



**DEW**

**INDEPENDENT  
SCHOOL DISTRICT**

# **Annual Financial Report**

For the Year Ended August 31, 2021

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# Dew Independent School District

## Annual Financial Report

### For the Year Ended August 31, 2021

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## CERTIFICATE OF BOARD

**Dew Independent School District**

Name of School District

**Freestone**

County

**081-906**

Co-Dist. No.

We, the undersigned, certify that the attached financial reports of the Dew Independent School District were reviewed and \_\_\_\_ approved \_\_\_\_ disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on the 16<sup>th</sup> day of November, 2021.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

## Independent Auditor's Report

To the Board of Trustees  
Dew Independent School District  
Teague, Texas

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

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dew 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**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dew 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dew Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the required TEA schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the required TEA schedules are 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*, I have also issued my report dated November 4, 2021, on my consideration of Dew Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Dew Independent School District's internal control over financial reporting and compliance.

Karl Kacir, CPA  
November 4, 2021

# Dew Independent School District Management's Discussion and Analysis

Our discussion and analysis of the Dew Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the year ended August 31, 2021. Please read this analysis in conjunction with the District's financial statements that follow this section.

## FINANCIAL HIGHLIGHTS

- Total net position increased by \$136,685 from \$6,423,340 to \$6,560,025, an increase of 2.1%.
- Unrestricted net position decreased \$149,928, from \$213,147 to \$63,219, a decrease of 70.3%.
- Revenues increased \$294,598, from \$2,619,176 to \$2,913,774, an increase of 11.2%.
- Total costs decreased \$46,664, from \$3,013,645 to \$2,966,981, a decrease of 1.5%.
- The General Fund ended the year with a fund balance of \$1,090,945, an increase of \$139,274 from the prior year balance of \$951,671.

These highlights and more are discussed in the following sections.

## USING THIS ANNUAL FINANCIAL REPORT

This annual financial report consists of four sections as outlined in the Table of Contents:

- Management's Discussion and Analysis (this section);
- Basic Financial Statements;
- Required Supplementary Information; and,
- Other Information.

### **Basic Financial Statements**

The ***basic financial statements*** include three components:

- Government-wide financial statements;
- Fund financial statements; and,
- Notes to the financial statements.

### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide 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, liabilities and deferred inflows, with the difference being 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 for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will affect cash flows in other fiscal years.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable. The government-wide financial statements can be found as Exhibits A – 1 and B – 1 of this report.

### **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 requirements. The *fund financial statements* provide more detailed information about the District's most significant funds – not the District as a whole. Some funds are required by State law and/or bond covenants; other funds may be established by the Board to control and manage money



# Dew Independent School District Management's Discussion and Analysis

for particular purposes or to show that it is properly using certain taxes or grants. All of the funds of the District are considered to be *governmental 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, government 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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 government's near-term financing decisions. Both the government 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*.

The District maintained fifteen governmental funds. 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 Capital Projects Fund, which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the "Other Information" section of this report.

Financial statements for District's governmental funds can be found as Exhibits C – 1 and C – 2, and Exhibits H – 1 and H – 2. The District's Board of Trustees adopts an annual appropriated budget for its General Fund, Food Service Fund, and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with each of these budgets, which are included as Exhibits G – 1, J – 2, and J – 3, respectively.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 18 of this report.

## **Required Supplementary Information and Other Information**

"Required Supplementary Information" includes the budgetary comparison for the General Fund, because it is a major fund, and schedules to report the District's proportionate share of pension and other postemployment benefit liabilities and the District's contributions. "Other Information" includes the combining statements referred to earlier in connection with nonmajor governmental funds, information required by the Texas Education Agency regarding tax collection and budgetary comparisons for the Food Service Fund and Debt Service Fund, information required by the Texas Education Agency and the federal government related to grants as presented in the "Compliance and Internal Controls Section," and information required by the Texas Education Agency for the Financial Integrity Rating System of Texas.

# Dew Independent School District Management's Discussion and Analysis

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Current and other assets, which include cash and cash equivalents, increased \$283,681; this increase corresponds with the increase in payables and unearned revenues. Current liabilities at year end included a \$359,772 payable for restoration work related to a fire, and \$101,279 from insurance proceeds in excess of amounts paid.

Capital assets increased due to additions related to roofs, air conditioner systems and other facility improvements, less depreciation for the year.

Net position invested in capital assets increased due to the additions to capital assets and reduction of long-term debt. The unrestricted net position decreased due to use of funds for the capital investment.

**Table I - Dew Independent School District's Net Position**

	Government Activities		Change 2020 to
	2021	2020	2021
Current and other assets	\$ 1,991,034	\$ 1,707,353	\$ 283,681
Capital assets	6,614,866	6,450,269	164,597
Total Assets	8,605,900	8,157,622	448,278
Total Deferred Outflow s of Resources	330,713	328,897	1,816
Current liabilities	652,090	279,209	372,881
Long-term liabilities	1,221,808	1,411,201	(189,393)
Total Liabilities	1,873,898	1,690,410	183,488
Total Deferred Inflow s of Resources	502,690	372,769	129,921
Net Position:			
Invested in capital assets	6,410,866	6,150,269	260,597
Restricted for grants	22,730	1,500	21,230
Restricted for debt service	63,210	58,424	4,786
Unrestricted	63,219	213,147	(149,928)
Total Net Position	\$ 6,560,025	\$ 6,423,340	\$ 136,685

Table II reflects the changes in net position. Revenues for 2021 increased \$793,652 over the prior year primarily due to \$531,150 in insurance proceeds included in miscellaneous revenues. The insurance was to pay for repairs to the library and other parts of the building necessary due to a fire in February 2021; the expenses for repairs are reflected in Function 81, Facilities Acquisition and Construction. The other significant increase in revenues was an increase of \$106,602 in property taxes levied for debt service, reflecting the levy for bonds issued in fiscal 2020.

The District contracted for major roof replacements that began in fiscal 2020. In the course of replacing roofs, it was determined that there had been hail damage in prior years and the District's insurer agreed to pay for the extent of those damages. Insurance proceeds were reported as a special item as received and the funding was used in conjunction with bond proceeds for the capital expenditures.

The cost of all governmental activities this year was \$3,570,741, compared to \$2,966,981 in the prior year; however, as shown in the Statement of Activities (Exhibit B-1), the amount that our taxpayers ultimately financed for these activities through District taxes and other general funding was \$3,118,378, which compares to \$2,546,764 in the prior year. \$393,209 of costs in the year ending August 31, 2021, were paid by operating grants and contributions, which is primarily federal and state grant funding and benefits for pensions and other postemployment benefits paid by the state on behalf of the District, and \$59,154 was paid for by charges for services, including charges for food service programs, after school child care, Medicaid services, and miscellaneous extracurricular activities.

# Dew Independent School District Management's Discussion and Analysis

**Table II - Dew Independent School District's Changes in Net Position**

	Government Activities		Change 2020 to
	2021	2020	2021
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 59,154	\$ 79,561	\$ (20,407)
Operating grants & contributions	393,209	340,656	52,553
General Revenues			
Property taxes levied for general purposes	1,866,078	1,852,343	13,735
Property taxes levied for debt service	109,733	3,131	106,602
State aide - formula grants	429,924	386,967	42,957
Investment earnings	13,997	12,430	1,567
Miscellaneous	570,450	20,831	549,619
Special Item - Insurance on Roof	264,881	217,855	47,026
<b>Total Revenues</b>	<b>3,707,426</b>	<b>2,913,774</b>	<b>793,652</b>
<b>Expenses</b>			
11 Instruction	1,676,899	1,608,857	68,042
12 Library and instructional resources	32,801	22,605	10,196
13 Curriculum and staff development	39	7,441	(7,402)
21 Instructional leadership	1,962	1,629	333
23 School leadership	15,887	13,495	2,392
31 Guidance and counseling	77,539	64,206	13,333
33 Health services	2,863	3,150	(287)
34 Student transportation	88,201	90,186	(1,985)
35 Food services	145,097	142,675	2,422
36 Extracurricular activities	67,014	62,812	4,202
41 General administration	332,603	360,199	(27,596)
51 Plant maintenance and operations	420,968	389,202	31,766
52 Security & monitoring services	14,188	14,870	(682)
53 Data processing services	51,345	62,759	(11,414)
72 Interest on long-term debt	8,947	3,221	5,726
73 Debt service - costs & fees	-	11,250	(11,250)
81 Facilities acquisition & construction	529,989	1,916	528,073
91 Contracted Instructional Services Between Schools	12,325	14,696	(2,371)
93 Payments to shared services arrangements	33,912	37,742	(3,830)
99 Other governmental charges	58,162	54,070	4,092
<b>Total Expenses</b>	<b>3,570,741</b>	<b>2,966,981</b>	<b>603,760</b>
Increase (decrease) in net position	136,685	(53,207)	189,892
Net position, beginning of year	6,423,340	6,476,547	(53,207)
Net position, end of year	\$ 6,560,025	\$ 6,423,340	\$ 136,685

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet at Exhibit C-1) reported a combined fund balance of \$1,254,727, which is a decrease of \$92,205 from last year's total of \$1,346,932. The District's fund balance in the General Fund increased from \$1,090,945 to \$1,116,154, which is an increase of \$25,209.

The Capital Projects Fund has received funding from general obligation bonds and from transfers from the General Fund. All bond proceeds had been spent as of August 31, 2021, and the remaining fund balance is reported as unrestricted in the district-wide financial statement and as committed to capital acquisition in the fund financial statement.

"Other Funds" includes \$22,730 fund balance in the Food Service Fund, which must be used for future operations of that fund. The \$61,632 fund balance in the Debt Service Fund is restricted for use to make payments of principal and interest on general obligation bonds. There is a fund balance of \$12,937 in the Campus Activity Fund, which is committed to use for campus activities.

