.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2021, the District was not significantly exposed to credit risk.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

At August 31, 2021, the District's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
Lone Star				
Corporate Overnight Fund	\$ 1,135,131	47%	52 Days	AAAm
Government Overnight Fund	<u>1,296,209</u>	<u>53%</u>	45 Days	AAAm
Total Public Funds Investment Pools	<u><u>\$ 2,431,340</u></u>	<u><u>100%</u></u>		

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment 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 no lower than AAA or AAAm 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 investment in Pools is 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 as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

B. Due from Other Governments

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

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 0	\$ 0	\$ 13,944	\$ 13,944
Special Revenue Funds	22,748	32,623	0	55,371
Debt Service Fund	<u>0</u>	<u>0</u>	<u>1,567</u>	<u>1,567</u>
Totals	<u><u>\$ 22,748</u></u>	<u><u>\$ 32,623</u></u>	<u><u>\$ 15,511</u></u>	<u><u>\$ 70,882</u></u>

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Interfund Balances and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Special Revenue Funds	21,801	0	Operating Advance
Fiduciary Funds	<u>0</u>	<u>226</u>	Operating Advance
	\$ 21,801	\$ 226	
Nonmajor Special Revenue Funds			
General Fund	0	21,801	Operating Advance
Fiduciary Funds			
General Fund	<u>226</u>	<u>0</u>	Operating Advance
Totals	<u>\$ 22,027</u>	<u>\$ 22,027</u>	

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

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 62,386</u>	Supplemental Fund Resources

D. Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 662,859	\$ 0	\$ 0	\$ 0	\$ 662,859
Buildings and Improvements	5,492,216	19,620	0	0	5,511,836
Furniture and Equipment	<u>1,185,296</u>	<u>38,149</u>	<u>60,845</u>	<u>0</u>	<u>1,162,600</u>
Total Capital Assets	<u>\$ 7,340,371</u>	<u>\$ 57,769</u>	<u>\$ 60,845</u>	<u>\$ 0</u>	<u>\$ 7,337,295</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (3,239,961)	\$ (176,565)	\$ 0	\$ 0	\$ (3,416,526)
Furniture and Equipment	<u>(826,095)</u>	<u>(66,227)</u>	<u>(60,845)</u>	<u>0</u>	<u>(831,477)</u>
Total Accumulated Depreciation	<u>\$ (4,066,056)</u>	<u>\$ (242,792)</u>	<u>\$ (60,845)</u>	<u>\$ 0</u>	<u>\$ (4,248,003)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,274,315</u>	<u>\$ (185,023)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,089,292</u>

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets - Continued

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 137,619
Instructional Resources and Media Services	2,126
School Leadership	19,503
Guidance, Counseling, and Evaluation Services	7,702
Health Services	3,527
Student (Pupil) Transportation	3,198
Food Services	7,734
Extracurricular Activities	10,722
General Administration	25,330
Facilities Maintenance and Operations	18,891
Security and Monitoring Services	19
Data Processing Services	<u>6,421</u>
Total	<u><u>\$ 242,792</u></u>

E. Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period.

A deferred inflow of resources is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period

Deferred outflows and inflows of resources are reported as described below:

Deferred Outflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred outflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred outflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Statement of Net Position)

Deferred gain on bond refunding, which is amortized over the life of the refunding bonds.

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred inflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred inflows as detailed in financial statement footnote IV., B.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Outflows and Inflows of Resources - Continued

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	<u>General Fund</u>
State Foundation	<u>\$ 153,806</u>

G. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2021, as follows:

<u>Year Ending August 31,</u>	
2022	\$ 11,497
2023	11,497
2024	11,497
2025	11,497
2026	<u>3,832</u>
Total Minimum Rentals	<u>\$ 49,822</u>

Rental expenditures during the year ended August 31, 2021, were \$7,665.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS – Continued

H. Long-Term Debt

The District's long-term liabilities consist of a maintenance tax note, bonded indebtedness, net pension liability, and net other postemployment benefits liability. The current requirements for the maintenance tax note are accounted for in the General Fund. The current requirements for general obligation bonds principal and interest are accounted for in the Debt Service Fund. The current requirements for the net pension liability and net other postemployment benefits liability are accounted for in the General and Special Revenue Funds.

