

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

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

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CERTIFICATE OF BOARD

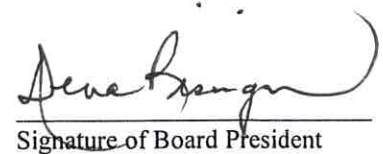
Terrell Independent School District
Name of School District Number

Kaufman
County

129-906
Co. - Dist.

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved _____ disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 19th day of January, 2021.


Signature of Board Secretary


Signature of Board President

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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Trustees
Terrell Independent School District
Terrell, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 13 and the *pension and OPEB schedules* on pages 60 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Terrell Independent School District's basic financial statements. The required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The required TEA schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required TEA schedules and the Schedule of Expenditures of Federal Awards 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*, we have also issued our report dated January 13, 2021 on our consideration of Terrell Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Terrell Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay, PC

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 13, 2021

**TERRELL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020
(UNAUDITED)**

As management of Terrell Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2020. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 16.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,696,108.
- The District's total net position increased by \$1,853,245 during the current fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$24,624,238. Approximately 62% of this total amount, \$15,233,425, is unassigned and available for use within the District's fund balance policies.
 - At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,233,425 or 33.2% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 16 and 17). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 31) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 16. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 18 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

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

· **Proprietary funds**—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports the District's self-insurance workers compensation program and its print shop that provide services for the District's other programs and activities.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Assets and Liabilities on page 30. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from (\$157,137) to \$1,583,464. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$12,644,557) at August 31, 2020.

Table I
NET POSITION

	Governmental Activities	
	2020	2019
Current and other assets	\$ 29,406,532	\$ 24,875,469
Capital assets	<u>93,051,237</u>	<u>96,438,256</u>
Total assets	<u>122,457,769</u>	<u>121,313,725</u>
Deferred outflows of resources	<u>10,429,395</u>	<u>11,438,284</u>
Long-term liabilities	<u>117,930,849</u>	<u>122,092,413</u>
Other liabilities	<u>3,391,893</u>	<u>3,479,350</u>
Total liabilities	<u>121,322,742</u>	<u>125,571,763</u>
Deferred inflows of resources	<u>9,868,314</u>	<u>7,337,383</u>
Net Position:		
Net investment in capital assets	7,620,126	8,602,966
Restricted	6,720,539	3,738,420
Unrestricted	<u>(12,644,557)</u>	<u>(12,498,523)</u>
Total net position	<u>\$ 1,696,108</u>	<u>\$ (157,137)</u>

Table II
CHANGES IN NET POSITION

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for services	\$ 1,320,132	\$ 1,976,747
Operating grants and contributions	10,582,334	9,129,486
General Revenues:		
Maintenance and operations taxes	20,571,718	19,303,257
Debt service taxes	8,264,989	7,020,486
State aid	23,882,436	20,537,439
Grants & contributions not restricted	-	10,000
Investment earnings	265,030	448,657
Miscellaneous	194,616	121,795
Total Revenues	<u>65,081,255</u>	<u>58,547,867</u>
Expenses:		
Instruction, curriculum and media services	33,758,085	28,835,920
Instructional and school leadership	3,517,811	3,135,669
Student support services	5,758,678	4,620,888
Food services	3,250,503	3,733,203
Extracurricular activities	2,538,845	2,299,335
General administration	2,490,199	1,990,393
Plant maintenance, security and data processing	7,540,988	6,362,207
Community services	424,728	426,257
Debt service	3,633,036	3,765,686
Capital outlay	-	29,290
Other intergovernmental charges	315,137	269,635
Total Expenses	<u>63,228,010</u>	<u>55,468,483</u>
Increase (Decrease) in Net Position	1,853,245	3,079,384
Net Position - beginning of year	(157,137)	(3,542,739)
Prior Period Adjustment	-	306,218
Net Position - end of year	<u>\$ 1,696,108</u>	<u>\$ (157,137)</u>

At the end of the current fiscal year, the District reports positive balances in net investment in capital assets and in restricted net position, while reporting a deficit balance in unrestricted net position. The District's net position increased by \$1,853,245 during the current fiscal year.

The District had an increase in revenue of 11.2%. Local tax revenues increased due to a 15.3% increase in taxable property values. State Foundation revenue increased due to significant changes to the State funding system passed by the Texas Legislature in 2019 (HB3). Certain adjustments were necessary in the preparation of the 2019-20 budget to enable the District to maintain a sound financial position.