# Dew Independent School District Management's Discussion and Analysis

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Administration prepares the original budget and proposed amendments for the General Fund. State law requires that the Board of Trustees approve the original budget and any amendments; Board approval is at the function level for expenditures. The original and amended budgets are shown on Exhibit G – 1.

Revisions to budgeted revenues and expenditures generally fall into the following categories:

- Routine amendments to planning estimates.
- Supplemental amendments for unexpected occurrences, or for significant events which for various reasons were not budgeted.
- Supplemental amendments for capital outlay, facilities, or other projects.

The original adopted budget for the General Fund provided for an increase in fund balance of \$169,145. The budget was amended during the year, primarily to recognize insurance proceeds and restoration costs related to the library fire, but also to fund other facility improvements and other needs. The amended budget provided for a decrease in fund balance of \$93,740. The actual change in fund balance was an increase of \$25,209, for a favorable variance of \$118,949.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the District had \$6,614,866 invested in a broad range of capital assets, including land, facilities and equipment for instruction, transportation, athletics, administration, and maintenance. During the year ended August 31, 2021, the District completed a contract in the amount of \$620,765 for the replacement of roofing. \$534,135 had been completed last fiscal year, with the balance of \$86,630 completed in fiscal year 20-21. There was an additional roofing contract completed in fiscal 20-21 for \$224,000, along with replacements of HVAC units and other building improvements. Depreciation expense of \$307,601 was recorded for the year.

**Table III - Dew Independent School District's Capital Assets**

	Historical Cost		Net of Depreciation	
	2021	2020	2021	2020
Land	\$ 178,249	\$ 178,249	\$ 178,249	\$ 178,249
Construction in Progress	-	534,135	-	534,135
Buildings & improvements	10,009,889	9,027,406	6,149,255	5,419,419
Furniture & equipment	797,497	773,647	287,362	318,466
Total	<u>\$ 10,985,635</u>	<u>\$ 10,513,437</u>	<u>\$ 6,614,866</u>	<u>\$ 6,450,269</u>

### Long-term Debt

The District issued \$300,000 in Unlimited Tax School Building Bonds, Series 2020, during the 19-20 fiscal year to fund the roofing projects. \$96,000 was paid on the bonds in fiscal 20-21.

### Pension and OPEB Liabilities

In accordance with governmental accounting standards, the District records expenses for pensions and other postemployment benefits that are provided through the Teachers Retirement System (TRS). The amounts reported are based on the District's proportional share of contributions to the pension plan relative to the contributions of all employers to the plan for the period in each year.

GASB requirements allow for reporting of pension and OPEB obligations for plan years earlier than the entity's fiscal year to allow time required to complete audits and actuarial projections. The net pension and OPEB liabilities, and related deferred outflows and inflows, reported in the District's statement of net position as of August 31, 2021, are based on the TRS and TRS-Care plan years ended August 31, 2020.

# Dew Independent School District Management's Discussion and Analysis

A summary of pension and OEPB-related items in the Statement of Net Position is as follows:

**Table IV - Dew Independent School District's Pension and OPEB Items**

	Pension		OPEB	
	2021	2020	2021	2020
Deferred Outflow s	\$ 189,512	\$ 248,604	\$ 141,201	\$ 80,293
Deferred Inflow s	(78,642)	(80,858)	(424,048)	(291,911)
Net Pension/OPEB Liability	(452,994)	(464,060)	(564,814)	(647,141)
Increase (Decrease) to Net Position	\$ (342,124)	\$ (296,314)	\$ (847,661)	\$ (858,759)

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

A substantial amount of the District's funding comes from state aid formula grants and property taxes. The formula used by the state ties state aid revenues to the amount of property tax revenues generated per student in order to equalize funding for property-poor districts. In general, state aid is reduced as property revenues rise, and vice versa. The overall result is that total revenues from state aid and property taxes are highly dependent on numbers of students attending school.

Student enrollment is measured by the number of students registered to attend a district. "Refined average daily attendance (ADA)" reflects the numbers of students attending school on a daily basis, and "weighted average daily attendance (WADA)" reflects the overall adjustments for student populations that generate additional funding. Refined ADA and WADA are key factors in determining the total revenues from property taxes and state aid.

District student data for the five years ended August 31, 2021, was as follows:

**Table V - Dew Independent School District's Student Data**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	160	167	155	155	179	164
Refined ADA	143	151	145	138	158	154
WADA	230	249	244	244	304	303

Management is not able to predict future growth or decline in students, which will affect revenues.

Property values have increased slightly over recent years and are expected to continue to increase at similar rates for the near future. Separate tax rates are adopted for Maintenance and Operations (M & O) and for Debt Service. The rates stated are per \$100 of property value. The board adopted a M & O rate of \$1.0547 for fiscal 20-21, compared to \$1.0684 the prior year. The rate adopted for debt service was \$0.0616, and there had not been a tax levy the prior year for debt service. The rates adopted for fiscal 21-22 were \$1.0517 and \$0.06752 for M & O and debt service, respectively.

Management recommended and the Board adopted a General Fund budget for 2021-22 that provides for estimated revenues of \$2,699,906 and expenditures of \$2,828,266.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Dew Independent School District, 606 CR 481, Teague, Texas 75860, or by calling (903) 389-2828.

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## **Basic Financial Statements**

**Dew Independent School District**  
**Statement of Net Position**  
**August 31, 2021**

**Exhibit A-1**

Data Control Codes		Primary Government	
		1	
		Governmental Activities	
<b>ASSETS</b>			
1110	Cash & Temporary Investments	\$	1,793,821
1220	Delinquent Property Taxes Receivable		290,720
1230	Allow ance for Uncollectable Taxes		(203,504)
1240	Due from Other Governments		109,663
1290	Other Receivables		334
	Capital Assets:		
1510	Land		178,249
1520	Buildings & Improvements, Net		6,149,255
1530	Furniture & Equipment, Net		287,362
1000	Total Assets		8,605,900
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1705	Related to TRS Pension Plan		189,512
1706	Related to TRS-Care Other Postemployment Benefits		141,201
1700	Total Deferred Outflow s of Resources		330,713
<b>LIABILITIES</b>			
2110	Accounts Payable		374,352
2160	Accrued Wages Payable		138,490
2180	Due to Other Governments		31,017
2200	Accrued Expenses		6,952
2300	Unearned Revenues		101,279
	Noncurrent Liabilities:		
2501	Due w ithin one year		101,000
2502	Due in more than one year		103,000
2540	Net Pension Liability for TRS Pension Plan		452,994
2545	Net OPEB Liability for TRS-Care Retiree Health Insurance		564,814
2000	Total Liabilities		1,873,898
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2605	Related to TRS Pension Plan		78,642
2606	Related to TRS-Care Other Postemployment Benefits		424,048
2600	Total Deferred Inflow s of Resources		502,690
<b>NET POSITION</b>			
3200	Invested in Capital Assets		6,410,866
3820	Restricted for Grant Funds		22,730
3850	Restricted for Debt Service		63,210
3900	Unrestricted		63,219
3000	Total Net Position	\$	6,560,025

The accompanying notes are an integral part of these financial statements.



**Dew Independent School District**  
**Statement of Activities**  
**For the Year Ended August 31, 2021**

**Exhibit B-1**

Data Control Codes		Program Revenues			Net (Expense) Revenue & Changes in Net Position
		1	3	4	6
		Expenses	Charges for Services	Operating Grants & Contributions	Primary Governmental Activities
	Primary government:				
	Governmental Activities:				
11	Instruction	\$ 1,676,899	\$ 44,161	\$ 223,515	\$ (1,409,223)
12	Library & Instructional Resources	32,801	-	1,636	(31,165)
13	Curriculum & Staff Development	39	-	-	(39)
21	Instructional Leadership	1,962	-	1,962	-
23	School Leadership	15,887	-	-	(15,887)
31	Guidance, Counseling & Evaluation	77,539	-	5,233	(72,306)
33	Health Services	2,863	-	850	(2,013)
34	Student Transportation	88,201	-	2,879	(85,322)
35	Food Services	145,097	3,471	92,018	(49,608)
36	Extracurricular Activities	67,014	11,522	2,018	(53,474)
41	General Administration	332,603	-	15,863	(316,740)
51	Plant Maintenance & Operations	420,968	-	20,798	(400,170)
52	Security & Monitoring Services	14,188	-	11,838	(2,350)
53	Data Processing Services	51,345	-	-	(51,345)
72	Debt Service - Interest	8,947	-	-	(8,947)
81	Facilities Acquisition & Construction	529,989	-	-	(529,989)
91	Chapter 41/49 Recapture Payments	12,325	-	-	(12,325)
93	Payments to Shared Services Arrangements	33,912	-	14,599	(19,313)
99	Other Governmental Charges	58,162	-	-	(58,162)
TP	Total Primary Government	\$ 3,570,741	\$ 59,154	\$ 393,209	(3,118,378)
	General Revenues:				
MT	Property Taxes Levied for General Purposes				1,866,078
DT	Property Taxes Levied for Debt Service				109,733
SF	State Aid - Formula Grants				429,924
IE	Investment Earnings				13,997
MI	Miscellaneous				570,450
S1	Special Item - Insurance on Roof				264,881
TR	Total General Revenues				3,255,063
CN	Change in Net Position				136,685
NB	Net Position, Beginning				6,423,340
NE	Net Position, Ending				\$ 6,560,025

The accompanying notes are an integral part of these financial statements.