The following is a summary of changes in long-term debt for the year ended August 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Maintenance Tax Note (Direct Placement)	\$ 519,186	\$ 0	\$ 23,942	\$ 495,244	\$ 24,880
Unlimited Tax Refunding Bonds - Series 2012	930,000	0	930,000	0	-
Unlimited Tax Refunding Bonds - Series 2021	0	860,000	0	860,000	187,000
Bond Premium	60,628	0	60,628	0	-
Subtotals	\$ 1,509,814	\$ 860,000	\$ 1,014,570	\$ 1,355,244	\$ 211,880
Net Pension Liability	842,335	95,672	70,973	867,034	-
Net OPEB Liability	1,942,495	131,092	718,844	1,354,743	-
Totals	<u>\$ 4,294,644</u>	<u>\$ 1,086,764</u>	<u>\$ 1,804,387</u>	<u>\$ 3,577,021</u>	<u>\$ 211,880</u>

The District's outstanding maintenance tax note, which is payable from the General Fund, is as follows:

Veribest Independent School District Maintenance Tax Note, Series 2016 (Direct Placement).
Issued for the purpose of providing funds to purchase a tract of land as authorized by
Texas Education Code, Section 45.108, in the original amount of \$585,728. Due in variable
installments through February 17, 2036, with an interest rate of 3.92%.¹ \$ 495,244

¹ During each year while a maintenance tax note is outstanding, the District is required to budget an amount necessary to pay the tax notes out of maintenance taxes and other revenues and funds lawfully available. In case of default the lender will proceed against the District with legal action for any relief permitted by law.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The District's outstanding bond issue, which is payable from the Debt Service Fund, is as follows:

Veribest Independent School District Unlimited Tax Refunding Bonds, Series 2021. Issued to refund the remaining portion of the Unlimited Tax School Building Bonds, Series 2012 and to pay the costs associated with the sale and issuance of the bonds. Issued in the original amount of \$860,000. Due in variable installments through February 15, 2031, with interest rates of 3%.¹

\$ 860,000

¹ 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. In the event of default, holders of guarantee bonds will receive all payments due from the corpus of the PSF. Following a determination that a district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the district to notify the Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the district.

The combined annual debt service requirements are as follows:

Year Ending August 31,	Maintenance Tax Note (Direct Placement)		Unlimited Tax Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2022	\$ 24,880	\$ 19,414	\$ 187,000	\$ 13,808	\$ 245,102
2023	25,856	18,438	68,000	10,835	123,129
2024	26,869	17,425	72,000	9,741	126,035
2025	27,923	16,371	75,000	8,581	127,875
2026	29,017	15,277	74,000	7,374	125,668
2027-2031	163,066	58,404	384,000	18,949	624,419
2032-2036	<u>197,633</u>	<u>23,837</u>	<u>0</u>	<u>0</u>	<u>221,470</u>
Totals	<u>\$ 495,244</u>	<u>\$ 169,166</u>	<u>\$ 860,000</u>	<u>\$ 69,288</u>	<u>\$ 1,593,698</u>

On August 16, 2021, the District issued \$860,000 of Veribest Independent School District Unlimited Tax Refunding Bonds, Series 2021 with an interest rate of 3%. The net proceeds of the bond issue were used to refund \$860,000 of the Series 2012 bonds. To accomplish the advance refunding of the Series 2012 bonds, funds were deposited with an escrow agent to purchase government securities to provide for all future debt service payments on the refunded Series 2012 bonds. As a result, the bonds will be considered to be defeased, and the liability for the bonds will be removed from the government-wide statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$48,054. The refunding was undertaken to reduce future debt service payments by \$79,212 and resulted in an economic gain of \$40,803.

I. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

J. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	\$ 1,689,653	\$ 0	\$ 191,172	\$ 1,880,825
Chapter 313 Agreements	57,500	0	0	57,500
Other Local Sources	2,859	2,465	1,310	6,634
Cocurricular, Enterprising Services, or Activities	36,081	31,866	0	67,947
Intermediate Sources	2,531	0	0	2,531
Totals	<u>\$ 1,788,624</u>	<u>\$ 34,331</u>	<u>\$ 192,482</u>	<u>\$ 2,015,437</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The Veribest Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan 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.

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

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512)542-6592.

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 benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Contributions - Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the System during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if it increases the period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 12 in the 86th Legislature set contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%.