- Average daily attendance was unchanged from the prior year.
- The District's General Fund expenditures increased \$6.0 million. The increase was due primarily to increased staff compensation required under HB3.
- The District's maintenance and operations (M&O) tax rate decreased from \$1.17 per \$100 valuation to \$1.06835 per \$100 valuation due to tax rate compression required by HB3. The District's debt service tax rate remained \$0.4297 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$63,228,010. However, as shown in the Statement of Activities on page 17, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$28,836,677 because some of the costs were paid by those who directly benefited from the programs (\$1,320,132) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10,582,334) or by State equalization funding (\$23,882,436).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$24,624,238, which is \$4,533,625 more than last year's total of \$20,090,613. Included in this year's total change in fund balance is an increase of \$1,933,012 in the District's General Fund and an increase of \$2,800,363 in the District's Debt Service Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2019). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendments in this case were amendments to reflect additional revenues and personnel and other costs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$17,447,139 reported on page 22 differs from the General Fund's budgetary fund balance of \$13,727,615 reported in the budgetary comparison schedule on page 26. This is principally due to cost savings achieved during the year based on the final amended budget and revenues in excess of budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2020, the District had \$93,051,237 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$3,387,019, or 3.5 percent, from the prior year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$85,813,790 in long-term debt outstanding (including accreted interest on bonds) versus \$88,717,292 last year—a decrease of \$2,903,502. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's major sources of revenue are local property taxes and State funding. The Foundation School Program (FSP) establishes the amount of state and local funding a district will receive each year. The FSP is based upon the number and type of students being served, district size and geographic factors, as well as local taxable property values and tax rates. Once the FSP entitlement is established, the State then makes up the difference between the allotment and the amount the District can generate through property taxes.
- The District's 2020-21 maintenance and operations tax rate decreased from \$1.06835 to \$0.963 per \$100 taxable value due to tax rate compression required by HB3. The District's significant property value growth rate (approximately 19%) resulted in the maximum compression rate being applied to the District as established by the State.
- The most significant factor in the state funding formula is the average daily attendance of students enrolled in the District. The impact of COVID 19 on average daily attendance is challenging to predict. TEA is currently holding districts harmless for the first 18 weeks of the 2020-21 school year for funding purposes. The District's spring demographic report indicated a projected enrollment growth rate of 52 students, or a 1.07% increase. Due to COVID, the District planned for a decline in ADA of 70, or a 1.62% decrease for the 2020-21 budget.
- Total State and local M&O revenue budgeted for 2020-21 as compared to actual revenue for 2019-20 is expected to decline by approximately \$723,000. This decline is the result of the projected loss in ADA described above. As a result of HB3, property value growth has no substantial impact on the overall combined M&O state and local revenue available to the District.
- Total General Fund expenditures budgeted for 2020-21 as compared to total expenditures budgeted for 2020-21 is expected to increase by approximately \$251,000. Major changes in the District's operations included a 1.5% pay increase for staff as well as the addition of staffing positions. The majority of the compensation and staffing changes budgeted were offset by reductions in one-time funding allocations in the 2019-20 budget not funded in 2020-21. Budgeted expenditures in 2020-21 as compared to actual expenditures in 2019-20 does not result in an accurate comparison due to the District being shut down for approximately half of the fiscal year.
- Although the District adopted a deficit budget for 2020-21 of approximately \$1.8 million, the District does not anticipate realizing a significant loss due to the following: 1) there are currently 8 teacher positions that were budgeted but were placed on hold and are unfilled 2) there are approximately 10 aide positions that were budgeted but were placed on hold and are unfilled 3) the District has one –time funds that were budgeted but placed on hold of approximately \$400,000 and 4) the District has submitted significant requests for reimbursement of 2019-20 eligible expenditures through CARES Act funding, being passed through both TEA and Kaufman County, that we anticipate receiving in 2020-21.
- The District received a Staffing Report from TASB in the Spring of 2020 that is being evaluated to identify opportunities to improve staffing efficiencies and allocations and align with available resources. The District anticipates a slight recovery in enrollment in 2021-22 that will assist in lowering the overall deficit.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 Terrell Independent School District, 700 N. Catherine St., Terrell, Texas 75160, (972) 563-7504.