**Dew Independent School District**  
**Balance Sheet**  
**Governmental Funds**  
**August 31, 2021**

**Exhibit C-1**

Data Control Codes		10	60	98	
		General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
ASSETS					
1110	Cash & Temporary Investments	\$ 1,653,919	\$ 41,274	\$ 98,628	\$ 1,793,821
1220	Delinquent Property Taxes Receivable	275,463	-	15,257	290,720
1230	Allow ance for Uncollectable Taxes	(192,824)	-	(10,680)	(203,504)
1240	Due from Other Governments	28,018	-	81,645	109,663
1260	Due from Other Funds	64,048	-	-	64,048
1290	Other Receivables	334	-	-	334
1000	Total Assets	\$ 1,828,958	\$ 41,274	\$ 184,850	\$ 2,055,082
LIABILITIES					
2110	Accounts Payable	\$ 373,324	\$ -	\$ 1,028	\$ 374,352
2160	Accrued Wages Payable	121,939	-	16,551	138,490
2170	Due to Other Funds	-	-	64,048	64,048
2180	Due to Other Governments	31,017	-	-	31,017
2200	Accrued Expenditures	2,606	-	1,347	3,953
2300	Unearned Revenues	101,279	-	-	101,279
2000	Total Liabilities	630,165		82,974	713,139
DEFERRED INFLOWS OF RESOURCES					
	Unavailable Property Taxes Revenues	82,639	-	4,577	87,216
2600	Total Deferred Inflow s of Resources	82,639	-	4,577	87,216
FUND BALANCES					
3450	Restricted for Grant Funds	-	-	22,730	22,730
3480	Restricted for Debt Service	-	-	61,632	61,632
3510	Committed to Capital Acquisition	-	41,274	-	41,274
3545	Committed to Other	-	-	12,937	12,937
3600	Unassigned (Deficit)	1,116,154	-	-	1,116,154
3000	Total Fund Balances	1,116,154	41,274	97,299	1,254,727
4000	Total Liabilities, Deferred Inflow s and Fund Balances	\$ 1,828,958	\$ 41,274	\$ 184,850	\$ 2,055,082

The accompanying notes are an integral part of these financial statements.

**Dew Independent School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**August 31, 2021**

**Exhibit C-1R**

Amounts reported as Total Fund Balances in the Governmental Funds Balances Sheet (Exhibit C-1) above is different from Total Net Position reported in the government-wide Statement of Net Position (Exhibit A-1) because of the following:

<b>Data Control Codes</b>			
	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$	1,254,727
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. Capital assets of \$10,985,635, net of accumulated depreciation of \$4,370,769, are reported in the government-wide financial statements.		6,614,866
2	Property tax revenue deferred in governmental fund statements is recognized in the period received in government-wide financial statements.		87,216
3	Long-term debt is not due and payable in the current period and is not reported in the fund financial statements.		(204,000)
4	Accrued interest expense is not due and payable in the current period and is not reported as a liability in the governmental funds financial statements.		(2,999)
5	Deferred outflows for pension and other post employment benefits are included in the statement of net position and are not reported in the funds because they are not current financial resources available to pay for current expenditures.		330,713
6	Long-term liabilities related to the TRS pension plan and other post employment benefits are not due and payable in the current period and are not reported in the fund financial statements, but are reported as liabilities in the government-wide financial statements.		(1,017,808)
7	Deferred inflows for pension and other post employment benefits are included in the statement of net position and are not reported in the funds because they are not current financial resources available to pay for current expenditures.		(502,690)
19	Total Net Position - Governmental Activities (Exhibit A-1)	\$	<u>6,560,025</u>

The accompanying notes are an integral part of these financial statements.

**Dew Independent School District**  
**Statement of Revenues, Expenditures & Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended August 31, 2021**

**Exhibit C-2**

Data Control Codes		10	60		98
		General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
REVENUES					
5700	Local & Intermediate Sources	\$ 2,459,947	\$ -	\$ 121,349	\$ 2,581,296
5800	State Program Revenues	557,399	-	16,874	574,273
5900	Federal Program Revenues	40,751	-	224,984	265,735
5020	Total Revenues	3,058,097	-	363,207	3,421,304
EXPENDITURES					
Current:					
0011	Instruction	1,302,729	-	120,417	1,423,146
0012	Library & Instructional Resources	32,201	-	-	32,201
0013	Curriculum & Staff Development	39	-	-	39
0021	Instructional Leadership	-	-	1,962	1,962
0031	Guidance, Counseling & Evaluation	75,847	-	-	75,847
0033	Health Services	2,013	-	850	2,863
0034	Student Transportation	52,752	-	-	52,752
0035	Food Services	-	-	124,379	124,379
0036	Extracurricular Activities	38,320	-	9,814	48,134
0041	General Administration	324,155	26	500	324,681
0051	Plant Maintenance & Operations	481,348	-	-	481,348
0052	Security & Monitoring Services	2,350	-	11,838	14,188
0053	Data Processing Services	51,345	-	-	51,345
Debt Service:					
0071	Principal On Long-Term Debt	-	-	96,000	96,000
0072	Interest On Long-Term Debt	-	-	9,169	9,169
Capital Outlay:					
0081	Facilities Acquisition & Construction	529,989	405,948	-	935,937
Intergovernmental:					
0091	Contracted Instructional Services Betw een Schools	12,325	-	-	12,325
0093	Payments to Shared Services Arrangements	19,313	-	14,599	33,912
0099	Other Intergovernmental Charges	58,162	-	-	58,162
6030	Total Expenditures	2,982,888	405,974	389,528	3,778,390
1100	Excess (Deficiency) of Revenues over Expenditures	75,209	(405,974)	(26,321)	(357,086)
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	-	50,000	50,000
7949	Other Sources	-	264,881	-	264,881
8911	Transfers Out	(50,000)	-	-	(50,000)
7080	Total Other Financing Sources and (Uses)	(50,000)	264,881	50,000	264,881
1200	Net Change in Fund Balance	25,209	(141,093)	23,679	(92,205)
0100	Fund Balances, Beginning	1,090,945	182,367	73,620	1,346,932
3000	Fund Balances, Ending	\$ 1,116,154	\$ 41,274	\$ 97,299	\$ 1,254,727

The accompanying notes are an integral part of these financial statements.

**Dew Independent School District**  
**Reconciliation of Statement of Revenues, Expenditures &**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended August 31, 2021**

**Exhibit C-3**

Net change in fund balances - total governmental funds (from Exhibit C-2) \$ (92,205)

Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. These are the amounts by which capital outlays expenditures are adjusted to depreciation expense.

Depreciation expense in the statement of activities	(307,601)
Capital outlay in the fund financial statements capitalized in the governmental financial statements	472,198

Governmental funds report receivables (net of allowance) as deferred revenues if they are not received in time to be considered expendable to pay current obligations. In the statement of activities such items are recognized as revenues.

Increase (decrease) in uncollected property taxes (net of the allowance)	2,784
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Governmental funds report issuance of debt as other resources and debt payments as expenditures. In the statement of activities issued debt is recorded as long-term liabilities and the payment of principal is used to reduce liabilities. Interest expense is accrued in the statement of activities and not in the fund financial statements.

Debt principal payments reduce long-term liabilities in the government-wide financial statements	96,000
(Increase) decrease in accrued interest expense	221

The change in net pension liability and net OPEB liability, and the related deferred outflows and deferred inflows, are reported in the statement of activities but do not require the use of current financial resources and are not reported as expenditures in the governmental funds. The net change consists of the following:

Pension-related:

Deferred outflows increased (decreased)	(59,092)
Deferred inflows (increased) decreased	2,216
Net pension liability (increased) decreased	11,066

OPEB-related:

Deferred outflows increased (decreased)	60,908
Deferred inflows (increased) decreased	(132,137)
Net OPEB liability (increased) decreased	82,327

Change in net position of governmental activities (see Exhibit B-1)	\$ 136,685
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# **Dew Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **A. Reporting Entity**

The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District, that has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and, have the primary accountability for fiscal matters; the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

##### **B. Government-Wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include entry fees paid by those attending athletic events and school lunch charges. The "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include federal and state grants and contributions from other entities for specific purposes. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

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

The "fund financial statements" provide reports on the financial condition and results of operations for the governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

##### **C. Measurement Focus, Basis of Accounting, And Financial Statement Presentation**

###### **Government-wide Statements**

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

# **Dew Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

#### **Governmental Fund Financial Statements**

These 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 on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue under the susceptible-to-accrual concept when those criteria are met; otherwise, they are recorded as revenue when received in cash. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors require the District to refund all or part of the unused amount. If there are no restrictions on the time required to spend grant funds, and the District expects to spend all funds, grant revenues are considered earned when received.

#### **D. Fund Accounting**

The District reports the following major governmental funds:

**General Fund** – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. It is always considered a major fund.

**Capital Projects Fund** – The Capital Projects Fund is used to account for and report financial resources that are restricted, in the case of unspent bond funds, or committed, in the case of funds provided for capital projects through action by the Board of Trustees, to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Additionally, the District reports the following non-major governmental fund types:

**Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in a Special Revenue Fund, and it includes local grants and campus activity funds. Generally, unused balances must be returned to the grantor at the close of specified project periods, but some balances, such as in the Food Service Fund and Campus Activity Fund, are rolled over until the following year.

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

# **Dew Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

#### **E. Other Accounting Policies**

##### **Property Tax Revenues and Receivables**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables are based on current probability of payment, collateral values, and historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Tax revenues and receivables are allocated between the General Fund and the Debt Service Fund based on the respective tax rates adopted each year for each fund.

##### **Inventories and Prepaid Items**

The District records purchases of supplies and commodities as expenditures and does not maintain any significant amount of either on hand. Supplies are used for almost all functions of activity. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### **Interfund Transactions**

During the course of normal operations, it is necessary for the District to enter into transactions among its various funds. These transactions consist of one or more of the following types:

- Reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund.
- Transfers of equity balances from one fund to another fund.
- Temporary loans to provide funding, primarily due to payroll or other expenditures made from one fund and charged to other funds or expenditures from grant funds prior to the receipt of funds from the granting agency.