Contribution Rates		
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions		\$ 70,628
District's 2021 Member Contributions		152,692
District's 2020 NECE On-Behalf Contributions		185,739

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the Plan during the fiscal year reduced by the employer contributions. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

- Employers must contribute 1.5% of the member's salary ("the Public Education Employer Surcharge").
- 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.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Actuarial Assumptions -

Roll Forward - The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017, and were adopted in July 2018.

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

The following table discloses the assumptions that were applied to this measurement period:

Valuation Date	August 31, 2019 Rolled Forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	2.33%. 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)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% Including Inflation
Ad hoc Postemployment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the TRS actuarial valuation report dated November 14, 2019.

Discount Rate - The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.66% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020, are presented in the following Asset Allocations table:

<u>Asset Class</u>	<u>Target Allocation¹ %</u>	<u>Long-Term Expected Geometric Real Rate of Return²</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
USA	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	0.0%	1.8%	0.00%
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Real Return			
Real Estate	15.0%	4.6%	1.02%
Energy, Natural Resources, and Infrastructure	6.0%	6.0%	0.42%
Commodities	0.0%	0.8%	0.00%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Asset Allocation Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag ³			-0.67%
Expected Return	100.0%		7.33%

¹ Target Allocation are based on the FY 2020 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of August 31, 2020).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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 2020 net pension liability:

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's Proportionate Share of the Net Pension Liability	<u>\$ 1,336,950</u>	<u>\$ 867,034</u>	<u>\$ 485,237</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2021, the Veribest Independent School District reported a net pension liability of \$867,034 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	\$ 867,034
State's Proportionate Share that is Associated with the District	<u>1,544,247</u>
Total	<u>\$ 2,411,281</u>

The net pension liability was measured as of August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2019 rolled forward to August 31, 2020. 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, 2019 through August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.0016188696% which was a decrease of 0.0000015317% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation - There were no changes in assumptions since the prior measurement date.

Changes of Benefit Terms - There were no changes of benefit terms since the prior measurement date.

Benefit Change - In May 2019 the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check.

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

For the year ended August 31, 2021, the Veribest Independent School District recognized pension expense of \$185,739 and revenue of \$185,739 for support provided by the State in the government-wide statement of activities.

At August 31, 2021, the Veribest Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 1,583	\$ 24,197
Changes in Actuarial Assumptions	201,183	85,541
Net Difference Between Projected and Actual Investment Earnings	17,552	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	119,230	7,743
Contributions Paid to TRS Subsequent to the Measurement Date	<u>70,628</u>	<u>-</u>
Totals	<u>\$ 410,176</u>	<u>\$ 117,481</u>

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

Year Ending August 31,	Pension Expense Amount
2022	\$ 69,058
2023	67,348
2024	62,185
2025	29,969
2026	(6,268)
Thereafter	(225)

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans

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

OPEB Plan Fiduciary Net Position - 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.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided - TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. 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 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 General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$277,490,586 as of August 31, 2020.

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates

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

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2020. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
District's 2021 Employer Contributions		\$ 29,478
District's 2021 Member Contributions		12,890
District's 2020 NECE On-Behalf Contributions		(12,641)

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 to TRS-Care a monthly surcharge of \$535 per retiree.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

Actuarial Assumptions - The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

The active mortality rates were based on 90% 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).

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 Rolled Forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation 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 Postemployment Benefit Changes	None

The initial medical trend rates were 9% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate - A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.3% 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.

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the net OPEB liability:

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's Proportionate Share of the Net OPEB Liability	<u>\$ 1,625,688</u>	<u>\$ 1,354,743</u>	<u>\$ 1,140,735</u>

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 1,106,651</u>	<u>\$ 1,354,743</u>	<u>\$ 1,685,166</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2021, the Veribest Independent School District reported a liability of \$1,354,743 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	\$ 1,354,743
State's Proportionate Share that is Associated with the District	<u>1,820,450</u>
Total	<u>\$ 3,175,193</u>

The net OPEB liability was measured as of August 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.0035637513% which was a decrease of 0.0005437656% from its proportion measured as of August 31, 2019.

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

- The discount rate changed from 2.63% as August 31, 2019, to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change lowered the total OPEB liability.
- The ultimate health care trend assumption was lowered from 4.5% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the total OPEB liability.