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BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 23,432,484
1120 Current Investments	1,971,511
1220 Property Taxes - Delinquent	1,758,229
1230 Allowance for Uncollectible Taxes	(390,272)
1240 Due from Other Governments	2,181,277
1250 Accrued Interest	5,180
1290 Other Receivables, Net	25,101
1300 Inventories	193,722
1410 Prepayments	229,300
Capital Assets:	
1510 Land	4,273,353
1520 Buildings, Net	86,755,577
1530 Furniture and Equipment, Net	2,012,682
1580 Construction in Progress	9,625
1000 Total Assets	122,457,769
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refunding	189,431
1705 Deferred Resource Outflows Related to TRS Pension	6,997,661
1706 Deferred Resource Outflows Related to TRS OPEB	3,242,303
1700 Total Deferred Outflows of Resources	10,429,395
LIABILITIES	
2140 Accrued Interest Payable	165,842
2150 Payroll Deductions and Withholdings	498
2160 Accrued Wages Payable	2,058,911
2180 Due to Other Governments	28,651
2200 Accrued Expenses	863,922
2300 Unearned Revenue	274,069
Noncurrent Liabilities:	
2501 Due Within One Year	4,697,305
2502 Due in More Than One Year	81,116,485
2540 Net Pension Liability (District's Share)	14,929,456
2545 Net OPEB Liability (District's Share)	17,187,603
2000 Total Liabilities	121,322,742
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflows Related to TRS Pension	2,432,702
2606 Deferred Resource Inflows Related to TRS OPEB	7,435,612
2600 Total Deferred Inflows of Resources	9,868,314
NET POSITION	
3200 Net Investment in Capital Assets	7,620,126
3820 Restricted for Federal and State Programs	422,295
3850 Restricted for Debt Service	6,248,473
3890 Restricted for Permanent Endowment	49,771
3900 Unrestricted	(12,644,557)
3000 Total Net Position	\$ 1,696,108

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
			Operating Grants and Contributions	
	Expenses	Charges for Services		Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 31,450,230	\$ 515,732	\$ 4,995,920	\$ (25,938,578)
12 Instructional Resources and Media Services	699,816	-	27,131	(672,685)
13 Curriculum and Instructional Staff Development	1,608,039	-	507,008	(1,101,031)
21 Instructional Leadership	701,285	-	30,423	(670,862)
23 School Leadership	2,816,526	-	146,011	(2,670,515)
31 Guidance, Counseling, and Evaluation Services	2,213,052	-	130,112	(2,082,940)
32 Social Work Services	490,805	-	109,044	(381,761)
33 Health Services	703,253	-	108,816	(594,437)
34 Student (Pupil) Transportation	2,351,568	-	620,621	(1,730,947)
35 Food Services	3,250,503	298,202	2,717,641	(234,660)
36 Extracurricular Activities	2,538,845	115,682	91,367	(2,331,796)
41 General Administration	2,490,199	-	253,447	(2,236,752)
51 Facilities Maintenance and Operations	5,633,093	286,135	549,582	(4,797,376)
52 Security and Monitoring Services	862,055	-	40,085	(821,970)
53 Data Processing Services	1,045,840	-	65,412	(980,428)
61 Community Services	424,728	104,381	30,815	(289,532)
72 Debt Service - Interest on Long-Term Debt	3,630,486	-	85,331	(3,545,155)
73 Debt Service - Bond Issuance Cost and Fees	2,550	-	-	(2,550)
99 Other Intergovernmental Charges	315,137	-	73,568	(241,569)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 63,228,010	\$ 1,320,132	\$ 10,582,334	(51,325,544)
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			20,571,718
DT	Property Taxes, Levied for Debt Service			8,264,989
SF	State Aid - Formula Grants			23,882,436
IE	Investment Earnings			265,030
MI	Miscellaneous Local and Intermediate Revenue			194,616
TR	Total General Revenues			53,178,789
CN	Change in Net Position			1,853,245
NB	Net Position - Beginning			(157,137)
NE	Net Position - Ending			\$ 1,696,108