Reimbursements and loans are reported as “due from other funds” or “due to other funds” until such time as the reimbursement or loan is paid. Interfund balances are expected to be repaid within the next fiscal year. Interfund transactions are eliminated in consolidation for purposes of the government-wide financial statements.

##### **Capital Assets**

Capital assets include land, buildings, vehicles, furniture and equipment, and are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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



# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

Buildings	40
Building improvements	20 - 40
Buses and vehicles	10 - 12
Furniture and equipment	5 - 20

#### **Long-term Debt Obligations**

The District's long-term debt obligations consist of general obligation bonds. Long-term debt is reported as liabilities in the government-wide financial statements. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the effective interest method. Costs of issuance are recognized as expenditures in the year incurred. Bonds payable are reported net of the applicable bond premium or discount.

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the Debt Service Fund.

#### **Compensated Absences**

The State of Texas requires districts to provide each employee five days of personal leave per year with no limit on accumulation. Unused personal leave is transferable to other districts in Texas with the employee. Employees are eligible to receive payment for a limited number of unused days upon retirement, subject to limitations, but the potential liability for such payments is not material, and no liability is recorded by the District for unused state personal leave.

The District provides an additional two days of leave. Unused local days can accumulate to a maximum of ten days; unused days are not paid on termination and the overall amount is immaterial and no liability is recorded for unused local days.

After all available state and local leave days have been exhausted, an employee shall be granted in a school year a maximum of thirty leave days of extended sick leave to be used for the employee's personal illness or injury, including pregnancy-related illness or injury, or for absences related to the illness or injury of a member of the employee's immediate family. For professional employees, the average daily rate of pay of a substitute shall be deducted for each day of extended sick leave taken, whether or not a substitute is employed. For employees other than professionals, extended sick leave shall be taken with no loss in pay.

A small number of employees receive vacation days, but those days are taken within the year earned. No liability is accrued for vacation leave because any accrued amounts involved are not material.

#### **Deferred Outflows/Inflows of Resources**

A deferred outflow of resources represents a consumption of net assets that applies to a future period or periods and will be recognized as an outflow of resources (expense or expenditure) during those periods. The District has deferred outflows from pension and other postemployment benefit activities which are applicable to the government-wide financial statements. Contributions by the District for pension and other postemployment benefits that are made in the current fiscal year are deferred until the following year in order to align with the TRS pension and the TRS-Care retiree group health insurance plan years. Deferred outflows also arise out of the pension and benefit plan reporting which are amortized over the weighted average remaining service life of all participants in the respective qualified pension and benefit plan, or, in the case of projected and actual earnings differences on investments, are amortized on a closed basis over a 5-year period.

A deferred inflow of resources represents an acquisition of net assets that applies to a future period or periods and will be recognized as an inflow of resources (revenue) during those periods. The District has two types of items reported as deferred inflows.

# **Dew Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

Deferred inflows arise from the pension and other postemployment benefit activities which are applicable to the government-wide financial statements. Those deferred inflows are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, or, in the case of projected and actual earnings differences on investments, are amortized on a closed basis over a 5-year period.

Deferred inflows also arise as a result of property taxes, net of the allowance, which are not considered available for expenditures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available and are reported only in the governmental funds balance sheet.

#### **TRS Pension Plan**

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.

In fund financial statements, pensions are recognized and disclosed using the modified accrual basis of accounting and expenditures are recognized for current obligations.

#### **TRS Other Postemployment Benefits**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to or 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.

In fund financial statements, other postemployment benefits are recognized and disclosed using the modified accrual basis of accounting and expenditures are recognized for current obligations.

#### **Fund Balances**

Fund balance, the difference between assets and liabilities in the governmental fund balance sheets, is reported in the following classifications:

**Nonspendable** – Represents amounts that are not in a spendable form, such as inventory or prepaid items, or is required to be maintained intact, such as the principal of a permanent fund.

**Restricted** – Represents amounts that are subject to constraints that are imposed by external parties, such as by creditors, grantors, contributors, or laws or regulations of other governments. The fund balances for the Child Nutrition program and similar unspent grant programs are classified as restricted. The fund balance of the Capital Projects Fund is reported to the extent there is unspent bond proceeds. The fund balance of the Debt Service Fund is reported as restricted when there was outstanding general obligation debt; it is reported as committed once all outstanding debt is paid and until such time as the Board determines the appropriate use of those surplus funds.

**Committed** – Represents amounts that can only be used for specific purposes determined by formal action of the Board. These amounts may not be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it used to commit the amounts. The fund balance of the Capital Projects Fund can include unspent bond proceeds, which is reported as restricted, but also includes funds transferred by Board action, which are reported as committed. When there are no outstanding general obligation bonds, the fund balance of the Debt Service Fund is available for use for other purposes and is reported as committed until such time as the

# **Dew Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

Board determines their appropriate use. The District's fund balances for Campus Activities are committed for future use in that fund.

**Assigned** – Represents amounts that the District intends to use for a specific purpose but do not meet the criteria for either restricted or committed. The assigned amounts for a specific purpose may be determined by either the Board or the Superintendent.

**Unassigned** – Amounts which are unconstrained and may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

#### **Encumbrances**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year

#### **Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources and a flow assumption must be made about the order in which the resources are considered to be applied. For the fund financial statements, it is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. For the government-wide financial statements, it is the District's policy to consider restricted net position to have been depleted before using unrestricted net position.

#### **Non-monetary Transactions**

Food commodities received from the Texas Department of Human Services are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as revenue and expenditures when received.

Textbooks and instructional materials received from the State of Texas are recorded in the Instructional Materials Allotment Fund. The textbooks and materials are valued at a cost value assigned by the State and recorded as revenue and expenditures when received.

#### **Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **Data Control Codes**

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

## **NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

State law requires the Board to adopt budgets at the function level for the General Fund, the Food Service Fund, and the Debt Service Fund, and that the Board approves amendments at that level prior to expenditures exceeding the budget. The District had no expenditure exceeding budget at the function level at year end.

There were no funds with a deficit fund balance or deficit fund net position.

# **Dew Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

#### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Cash and temporary investments at August 31, 2021, consisted of interest bearing and other checking accounts subject to immediate withdrawal. The General Fund had temporary investments of certificates of deposits of \$104,616 with a weighted maturity of 28 days.

##### **Bank Depository Accounts**

The funds of the District must by state law be deposited and invested under the terms of a contract, the contents of which are set out in the Depository Contract Law, Texas Education Code, Chapter 45, Subchapter G. The funds must be secured by pledged securities or a surety bond. Pledged securities must meet the requirements of the law, must have a market value of at least the amount of funds secured, less any applicable Federal Deposit Insurance Corporation insurance, and must be held in safekeeping by an independent trustee showing the District as pledgee. The surety bond agreement must be in a form required by state law in an amount equal to or greater than the amount of funds secured, less any applicable Federal Deposit Insurance Corporation insurance, and must be payable to the District and signed by the depository bank and by a surety company authorized to do business in Texas.

At August 31, 2021, the carrying amount of the District's deposits at its depository bank was \$1,793,821, and the bank balance was \$1,819,679; FDIC insurance was \$414,708, and the market value of pledged collateral was \$2,272,187. The District's cash deposits at August 31, 2021, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. Citizens State Bank, Buffalo, Texas, is the District's depository bank.

##### **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, the State of Texas, and certain other political entities; (2) certificates of deposit; (3) fully collateralized repurchase agreements; (4) a fully collateralized securities lending program; (5) bankers acceptances; (6) commercial paper with a stated maturity less than 270 days; (7) certain types of no-load money market mutual funds; (8) certain types of no-load mutual funds; (9) guaranteed investment contracts; and, (10) investment pools. Local policy further limits investments management can make without board approval to maturities of one year or less. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act.

Generally accepted accounting principles requires investments to be presented at fair value, with an exception for investment pools, and it establishes a value hierarchy within which entities must categorize its fair value measurements. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and, Level 3 inputs are significant unobservable inputs.

##### **Analysis of Specific Deposit and Investment Risks**

Bank deposits are subject to custodial credit risk.

**Custodial Credit Risk** – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

District's name. The District was not exposed to custodial credit risk at August 31, 2021, as disclosed above, because collateral pledged for District deposits were sufficient to cover bank balances

#### NOTE 4 – RECEIVABLE AND PAYABLE BALANCES

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. The following information is to provide a further understanding of the balances.

##### Property Taxes

Based on historical activity and management's evaluation of current balances, approximately 85% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

##### Due from/to Other Governments

The District receives entitlements from the State through the School Foundation and Per Capita Programs. The District also participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities.

Amounts due to and from other governments at year end were as follows:

	General Fund	Special Revenue Funds	Debt Service Fund
Due from Other Governments:			
State and Federal Grants Due from TEA	\$ -	\$ 65,777	\$ -
Federal Grants Due from Federal Government	-	15,745	-
Property Taxes Due from County Tax Office	2,503	-	123
E-rate Funds Due from Federal Government	25,515	-	-
	<u>\$ 28,018</u>	<u>\$ 81,522</u>	<u>\$ 123</u>
Due to Other Governments:			
State Funding Overpayments Due to TEA	\$ 31,017	\$ -	\$ -
	<u>\$ 31,017</u>	<u>\$ -</u>	<u>\$ -</u>

#### NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at year end consisted of the following individual fund balances:

Due to:	Due from:	Amount	Purpose
General Fund	Special Revenue Funds	<u>\$ 64,048</u>	Short-term loan

Interfund transfers during the year ended August 31, 2021, consisted of a transfer from the General Fund to the Food Service Fund of \$50,000 for the purpose of funding deficit food service operations.