Changes of Benefit Terms - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the Veribest Independent School District recognized OPEB expense of \$(12,641) and revenue of \$(12,641) for support provided by the State.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

At August 31, 2021, the Veribest Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 70,934	\$ 620,000
Changes in Actuarial Assumptions	83,559	372,019
Net Difference Between Projected and Actual Investment Earnings	440	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	194,630	303,999
Contributions Paid to TRS Subsequent to the Measurement Date	<u>29,478</u>	<u>-</u>
Totals	<u>\$ 379,041</u>	<u>\$ 1,296,018</u>

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

Year Ending August 31,	OPEB Expense Amount
2022	\$ (147,458)
2023	(147,517)
2024	(147,550)
2025	(147,541)
2026	(111,356)
Thereafter	(245,033)

C. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2021, August 31, 2020, and August 31, 2019, the subsidy payments received by TRS-Care on behalf of the District were \$8,994, \$8,323, and \$6,025, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

D. Health Care Coverage

The District participates in TRS-Active Care sponsored by the Teacher Retirement System of Texas. TRS-Active Care (the Plan) provides health care coverage to employees (and their dependents) of participating public education entities. Optional

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

D. Health Care Coverage - Continued

life and long-term care insurance are also provided to active members and retirees. Authority for the Plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The Plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

F. Property and Liability Programs

During the year ended August 31, 2021, the District participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Programs.

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability 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, 2021, the Fund anticipates that the District 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 year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website.

G. Unemployment Compensation Coverage

During the year ended August 31, 2021, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2021, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

During the year ended August 31, 2021, the District provided unemployment compensation coverage to its employees. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

H. Workers' Compensation Insurance

During the year ended August 31, 2021, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504 of the 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, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2021, 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, 2020, are available on the TASB Risk Management Fund website.

I. Contingencies

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

J. Shared Services Arrangements

The District participates in a shared services arrangement for special education with nine other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has joint ownership interest in any fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The Wall Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District expended \$173,558 to the shared services arrangement during the current year.

The District participates in a shared services arrangement for accelerated programs for at risk students with ten other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has joint ownership interest in any fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The Wall Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District expended \$25,213 to the shared services arrangement during the current year.

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

K. Tax Abatements

The Veribest Independent School District's Board of Trustees approved Agreements with Brushy Creek Solar LLC and RE Bravepost, LLC, for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code. Value limitation agreements are a part of a state program originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation, and Texas Priority projects. These entities qualified for tax limitation agreements under the Texas Tax Code §313.024(b)(5), as renewable energy electric generation projects.

The applications, the Agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The Agreements and all supporting documentation were assigned Texas Comptroller Application No.1444 and 1477, respectively.

The applicants have been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the applications' approval, it was determined by both the District's Board of Trustees and the Texas Comptroller's Office that the projects would meet these standards. After approval, the applicant companies must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

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

	A	B	C	D	E	F	G
		Project's Value	Amount of	Amount of	Company	Company	Net Benefit
	Project	Limitation	Applicant's	Applicant's	Revenue Loss	Supplemental	(Loss) to
	Value 2020	Amount 2020	M&O Taxes	M&O Taxes	Payment	Payment to	the School
Project Name			Paid 2020	Reduced 2020	to School	School	District 2020
					District 2020	District 2020	(C+E+F)
Brushy Creek Solar LLC*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
RE Bravepost LLC*	0	0	0	0	0	50,000	50,000

* First Year Value Limitation: 2023 and 2022, Respectfully

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2021

IV. OTHER INFORMATION - Continued

L. Adjustments to Net Position/Fund Balances

The financial statements reflect the following prior period adjustments:

	Net Position <u>Exhibit B-1</u>	Fund Balances <u>Exhibit C-3</u>	Net Position <u>Exhibit D-2</u>
General Fund			
Foundation Adjustment	\$ (83,909)	\$ (83,909)	\$ 0
Voided Checks	<u>4,513</u>	<u>4,513</u>	<u>0</u>
Total General Fund	\$ (79,396)	\$ (79,396)	\$ 0
Nonmajor Funds			
Reclassify Prior Year's Due to Student Groups	(452)	(452)	0
Fiduciary Funds			
Reclassify Prior Year's Due to Student Groups	<u>0</u>	<u>0</u>	<u>48,790</u>
Totals	<u><u>\$ (79,848)</u></u>	<u><u>\$ (79,848)</u></u>	<u><u>\$ 48,790</u></u>

M. Subsequent Events

The District's management has evaluated subsequent events through December 1, 2021, the date which the financial statements were available for issue.