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

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

Data Control Codes	10 General Fund	Major Special Revenue Fund	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 15,945,461	\$ -	\$ 6,096,240
1120 Investments - Current	1,971,511	-	-
1220 Property Taxes - Delinquent	1,335,747	-	422,482
1230 Allowance for Uncollectible Taxes	(296,494)	-	(93,778)
1240 Due from Other Governments	789,224	590,772	10,363
1250 Accrued Interest	5,180	-	-
1260 Due from Other Funds	574,062	-	-
1290 Other Receivables	4,530	-	-
1300 Inventories	138,222	-	-
1410 Prepayments	229,300	-	-
1000 Total Assets	<u>\$ 20,696,743</u>	<u>\$ 590,772</u>	<u>\$ 6,435,307</u>
LIABILITIES			
2150 Payroll Deductions and Withholdings Payable	\$ 498	\$ -	\$ -
2160 Accrued Wages Payable	1,880,262	-	-
2170 Due to Other Funds	-	590,772	-
2180 Due to Other Governments	880	-	20,992
2200 Accrued Expenditures	328,711	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>2,210,351</u>	<u>590,772</u>	<u>20,992</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,039,253	-	328,704
2600 Total Deferred Inflows of Resources	<u>1,039,253</u>	<u>-</u>	<u>328,704</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	138,222	-	-
3425 Endowment Principal	-	-	-
3430 Prepaid Items	229,300	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	6,085,611
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	1,846,192	-	-
3600 Unassigned Fund Balance	15,233,425	-	-
3000 Total Fund Balances	<u>17,447,139</u>	<u>-</u>	<u>6,085,611</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,696,743</u>	<u>\$ 590,772</u>	<u>\$ 6,435,307</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	839,071	\$	22,880,772
	-		1,971,511
	-		1,758,229
	-		(390,272)
	790,918		2,181,277
	-		5,180
	16,710		590,772
	16,368		20,898
	55,500		193,722
	-		229,300
\$	1,718,567	\$	29,441,389
\$	-	\$	498
	178,649		2,058,911
	-		590,772
	4,384		26,256
	169,977		498,688
	274,069		274,069
	627,079		3,449,194
	-		1,367,957
	-		1,367,957
	55,500		193,722
	49,771		49,771
	-		229,300
	366,795		366,795
	193,248		193,248
	-		6,085,611
	426,174		426,174
	-		1,846,192
	-		15,233,425
	1,091,488		24,624,238
\$	1,718,567	\$	29,441,389

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 24,624,238
1 The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	188,290
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	152,558,259
3 Accumulated depreciation is not reported in the fund financial statements.	(59,507,022)
4 Bonds payable and maintenance tax notes payable are not reported in the fund financial statements.	(62,381,847)
5 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(18,543,329)
6 Property tax revenue recorded as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	1,367,957
7 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(165,842)
8 Bond premiums are not recognized in the fund financial statements.	(4,888,614)
9 Deferred charges on bond refundings are not recognized in the fund financial statements.	189,431
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 and 71 in the amount of \$14,929,456, Deferred Inflows of Resources related to TRS in the amount of \$2,432,702, and Deferred Outflows of Resources related to TRS in the amount of \$6,997,661. This results in a net decrease in Net Position in the amount of \$10,364,497.	(10,364,497)
11 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$17,187,603, a Deferred Resource Inflow related to TRS OPEB in the amount of \$7,435,612, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$3,242,303. This results in a net decrease in Net Position in the amount of \$21,380,916.	(21,380,916)
19 Net Assets of Governmental Activities	\$ 1,696,108

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

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

Data Control Codes	10 General Fund	Major Special Revenue Fund	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 21,369,202	\$ -	\$ 8,289,928
5800 State Program Revenues	26,461,413	-	85,331
5900 Federal Program Revenues	688,778	590,772	-
5020 Total Revenues	48,519,393	590,772	8,375,259
EXPENDITURES:			
Current:			
0011 Instruction	23,763,136	-	-
0012 Instructional Resources and Media Services	422,942	-	-
0013 Curriculum and Instructional Staff Development	1,099,033	-	-
0021 Instructional Leadership	669,738	-	-
0023 School Leadership	2,665,267	-	-
0031 Guidance, Counseling, and Evaluation Services	2,061,049	-	-
0032 Social Work Services	381,060	-	-
0033 Health Services	593,443	-	-
0034 Student (Pupil) Transportation	2,099,377	220,407	-
0035 Food Services	14,143	16,710	-
0036 Extracurricular Activities	1,460,857	-	-
0041 General Administration	2,346,383	-	-
0051 Facilities Maintenance and Operations	5,055,372	280,087	-
0052 Security and Monitoring Services	735,607	-	-
0053 Data Processing Services	938,640	-	-
0061 Community Services	162,789	-	-
Debt Service:			
0071 Principal on Long-Term Debt	565,000	-	1,605,408
0072 Interest on Long-Term Debt	418,633	-	3,968,942
0073 Bond Issuance Cost and Fees	1,200	-	1,350
Capital Outlay:			
0081 Facilities Acquisition and Construction	191,143	-	-
Intergovernmental:			
0099 Other Intergovernmental Charges	241,569	73,568	-
6030 Total Expenditures	45,886,381	590,772	5,575,700
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,633,012	-	2,799,559
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	804
8911 Transfers Out (Use)	(700,000)	-	-
7080 Total Other Financing Sources (Uses)	(700,000)	-	804
1200 Net Change in Fund Balances	1,933,012	-	2,800,363
0100 Fund Balance - September 1 (Beginning)	15,514,127	-	3,285,248
3000 Fund Balance - August 31 (Ending)	\$ 17,447,139	\$ -	\$ 6,085,611