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

#### NOTE 6 – CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Removals & Transfers	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 178,249	\$ -	\$ -	\$ 178,249
Construction in Progress	534,135	86,630	(620,765)	-
Total Capital Assets Not Being Depreciated	712,384	86,630	(620,765)	178,249
Capital Assets Being Depreciated				
Buildings & Improvements	9,027,406	361,718	620,765	10,009,889
Furniture & Equipment	407,117	23,850	-	430,967
Vehicles	366,530	-	-	366,530
Total Capital Assets Being Depreciated	9,801,053	385,568	620,765	10,807,386
Accumulated Depreciation:				
Buildings & Improvements	(3,607,987)	(252,647)	-	(3,860,634)
Furniture & Equipment	(225,959)	(21,337)	-	(247,296)
Vehicles	(229,222)	(33,617)	-	(262,839)
Total Accumulated Depreciation	(4,063,168)	(307,601)	-	(4,370,769)
Total Capital Assets Being Depreciated, Net	5,737,885	77,967	620,765	6,436,617
Governmental Activities Capital Assets, Net	\$ 6,450,269	\$ 164,597	\$ -	\$ 6,614,866

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 216,300
23 School Leadership	15,887
34 Student Transportation	34,741
35 Food Services	18,279
36 Extracurricular Activities	18,302
41 General Administration	1,962
51 Plant Maintenance & Operations	2,130
	<u>\$ 307,601</u>

#### NOTE 7 – LONG-TERM DEBT

Long-term debt consists of general obligation bonds. General obligation bond activity for the year ending August 31, 2021, was as follows:

Description	Interest Rate	Amount of Original Issue	Beginning Balance	Issued, Additions	Retired, Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
U/L Tax School Building Bonds, Series 2020	2.50%	\$ 300,000	\$ 300,000	\$ -	\$ 96,000	\$ 204,000	\$ 101,000

The Series 2020 issue was used for replacement of roofs. These bonds will be paid for entirely through the Debt Service Fund. Debt service requirements to maturity are as follows:

Year Ending August 31,	Principal	Interest	Total
2022	101,000	3,838	104,838
2023	103,000	1,287	104,287
Totals	<u>\$ 204,000</u>	<u>\$ 5,125</u>	<u>\$ 209,125</u>

# **Dew Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

#### **NOTE 8 – DEFINED BENEFIT PENSION PLAN**

##### **A. Plan Description**

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

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

##### **B. 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 at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx), under "Financial Reports;" by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

##### **C. Benefits Provided**

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

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

In May, 2019, the 86<sup>th</sup> 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. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

##### **D. 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.

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

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

Contribution rates are as follows:

	<u>2020</u>	<u>2021</u>
Member (Employee)	7.7%	7.7%
District (Employer)	7.5%	7.5%
District (Employer) Surcharge	1.5%	1.5%
Non-Employer Contributing Entity (State)	7.5%	7.5%

Contribution amounts for the fiscal year ending August 31, 2021 were as follows:

Member (Employee)	\$121,754
District (Employer)	\$38,754
NECE ON-Behalf Contributions (State)	\$104,802

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Public schools as employers 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; and,
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

There are two additional surcharges an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025; and,
- 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.

#### E. Actuarial Assumptions

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 TRS'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 percent of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018



# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

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

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
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2018	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 the Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05%, Including Inflation
Ad hoc Post-employment Benefit Changes	None

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

#### F. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020, are summarized below:

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

<u>Asset Class</u>	<u>Target Allocation<sup>1</sup></u> %	<u>Long-term Expected Geometric Real Rate of Return<sup>2</sup></u> %	<u>Expected Contribution to Long-term Portfolio Returns</u> %
<b>Global Equity</b>			
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
<b>Stable Value</b>			
Government Bonds	16.0	(0.7)	(0.05)
Absolute Return (Including Credit Sensitive Investments)	-	1.8	-
Stable Value Hedge Funds	5.0	1.9	0.11
<b>Real Return</b>			
Real Estate	15.0	4.6	1.02
Energy, Natural Resources and Infrastructure	6.0	6.0	0.42
Commodities	-	0.8	-
<b>Risk Parity</b>			
Risk Parity	8.0	3.0	0.30
<b>Asset Allocation Leverage</b>			
Cash	2.0	(1.5)	(0.03)
Asset Allocation Leverage	(6.0)	(1.3)	0.08
Inflation Expectation			2.00
Volatility Drag <sup>3</sup>			(0.67)
<b>Expected Return</b>	<b>100.0</b>		<b>7.33</b>

<sup>1</sup> Target allocations are based on the FY 2020 policy model.

<sup>2</sup> Capital Market Assumptions come from Aon Hewitt (as of 8/31/20).

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

## G. Discount Rate Sensitivity Analysis

The following shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the 7.25% discount rate that was used in measuring the Net Pension Liability:

	<u>1% Decrease in Discount Rate</u> (6.25%)	<u>Discount Rate</u> (7.25%)	<u>1% Increase in Discount Rate</u> (8.25%)
District's proportionate share of the net pension liability:	\$698,509	\$452,994	\$253,519

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

At August 31, 2021, the District reported a liability of \$452,994 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	\$ 452,994
State's proportionate share that is associated with the District	1,228,773
Total	<u>\$ 1,681,767</u>

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

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.0008458%, which was a decrease of 0.0000469% 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.

For the year ended August 31, 2021, the District recognized pension expense of \$193,604 and revenue of \$147,794 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 827	\$ 12,642
Changes in actuarial assumptions	105,111	44,692
Differences between projected and actual investment earnings	9,171	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	35,649	21,308
District contributions paid subsequent to the measurement date	38,754	-
Total	<u>\$ 189,512</u>	<u>\$ 78,642</u>

The \$38,754 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Pension Expense</u> <u>Amount</u>
2022	\$ 30,458
2023	26,697
2024	19,458
2025	3,981
2026	(7,411)
Thereafter	(1,067)

## NOTE 9 – DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN

### A. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other 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. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

#### B. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx), under "Financial Reports;" by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### C. 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. Optional dependent coverage is available for an additional fee.

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

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

	Medicare	Non-Medicare
Retiree or surviving spouse	\$135	\$200
Retiree and Spouse	529	689
Retiree or Surviving Spouse, and Children	468	408
Retiree and Family	1,020	999

#### D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

	2020	2021
Active Employee	0.65%	0.65%
Districts (Employer)	0.75%	0.75%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Federal/Private Funding Remitted by the Districts	1.25%	1.25%

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-21 biennium.

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

Contribution amounts for the fiscal year ending August 31, 2021 were as follows:

Member Contributions, Based on District Fiscal Year	\$9,943
Employer Contributions, Based on District Fiscal Year	\$12,368
NECE On-Behalf Contributions, Based on State Plan Year	\$19,265

#### E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2019, TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

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

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

The total OPEB liability was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Assumptions:	
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% after age 65. 25% of the 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.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc Post-employment Benefit Changes	None

#### F. 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. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. *Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members.* Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

#### G. Sensitivity of the Net OPEB Liability

##### Discount Rate

The following presents the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the AA/Aa rate:

	<u>1% Decrease in Discount Rate</u> (1.33%)	<u>Discount Rate</u> (2.33%)	<u>1% Increase in Discount Rate</u> (3.33%)
District's Proportionate Share of the Net OPEB Liability	\$677,775	\$564,814	\$475,590

##### Healthcare Cost Trend Rates

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	\$461,380	\$564,814	\$702,572

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

At August 31, 2021, the District reported a liability of \$564,814 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	\$	564,814
State's proportionate share that is associated with the District		758,974
Total	\$	<u>1,323,788</u>

The Net OPEB Liability was measured as of August 31, 2019, and rolled forward to 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 District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019, through August 31, 2020.

At August 31, 2020, the employer's proportion of the collective Net OPEB Liability was 0.0014858%, which was an increase of 0.0001174% from its proportion measured as of August 31, 2019.

##### Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change decreased the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the Total OPEB Liability.

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

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

For the year ended August 31, 2021, the District recognized OPEB expense (credit) of (\$16,370), and revenue (charge) of (\$5,272) for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 29,573	\$ 258,488
Changes in actuarial assumptions	34,837	155,101
Differences between projected and actual investment earnings	183	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	66,665	10,459
District contributions paid subsequent to the measurement date	9,943	-
Total	<u>\$ 141,201</u>	<u>\$ 424,048</u>

The \$9,943 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended August 31,</u>	<u>OPEB Expense Amount</u>
2022	\$ (51,380)
2023	(51,404)
2024	(51,418)
2025	(51,415)
2026	(36,328)
Thereafter	(50,845)

## NOTE 10 – FRINGE BENEFITS PAID BY OTHER GOVERNMENTS

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, 2020, and 2019, the subsidy payments received by TRS-Care on behalf of the District were \$7,213, \$6,994, and \$3,988, respectively.

The Texas Legislature in 2019 directed the transfer of funds to pay certain retiree benefit costs of TRS-Care. The District's proportionate share of the benefit of these transfers was \$3,158 for the year ended August 31, 2020.

These payments are recorded as equal revenues and expenditures in the financial statements of the District.