Required Supplementary Information

VERIBEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,721,080	\$ 1,721,080	\$ 1,788,624	\$ 67,544
5800	State Program Revenues	1,706,861	1,706,861	1,596,954	(109,907)
5020	Total Revenues	3,427,941	3,427,941	3,385,578	(42,363)
EXPENDITURES:					
Current:					
0011	Instruction	1,471,366	1,556,366	1,512,190	44,176
0012	Instructional Resources and Media Services	28,451	29,251	28,347	904
0013	Curriculum and Instructional Staff Development	22,532	27,532	22,269	5,263
0023	School Leadership	216,303	217,603	216,143	1,460
0031	Guidance, Counseling, and Evaluation Services	82,617	82,617	81,544	1,073
0033	Health Services	38,463	44,863	38,630	6,233
0034	Student (Pupil) Transportation	139,318	279,318	117,609	161,709
0035	Food Services	7,670	8,470	6,372	2,098
0036	Extracurricular Activities	182,734	243,734	222,442	21,292
0041	General Administration	333,663	374,663	355,048	19,615
0051	Facilities Maintenance and Operations	381,426	464,426	398,885	65,541
0052	Security and Monitoring Services	55,000	55,000	29,931	25,069
0053	Data Processing Services	111,436	115,436	114,091	1,345
Debt Service:					
0071	Principal on Long-Term Debt	22,147	22,147	23,927	(1,780)
0072	Interest on Long-Term Debt	22,147	22,147	20,367	1,780
Capital Outlay:					
0081	Facilities Acquisition and Construction	112,677	112,677	-	112,677
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	159,932	204,932	198,771	6,161
0099	Other Intergovernmental Charges	10,000	18,000	11,591	6,409
6030	Total Expenditures	3,397,882	3,879,182	3,398,157	481,025
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	30,059	(451,241)	(12,579)	438,662
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(30,059)	(100,059)	(62,386)	37,673
8949	Other (Uses)	-	-	(2,099)	(2,099)
7080	Total Other Financing Sources (Uses)	(30,059)	(100,059)	(64,485)	35,574
1200	Net Change in Fund Balances	-	(551,300)	(77,064)	474,236
0100	Fund Balance - September 1 (Beginning)	2,652,531	2,652,531	2,652,531	-
1300	Increase (Decrease) in Fund Balance	-	-	(79,396)	(79,396)
3000	Fund Balance - August 31 (Ending)	\$ 2,652,531	\$ 2,101,231	\$ 2,496,071	\$ 394,840

VERIBEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.00161887%	0.001620401%	0.001515905%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 867,034	\$ 842,335	\$ 834,391
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	1,544,247	1,339,775	1,483,574
Total	<u>\$ 2,411,281</u>	<u>\$ 2,182,110</u>	<u>\$ 2,317,965</u>
District's Covered Payroll	\$ 2,044,086	\$ 1,724,926	\$ 1,672,044
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.42%	48.83%	49.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.001228834%		0.001278809%		0.0012771%		0.0004791%	
\$	392,915	\$	483,243	\$	451,438	\$	127,973
907,663		1,051,193		1,080,764		950,566	
\$	1,300,578	\$	1,534,436	\$	1,532,202	\$	1,078,539
\$	1,490,312	\$	1,431,433	\$	1,496,096	\$	1,459,263
26.36%		33.76%		30.18%		8.76%	
82.17%		78.00%		78.43%		83.25%	

VERIBEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 70,628	\$ 66,791	\$ 59,189
Contribution in Relation to the Contractually Required Contribution	(70,628)	(66,791)	(59,189)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,120,375	\$ 2,044,086	\$ 1,724,926
Contributions as a Percentage of Covered Payroll	3.33%	3.27%	3.43%

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

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

2018		2017		2016		2015	
\$	51,276	\$	40,274	\$	40,631	\$	37,517
	(51,276)		(40,274)		(40,631)		(37,517)
\$	-	\$	-	\$	-	\$	-
\$	1,556,300	\$	1,490,312	\$	1,431,433	\$	1,496,096
	3.29%		2.70%		2.84%		2.50%

VERIBEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.003563751%	0.004107517%	0.003870657%	0.003676661%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,354,743	\$ 1,942,495	\$ 1,932,654	\$ 1,598,842
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,820,450	2,581,141	1,368,384	1,221,535
Total	<u>\$ 3,175,193</u>	<u>\$ 4,523,636</u>	<u>\$ 3,301,038</u>	<u>\$ 2,820,377</u>
District's Covered Payroll	\$ 2,044,086	\$ 1,724,926	\$ 1,672,044	\$ 1,490,312
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	66.28%	112.61%	115.59%	107.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 29,478	\$ 27,087	\$ 29,152	\$ 27,206
Contribution in Relation to the Contractually Required Contribution	(29,478)	(27,087)	(29,152)	(27,206)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,120,375	\$ 2,044,086	\$ 1,724,926	\$ 1,556,300
Contributions as a Percentage of Covered Payroll	1.39%	1.33%	1.69%	1.75%

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

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

VERIBEST INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
August 31, 2021

Note A - TRS Pension Plan

Changes of Benefit Terms

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

Benefit Change - In May 2019 the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check.

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

Changes of Assumptions

There were no changes in assumptions since the prior measurement date.

Note B - TRS OPEB Plan

Changes of Benefit Terms

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

Changes of Assumptions

The following assumptions, methods, and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The discount rate changed from 2.63% as August 31, 2019, to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change lowered the total OPEB liability.
- The ultimate health care trend assumption was lowered from 4.5% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the total OPEB liability.

Other Supplementary Information

VERIBEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.170000	0.120000	94,790,090
2014	1.170000	0.120000	98,482,496
2015	1.170000	0.120000	106,862,237
2016	1.170000	0.120000	121,335,737
2017	1.170000	0.120000	114,606,067
2018	1.170000	0.120000	121,408,495
2019	1.170000	0.120000	130,549,052
2020	1.068400	0.120000	151,817,515
2021 (School year under audit)	1.054700	0.120000	156,610,077
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 1,689	\$ -	\$ -	\$ -	\$ -	\$ 1,689
55	-	-	-	-	55
48	-	-	-	-	48
2,856	-	2,395	246	-	215
5,145	-	4,385	450	-	310
13,738	-	12,797	1,312	556	185
162	-	461	47	442	96
15,953	-	13,624	1,397	999	1,931
21,675	-	17,698	1,988	898	2,887
-	1,839,699	1,597,115	181,714	-	60,870
<u>\$ 61,321</u>	<u>\$ 1,839,699</u>	<u>\$ 1,648,475</u>	<u>\$ 187,154</u>	<u>\$ 2,895</u>	<u>\$ 68,286</u>

VERIBEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 60,000	\$ 60,000	\$ 31,866	\$ (28,134)
5800 State Program Revenues	1,000	1,000	732	(268)
5900 Federal Program Revenues	89,813	89,813	85,125	(4,688)
5020 Total Revenues	150,813	150,813	117,723	(33,090)
EXPENDITURES:				
Current:				
0035 Food Services	180,872	202,872	180,109	22,763
6030 Total Expenditures	180,872	202,872	180,109	22,763
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,059)	(52,059)	(62,386)	(10,327)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	30,059	100,059	62,386	(37,673)
1200 Net Change in Fund Balances	-	48,000	-	(48,000)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 48,000	\$ -	\$ (48,000)

VERIBEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 96,348	\$ 96,348	\$ 192,482	\$ 96,134
5800 State Program Revenues	1,952	1,952	1,665	(287)
5020 Total Revenues	98,300	98,300	194,147	95,847
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	70,000	70,000	70,000	-
0072 Interest on Long-Term Debt	27,900	27,900	27,900	-
0073 Bond Issuance Cost and Fees	400	24,700	24,381	319
6030 Total Expenditures	98,300	122,600	122,281	319
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(24,300)	71,866	96,166
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	860,000	860,000	-
8949 Other (Uses)	-	(860,000)	(860,000)	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balances	-	(24,300)	71,866	96,166
0100 Fund Balance - September 1 (Beginning)	671,162	671,162	671,162	-
3000 Fund Balance - August 31 (Ending)	\$ 671,162	\$ 646,862	\$ 743,028	\$ 96,166

VERIBEST INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	141295
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	131088

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	8164
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	24373

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA
Megan Solsbery, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

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

Board of Trustees
Veribest Independent School District
P.O. Box 490
Veribest, TX 76886-0490

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Veribest Independent School District as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Veribest 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 Veribest Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Veribest 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 District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Veribest Independent School District's financial statements are free of 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

December 1, 2021

VERIBEST INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended August 31, 2021

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified?

 Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

 Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

B. Findings - Financial Statements Audit-None

None

C. Findings - State Compliance

None