# Dew Independent School District

## Notes to the Financial Statements

### For the Year Ended August 31, 2021

#### NOTE 11 – REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Revenue	General Fund	Capital Projects Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes, Penalty & Interest	\$ 1,864,626	\$ -	\$ -	\$ 108,401	\$ 1,973,027
Interest Income	13,551	-	446	-	13,997
Food Sales	-	-	3,471	-	3,471
Pre-K & After School Tuition	8,832	-	-	-	8,832
Extracurricular	2,491	-	9,031	-	11,522
Insurance Claims	531,150	-	-	-	531,150
Other	39,297	-	-	-	39,297
Total	\$ 2,459,947	\$ -	\$ 12,948	\$ 108,401	\$ 2,581,296

#### NOTE 12 – JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

##### Freestone-Navarro Bi-County Coop

The District participates in the Freestone-Navarro Bi-County Coop, a shared services arrangement for special education resource services. This shared service arrangement includes nine participating independent school districts. Fairfield ISD is acting as fiscal agent and is also a member district. Funding is provided through state and local funds from member districts and through federal funds received by the Freestone-Navarro Bi-County Coop. Less than 10% of the activity of the shared service arrangement is attributable to the District. The District has a joint ownership interest in fixed assets purchased and the net equity of the Freestone-Navarro Bi-County Coop; however, the fiscal agent is not accumulating significant financial resources or obligations that would give rise to a future additional benefit or burden to the District, and member districts cannot receive any distribution of fund balances except in the event of dissolution. Member districts reimburse the fiscal agent for expenditures which exceed state and federal funding sources; the District's share of reimbursements for the year ended August 31, 2021, was \$33,912.

#### NOTE 13 – HEALTH CARE COVERAGE

During the year ended August 31, 2021, employees of the District were covered by TRS-ActiveCare. TRS-ActiveCare is a statewide health care benefits program for employees of school districts, charter schools, regional education service centers, and other educational districts. The program was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. Participation in TRS-ActiveCare was mandatory for the District beginning on September 1, 2002.

The District paid premiums of \$268 per month per eligible employee participating in the health insurance program. Each employee paid the balance of their premium due, and, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums are paid to the TRS. Latest financial statements for TRS-ActiveCare are available for the year ended August 31, 2020, and are available on the TRS website.

#### NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. To provide protection against risk of loss, during the year ended August 31, 2021, the District participated in the TASB Risk Management Fund's Property Casualty Program, with coverage in auto liability and physical damage, property, general liability, crime and liability for misconduct, Workers' Compensation Program, and Unemployment Compensation Program. These programs were created and are operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the District's use of the TASB Risk Management Fund for insurance coverage is authorized by various statutes of the State of Texas. Participating members execute Interlocal Agreements that define the responsibilities of the parties.



# **Dew Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2021**

The TASB Risk Management Fund purchases stop-loss coverage for protection against catastrophic claims. The TASB Fund uses the services of independent actuaries to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2021, the TASB Fund anticipates the District has no additional liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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

## **NOTE 15 – COMMITMENTS AND CONTINGENCIES**

### **State and Federal Funding**

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. Any disallowed claims resulting from such audits could become a liability of the General Fund. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. 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.

### **Litigation**

From time to time the District is involved in legal proceedings relating to its operations as a school district. In the opinion of management, there are currently no legal matters that would result in any financial impact.

### **Outstanding Encumbrances**

The District had outstanding purchase orders at year end for restoration of the library. The purchase orders totaled \$276,856, and are expected to be completed shortly after year end. The purchase orders will be paid from insurance claims. There was \$101,279 in funds from insurance claims that had been received as of year-end, which was recorded as unearned revenue until such time as the purchase orders are completed.

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## **Required Supplementary Information**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**Dew Independent School District**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended August 31, 2021**

**Exhibit G-1**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)				
		Original	Final						
REVENUES									
5700	Local & Intermediate Sources	\$	1,884,015	\$	1,884,015	\$	2,459,947	\$	575,932
5800	State Program Revenues		617,004		617,004		557,399		(59,605)
5900	Federal Program Revenues		-		-		40,751		40,751
5020	Total Revenues		2,501,019		2,501,019		3,058,097		557,078
EXPENDITURES									
Current:									
0011	Instruction		1,210,144		1,305,544		1,302,729		2,815
0012	Library & Instructional Resources		26,897		32,897		32,201		696
0013	Curriculum & Staff Development		3,475		3,475		39		3,436
0031	Guidance, Counseling & Evaluation		71,562		76,262		75,847		415
0033	Health Services		475		3,000		2,013		987
0034	Student Transportation		56,464		61,464		52,752		8,712
0036	Extracurricular Activities		41,188		41,188		38,320		2,868
0041	General Administration		357,295		357,295		324,155		33,140
0051	Plant Maintenance & Operations		381,686		493,311		481,348		11,963
0052	Security & Monitoring Services		4,200		4,200		2,350		1,850
0053	Data Processing Services		38,000		52,000		51,345		655
Capital Outlay:									
0081	Facilities Acquisition & Construction		-		682,000		529,989		152,011
Intergovernmental:									
0091	Contracted Instructional Services Betw een Schools		-		18,735		12,325		6,410
0093	Payments to Shared Services Arrangements		35,388		35,388		19,313		16,075
0099	Other Intergovernmental Charges		55,100		60,000		58,162		1,838
6030	Total Expenditures		2,281,874		3,226,759		2,982,888		243,871
1100	Excess (Deficiency) of Revenues over Expenditures		219,145		(725,740)		75,209		800,949
OTHER FINANCING SOURCES (USES)									
8911	Transfers Out		(50,000)		(50,000)		(50,000)		-
7080	Total Other Financing Sources (Uses)		(50,000)		(50,000)		(50,000)		-
EXTRAORDINARY ITEMS									
7919	Extraordinary Items		-		682,000		-		(682,000)
1200	Net Change in Fund Balance		169,145		(93,740)		25,209		118,949
0100	Fund Balance, Beginning		1,090,945		1,090,945		1,090,945		-
3000	Fund Balance, Ending	\$	1,260,090	\$	997,205	\$	1,116,154	\$	118,949

The accompanying notes are an integral part of these financial schedules.

**Dew Independent School District**  
**Schedule of the District's Proportionate Share of the Net Pension**  
**Liability of a Cost-Sharing Multiple-Employer Pension Plan –**  
**Teacher Retirement System of Texas**  
**For the Years Ended August 31**

**Exhibit G-2**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's Proportion of the Net Pension Liability	0.000846%	0.000893%	0.000882%	0.000903%
District's Proportionate Share of the Net Pension Liability	\$ 452,994	\$ 464,060	\$ 485,419	\$ 288,701
State's Proportionate Share of the Net Pension Liability Associated with the District	1,228,773	1,023,395	1,148,101	691,738
Total	<u>\$ 1,681,767</u>	<u>\$ 1,487,455</u>	<u>\$ 1,633,520</u>	<u>\$ 980,439</u>

District's Covered Payroll	\$ 1,464,234	\$ 1,256,211	\$ 1,244,531	\$ 1,231,227
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	30.94%	36.94%	39.00%	23.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%	82.17%

	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's Proportion of the Net Pension Liability	0.000884%	0.078630%	0.032080%
District's Proportionate Share of the Net Pension Liability	\$ 334,004	\$ 277,947	\$ 85,690
State's Proportionate Share of the Net Pension Liability Associated with the District	762,012	821,396	701,228
Total	<u>\$ 1,096,016</u>	<u>\$ 1,099,343</u>	<u>\$ 786,918</u>

District's Covered Payroll	\$ 1,120,728	\$ 1,118,287	\$ 1,086,221
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	29.80%	24.85%	7.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

The amounts presented are determined as of the Plan's fiscal year ending August 31st of the prior year.

This schedule reflects the available years of data since the inception of GASB 68 and will eventually reflect ten years of data.

The accompanying notes are an integral part of these financial schedules.

**Dew Independent School District**  
**Schedule of District Contributions to the Teacher Retirement**  
**System of Texas Pension Plan**  
**For the Years Ended August 31**

**Exhibit G-3**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contributions	\$ 38,754	\$ 34,898	\$ 31,232	\$ 29,709	\$ 29,592
Contributions in Relation to the Contractually Required Contributions	38,754	34,898	31,232	29,709	29,592
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
<hr/>					
District's Covered Payroll	\$ 1,584,220	\$ 1,464,234	\$ 1,256,211	\$ 1,244,531	\$ 1,231,227
Contributions as a Percentage of Covered Payroll	2.45%	2.38%	2.49%	2.39%	2.40%
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually Required Contributions	\$ 28,083	\$ 23,283	\$ 8,133	\$ 9,281	\$ 8,306
Contributions in Relation to the Contractually Required Contributions	28,083	23,283	8,133	9,281	8,306
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
<hr/>					
District's Covered Payroll	\$ 1,120,728	\$ 1,118,287	\$ 1,086,221	\$ 1,041,335	\$ 968,178
Contributions as a Percentage of Covered Payroll	2.51%	2.08%	0.75%	0.89%	0.86%

The amounts are presented for the District's fiscal year ending August 31.

The accompanying notes are an integral part of these financial schedules.

**Dew Independent School District**  
**Schedule of District's Proportionate Share of the Net OPEB**  
**Liability of a Cost-Sharing Multiple-Employer OPEB Plan - Texas**  
**Public School Retired Employees Group Insurance Program**  
**For the Years Ended August 31**

**Exhibit G-4**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's Proportion of the Net OPEB Liability	0.0014858%	0.0013684%	0.0013900%	0.0013874%
District's Proportionate Share of the Net OPEB Liability	\$ 564,814	\$ 647,141	\$ 694,039	\$ 603,319
State's Proportionate Share of the Net OPEB Liability Associated with the District	758,974	859,908	1,050,379	987,603
Total	<u>\$ 1,323,788</u>	<u>\$ 1,507,049</u>	<u>\$ 1,744,418</u>	<u>\$ 1,590,922</u>
District's Covered Payroll	\$ 1,464,234	\$ 1,256,211	\$ 1,244,531	\$ 1,231,227
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.57%	51.52%	55.77%	49.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

The amounts presented are determined as of the Plan's fiscal year ending August 31st of the prior year.

This schedule reflects the available years of data since the inception of GASB 75 and will eventually reflect ten years of data.

The accompanying notes are an integral part of these financial schedules.

**Dew Independent School District**  
**Schedule of District Contributions to the Texas Public School**  
**Retired Employees Group Insurance Program**  
**For the Years Ended August 31**

**Exhibit G-5**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contributions	\$ 9,943	\$ 11,293	\$ 9,705	\$ 9,589	\$ 7,213
Contributions in Relation to the Contractually Required Contributions	9,943	11,293	9,705	9,589	7,213
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,581,220	\$ 1,464,234	\$ 1,256,211	\$ 1,244,531	\$ 1,231,227
Contributions as a Percentage of Covered Payroll	0.63%	0.77%	0.77%	0.77%	0.59%

  

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually Required Contributions	\$ 6,164	\$ 6,151	\$ 5,974	\$ 5,727	\$ 5,325
Contributions in Relation to the Contractually Required Contributions	6,164	6,151	5,974	5,727	5,325
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,120,728	\$ 1,118,287	\$ 1,086,221	\$ 1,041,335	\$ 968,178
Contributions as a Percentage of Covered Payroll	0.55%	0.55%	0.55%	0.55%	0.55%

The amounts are presented for the District's fiscal year ending August 31.

The accompanying notes are an integral part of these financial schedules.



# **Dew Independent School District**

## **Notes to Required Supplemental Information**

### **For the Year Ended August 31, 2021**

#### **NOTE 1 – BUDGETARY DATA**

The Board of Trustees adopts an appropriated budget for the General Fund, the Food Service Fund (which is included in the Special Revenue Funds), and the Debt Service Fund. These budgets are prepared using the same method of accounting as required for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a budget developed at the administration level, subject to federal and state grant compliance requirements and approval by the grantor.

The District is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund, Food Service Fund, and Debt Service Fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G – 1, and the Food Service Fund and Debt Service Fund budget reports appear in Exhibits J – 2 and J – 3, respectively.

These procedures are followed in adopting the budget for these funds:

- a. Not later than August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the revenues and other means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally adopted through passage of a resolution by the Board.
- d. Once a budget is approved, it can only be amended at the function and fund level by approval of the Board. Amendments are presented to the Board at its meetings. As required by law, such amendments are made before the budget is exceeded at the function level, are reflected in the official minutes of the Board, and are not made after fiscal year end.
- e. Unexpended appropriations lapse at year-end.
- f. Deficit fund balances are prohibited by state law.

Amendments within a function do not require Board approval. Many amendments are considered routine in nature and are generally transfers between functions that reflect changes in account coding or changes in planning. Non-routine amendments generally involve additional appropriations to fund capital expenditures or major purchases.

#### **Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Under Texas law, all encumbrances lapse at year end, but the District may re-encumber them in the following year's budget. Open encumbrances at fiscal year-end, if any, which will be re-encumbered, are included in restricted, committed, or assigned fund balance, as appropriate.

#### **NOTE 2 – DEFINED BENEFIT PENSION PLAN, EXHIBITS G-2 & G-3**

These schedules reflect the available years of data since the inception of GASB 68 in fiscal year 2014-15 and will eventually reflect ten years of data.

Current actuarial methods and assumptions used for funding purposes can be found in the Actuarial Assumptions, Section E of Note 8, to the basic financial statements. Changes in actuarial assumptions and changes in benefits since the prior actuarial valuation can be found in Section H. Previously reported changes in actuarial assumptions since the inception of GASB 68 reported in previous years follows.

#### **Changes in 2019-20**

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.

# **Dew Independent School District**

## **Notes to Required Supplemental Information**

### **For the Year Ended August 31, 2021**

- The Texas legislature approved funding for a 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

#### **Changes in 2018-19**

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017, to 6.907% as of August 31, 2018.

The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.

#### **Changes in 2015-16**

##### *Economic Assumptions*

- Inflation assumption was decreased from 3.00% to 2.50%.
- Ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- Small adjustments in the service-based promotional/longevity component of the salary scale.
- Payroll growth assumption was lowered from 3.50% to 2.50%.

##### *Mortality Assumptions*

- Post-retirement mortality tables for retirees were updated to reflect recent TRS member experience. Future mortality rates will be assumed to continue to improve using a fully generational approach and Scale BB.
- Pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table. Future mortality rates will be assumed to continue to improve using a fully generational approach and Scale BB.

##### *Other Demographic Assumptions*

- Methodology for projecting rehires was modified to add a more explicit valuation of the rehire incidence in the termination liabilities. There were adjustments to the termination patterns for members consistent with experience and future expectations, and to reflect the rehire assumption.
- Small adjustments were made to the retirement patterns and to disability patterns for members consistent with experience. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

##### *Actuarial Methods and Policies*

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

### **NOTE 3 – DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN, EXHIBITS G-4 & G-5**

These schedules reflect the available years of data since the inception of GASB 75 in fiscal year 2017-18 and will eventually reflect ten years of data.

Current actuarial methods and assumptions used for funding purposes can be found in the Actuarial Assumptions, Section E of Note 9, to the basic financial statements. Changes in actuarial assumptions and changes in benefits since the prior actuarial valuation can be found in Section H. Previously reported changes in actuarial assumptions and changes in benefits reported in previous years follows.

#### **Changes in 2019-20**

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB Liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the Total OPEB Liability.

## **Dew Independent School District**

### **Notes to Required Supplemental Information**

#### **For the Year Ended August 31, 2021**

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25 % of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the Total OPEB Liability.

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

#### **Changes in 2018-19**

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- The discount rate was changed from 3.42% as of August 31, 2017, to 3.69% as of August 31, 2018.

The 85<sup>th</sup> Legislature, Regular Session, passed statutory changes to benefits in House Bill 3976 which became effective on September 1, 2017. The changes: created a high-deductible health plan that provided a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017, and are not eligible to enroll in Medicare; created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants; allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare; allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period; and, eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

#### **Changes in 2017-18**

Significant plan changes were adopted during fiscal year ending August 31, 2017.

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage.
- The assumption that the savings related to the Medicare Part D reimbursements would phase out by 2022 was removed. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.
- The valuation impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include: 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%; premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax; and, there were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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## **Other Information**

Other information includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It does include information required by TEA.

**Dew Independent School District**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**August 31, 2021**

	211	240	255	266	270	276
	ESEA Title I, Part A	Food Service Program	ESEA Title II Part A	ESSER - Cares Act	ESEA Title V	Instructional Continuity
<b>ASSETS</b>						
Cash & Temporary Investments	\$ -	\$ 23,972	\$ -	\$ -	\$ -	\$ -
Delinquent Property Taxes Receivable	-	-	-	-	-	-
Allowance for Uncollectable Taxes	-	-	-	-	-	-
Due from Other Governments	18,036	5,364	2,603	-	15,745	-
Total Assets	<u>\$ 18,036</u>	<u>\$ 29,336</u>	<u>\$ 2,603</u>	<u>\$ -</u>	<u>\$ 15,745</u>	<u>\$ -</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ -	\$ 1,028	\$ -	\$ -	\$ -	\$ -
Accrued Wages Payable	3,300	5,468	-	-	-	-
Due to Other Funds	14,369	-	2,603	-	15,745	-
Accrued Expenditures	367	110	-	-	-	-
Total Liabilities	<u>18,036</u>	<u>6,606</u>	<u>2,603</u>	<u>-</u>	<u>15,745</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Property Taxes Revenues	-	-	-	-	-	-
Total Deferred Inflow s of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Restricted - Grant Funds	-	22,730	-	-	-	-
Restricted - Debt Service	-	-	-	-	-	-
Committed - Other	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>22,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflow s and Fund Balances	<u>\$ 18,036</u>	<u>\$ 29,336</u>	<u>\$ 2,603</u>	<u>\$ -</u>	<u>\$ 15,745</u>	<u>\$ -</u>

Exhibit H-1

277	282	289	410	429	461	Total	599	Total
CRF, CARES Act	ESSER III, ARP Act	Other Federal Programs	Instructional Materials Allotment	Other State Programs	Campus Activity Funds	Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,147	\$ 37,119	\$ 61,509	\$ 98,628
-	-	-	-	-	-	-	15,257	15,257
-	-	-	-	-	-	-	(10,680)	(10,680)
-	21,509	6,427	-	11,838	-	81,522	123	81,645
\$ -	\$ 21,509	\$ 6,427	\$ -	\$ 11,838	\$ 13,147	\$ 118,641	\$ 66,209	\$ 184,850
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,028	\$ -	\$ 1,028
-	6,916	867	-	-	-	16,551	-	16,551
-	13,821	5,462	-	11,838	210	64,048	-	64,048
-	772	98	-	-	-	1,347	-	1,347
-	21,509	6,427	-	11,838	210	82,974	-	82,974
-	-	-	-	-	-	-	4,577	4,577
-	-	-	-	-	-	-	4,577	4,577
-	-	-	-	-	-	22,730	-	22,730
-	-	-	-	-	-	-	61,632	61,632
-	-	-	-	-	12,937	12,937	-	12,937
-	-	-	-	-	12,937	35,667	61,632	97,299
\$ -	\$ 21,509	\$ 6,427	\$ -	\$ 11,838	\$ 13,147	\$ 118,641	\$ 66,209	\$ 184,850

**Dew Independent School District**  
**Combining Statement of Revenues, Expenditures & Changes in**  
**Fund Balances**  
**For the Year Ended August 31, 2021**

		211	240	255	266	270	276
Data Control Codes		ESEA Title I, Part A	Food Service Program	ESEA Title II Part A	ESSER - Cares Act	ESEA Title V	Instructional Continuity
<b>REVENUES</b>							
5700	Local & Intermediate Sources	\$ -	\$ 3,917	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	4,473	-	-	-	-
5900	Federal Program Revenues	37,097	87,219	6,307	14,599	15,745	10,500
	Total Revenues	37,097	95,609	6,307	14,599	15,745	10,500
<b>EXPENDITURES</b>							
	Current:						
0011	Instruction	35,135	-	4,957	-	15,745	10,500
0021	Instructional Leadership	1,962	-	-	-	-	-
0033	Health Services	-	-	850	-	-	-
0035	Food Services	-	124,379	-	-	-	-
0036	Extracurricular Activities	-	-	-	-	-	-
0041	General Administration	-	-	500	-	-	-
0052	Security & Monitoring Services	-	-	-	-	-	-
	Debt Service:						
0071	Principal On Long-Term Debt	-	-	-	-	-	-
0072	Interest On Long-Term Debt	-	-	-	-	-	-
	Intergovernmental:						
	Payments to Shared Services						
0093	Arrangements	-	-	-	14,599	-	-
6030	Total Expenditures	37,097	124,379	6,307	14,599	15,745	10,500
1100	Excess (Deficiency) of Revenues over Expenditures	-	(28,770)	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>							
7915	Transfers In	-	50,000	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	50,000	-	-	-	-
1200	Net Change in Fund Balance	-	21,230	-	-	-	-
0100	Fund Balance, Beginning	-	1,500	-	-	-	-
3000	Fund Balance, Ending	\$ -	\$ 22,730	\$ -	\$ -	\$ -	\$ -



277	282	289	410	429	461	Total	599	Total
CRF, CARES Act	ESSER III, ARP Act	Other Federal Programs	Instructional Materials Allotment	Other State Programs	Campus Activity Funds	Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,031	\$ 12,948	\$ 108,401	\$ 121,349
-	-	-	563	11,838	-	16,874	-	16,874
21,815	21,509	10,193	-	-	-	224,984	-	224,984
21,815	21,509	10,193	563	11,838	9,031	254,806	108,401	363,207
21,815	21,509	10,193	563	-	-	120,417	-	120,417
-	-	-	-	-	-	1,962	-	1,962
-	-	-	-	-	-	850	-	850
-	-	-	-	-	-	124,379	-	124,379
-	-	-	-	-	9,814	9,814	-	9,814
-	-	-	-	-	-	500	-	500
-	-	-	-	11,838	-	11,838	-	11,838
-	-	-	-	-	-	-	96,000	96,000
-	-	-	-	-	-	-	9,169	9,169
-	-	-	-	-	-	14,599	-	14,599
21,815	21,509	10,193	563	11,838	9,814	284,359	105,169	389,528
-	-	-	-	-	(783)	(29,553)	3,232	(26,321)
-	-	-	-	-	-	50,000	-	50,000
-	-	-	-	-	-	50,000	-	50,000
-	-	-	-	-	(783)	20,447	3,232	23,679
-	-	-	-	-	13,720	15,220	58,400	73,620
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,937	\$ 35,667	\$ 61,632	\$ 97,299

**Dew Independent School District**  
**Schedule of Delinquent Taxes Receivable**  
**For the Year Ended August 31, 2021**

**Exhibit J-1**

	1	2	3	10	20	31	32	40	50
	Tax Rate		Assessed Value for School Tax Purposes	Beginning Balance 9/1/19	Current Year's Total Levy	Total Collections		Entire Year's Adjustments	Ending Balance 8/31/20
Fiscal Year	M & O	Debt Service				M & O	Debt Service		
2012 & Prior	Various	Various	Various	\$ 161,693		\$ 3,282	\$ 28	\$ (2,857)	\$ 155,526
2013	\$ 1.0400	\$ 0.1078	\$ 263,565,017	12,437		262	21	-	12,154
2014	1.0400	0.1553	182,604,984	9,886		306	27	-	9,553
2015	0.9267	0.2650	198,927,912	11,223		329	46	-	10,848
2016	0.9875	0.1664	204,424,968	10,881		504	94	-	10,283
2017	1.0401	0.2296	144,968,417	11,911		350	85	-	11,476
2018	1.0400	0.2155	157,377,161	13,538		503	77	-	12,958
2019	1.1700		157,638,718	22,608		7,063	104	-	15,441
2020	1.0684		170,421,865	43,434		19,331	-	(5,174)	18,929
2021	1.0547	0.0616	174,322,533	-	\$ 1,945,945	1,800,163	106,179	(6,051)	33,552
1000 TOTALS				\$ 297,611	\$ 1,945,945	\$ 1,832,093	\$106,661	\$ (14,082)	\$ 290,720

**Dew Independent School District**  
**Budgetary Comparison Schedule - Food Service Fund**  
**For the Year Ended August 31, 2021**

**Exhibit J-2**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local & Intermediate Sources	\$ 16,000	\$ 16,000	\$ 3,917	\$ (12,083)
5800	State Program Revenues	3,713	3,713	4,473	760
5900	Federal Program Revenues	53,250	53,250	87,219	33,969
5020	Total Revenues	72,963	72,963	95,609	22,646
EXPENDITURES					
Current:					
0035	Food Services	120,775	135,575	124,379	11,196
6030	Total Expenditures	120,775	135,575	124,379	11,196
1100	Excess (Deficiency) of Revenues over Expenditures	(47,812)	(62,612)	(28,770)	33,842
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	50,000	50,000	50,000	-
7080	Total Other Financing Sources (Uses)	50,000	50,000	50,000	-
1200	Net Change in Fund Balance	2,188	(12,612)	21,230	33,842
0100	Fund Balance, Beginning	1,500	1,500	1,500	-
3000	Fund Balance, Ending	\$ 3,688	\$ (11,112)	\$ 22,730	\$ 33,842

**Dew Independent School District**  
**Budgetary Comparison Schedule - Debt Service Fund**  
**For the Year Ended August 31, 2021**

**Exhibit J-3**

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES				
5700	Local & Intermediate Sources	\$ 105,196	\$ 105,196	\$ 108,401	\$ 3,205
5020	Total Revenues	105,196	105,196	108,401	3,205
	EXPENDITURES				
	Debt Service:				
0071	Principal On Long-Term Debt	96,000	96,000	96,000	-
0072	Interest On Long-Term Debt	9,196	9,196	9,169	27
6030	Total Expenditures	105,196	105,196	105,169	27
1100	Excess (Deficiency) of Revenues over Expenditures	-	-	3,232	3,178
1200	Net Change in Fund Balance	-	-	3,232	3,178
0100	Fund Balance, Beginning	58,400	58,400	58,400	-
3000	Fund Balance, Ending	\$ 58,400	\$ 58,400	\$ 61,632	\$ 3,178

**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***

To the Board of Trustees  
Dew Independent School District  
Teague, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dew Independent School District (the "District"), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Dew Independent School District's basic financial statements, and have issued my report thereon dated November 4, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2021-001 and #2021-002.

I noted certain matters that I reported to the management of the District in a separate letter dated November 4, 2021.

**District's Response to Findings**

The District's response to the findings identified in my audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

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

Karl Kacir, CPA  
November 4, 2021

# Dew Independent School District

## Schedule of Findings and Questioned Costs

### For the 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:	
One or more material weaknesses identified?	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	Yes

#### B. Financial Statement Findings

##### #2021-001: Failure to Bid Contracts, Material Noncompliance

###### Criteria

The Texas Education Code and local policy require the District to use one of various methods of competitive purchasing for contracts exceeding \$50,000.

###### Condition

The District awarded four contracts totaling \$661,324 that were not competitively purchased.

###### Cause

The District suffered significant fire damages during the year; three contracts were the result of the fire. Administration was under the impression that competitive procurement laws were not required to be followed in the event of an emergency. However, the District's Board of Trustees did not take any action to declare an emergency, and certain contracts involved restoration that did not meet the requirements for an emergency. One contract was for building waterproofing; the District considered the vendor a "sole-source" vendor, but there was not sufficient documentation to support that position.

###### Effect or Potential Effect

The District was not in compliance with state bid laws and local board policy.

###### Recommendation

Administration should rely on District legal counsel for advice on purchasing laws.

###### Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

##### #2021-002: Failure to Document Time and Effort, Material Noncompliance

###### Criteria

There are federal and state requirements for documentation of compensation expenditures.

###### Condition

The District did not have semiannual certifications for two employees paid under Title I, ESSER III, and Title IV. The District had "semiannual certificates" for two employees paid under the Child Nutrition Program, but the certificates did not meet required guidelines. The certificates were done for the entire school year, rather than semiannual, and they identified the funding sources as Title I and Title IV, Part A. The District had good job descriptions for the two staff funded under Title I, ESSER III and Title IV, but the job descriptions for staff funded under the Child Nutrition Programs were considered substandard.

# **Dew Independent School District Schedule of Findings and Questioned Costs For the Year Ended August 31, 2021**

## *Cause*

Administration has not adhered to requirements to document time and effort.

## *Effect or Potential Effect*

The District was not in compliance with federal and state requirements for documentation of compensation expenditures and expenditures are subject to disallowance.

## *Recommendation*

Administration should comply with time and effort requirements.

## *Views of Responsible Officials and Planned Corrective Actions*

See corrective action plan.

## **C. Federal Award Findings and Questioned Costs**

A Single Audit was not required for the current year.

There were no federal award findings or questioned costs for the current year.



**Dew Independent School District  
Corrective Action Plan  
For the Year Ended August 31, 2021**

**Finding**

**Corrective Action**

TO BE PROVIDED BY  
DISTRICT

**Dew Independent School District  
Summary Schedule of Prior Audit Findings  
For the Year Ended August 31, 2021**

<u>Finding / Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
N/A – There were no findings in the prior year.		