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

		Total	
Other		Governmental	
Funds		Funds	
\$	683,097	\$	30,342,227
	819,281		27,366,025
	6,511,572		7,791,122
	8,013,950		65,499,374
	3,868,168		27,631,304
	4,625		427,567
	456,544		1,555,577
	2,043		671,781
	13,501		2,678,768
	27,188		2,088,237
	91,326		472,386
	83,711		677,154
	-		2,319,784
	3,126,134		3,156,987
	189,010		1,649,867
	-		2,346,383
	317,088		5,652,547
	6,503		742,110
	26,198		964,838
	161,863		324,652
	-		2,170,408
	-		4,387,575
	-		2,550
	468,994		660,137
	-		315,137
	8,842,896		60,895,749
	(828,946)		4,603,625
	780,000		780,804
	(150,804)		(850,804)
	629,196		(70,000)
	(199,750)		4,533,625
	1,291,238		20,090,613
\$	1,091,488	\$	24,624,238

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 4,533,625
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net gain of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase net position.	55,361
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions increases government-wide net position.	949,397
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(4,333,549)
Current year long-term debt principal payments on bonds payable, maintenance tax notes payable, time warrants payable, and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	4,465,000
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(1,712,213)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	56,322
Revenues from property taxes are not recognized in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	(26,788)
Current year amortization of the premium/discount on bonds payable is not recognized in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	150,715
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(32,327)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2019 caused the change in the ending net position to increase by \$129,829. These contributions were replaced with the District's pension expense for the year of \$2,027,955, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$1,898,126.	(1,898,126)

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

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

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2019 but during the current fiscal year caused the ending net position to increase in the amount of \$19,085. These contributions were replaced with the District's OPEB expense for the year of \$370,390, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$351,305. (351,305)

The net book value of capital assets disposed of is not reported in the fund financial statements. (2,867)

Change in Net Assets of Governmental Activities

\$ 1,853,245

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 20,225,182	\$ 21,257,962	\$ 21,369,202	\$ 111,240
5800	State Program Revenues	29,246,577	26,354,609	26,461,413	106,804
5900	Federal Program Revenues	325,000	540,000	688,778	148,778
5020	Total Revenues	49,796,759	48,152,571	48,519,393	366,822
EXPENDITURES:					
Current:					
0011	Instruction	24,378,219	24,579,432	23,763,136	816,296
0012	Instructional Resources and Media Services	538,523	547,869	422,942	124,927
0013	Curriculum and Instructional Staff Development	1,193,038	1,219,774	1,099,033	120,741
0021	Instructional Leadership	657,562	675,131	669,738	5,393
0023	School Leadership	2,823,330	2,893,896	2,665,267	228,629
0031	Guidance, Counseling, and Evaluation Services	2,028,433	2,065,025	2,061,049	3,976
0032	Social Work Services	377,171	386,729	381,060	5,669
0033	Health Services	587,488	639,334	593,443	45,891
0034	Student (Pupil) Transportation	2,580,800	2,583,494	2,099,377	484,117
0035	Food Services	-	16,938	14,143	2,795
0036	Extracurricular Activities	1,700,861	1,717,967	1,460,857	257,110
0041	General Administration	2,374,043	2,463,840	2,346,383	117,457
0051	Facilities Maintenance and Operations	5,927,342	5,911,070	5,055,372	855,698
0052	Security and Monitoring Services	883,172	899,677	735,607	164,070
0053	Data Processing Services	935,143	956,477	938,640	17,837
0061	Community Services	193,000	199,394	162,789	36,605
Debt Service:					
0071	Principal on Long-Term Debt	988,634	565,000	565,000	-
0072	Interest on Long-Term Debt	-	418,634	418,633	1
0073	Bond Issuance Cost and Fees	-	5,000	1,200	3,800
Capital Outlay:					
0081	Facilities Acquisition and Construction	850,000	194,402	191,143	3,259
Intergovernmental:					
0099	Other Intergovernmental Charges	300,000	300,000	241,569	58,431
6030	Total Expenditures	49,316,759	49,239,083	45,886,381	3,352,702
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	480,000	(1,086,512)	2,633,012	3,719,524
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(480,000)	(700,000)	(700,000)	-
1200	Net Change in Fund Balances	-	(1,786,512)	1,933,012	3,719,524
0100	Fund Balance - September 1 (Beginning)	15,514,127	15,514,127	15,514,127	-
3000	Fund Balance - August 31 (Ending)	\$ 15,514,127	\$ 13,727,615	\$ 17,447,139	\$ 3,719,524

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

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

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 551,712
Other Receivables	4,203
Total Current Assets	<u>555,915</u>
Noncurrent Assets:	
Capital Assets:	
Furniture and Equipment	106,450
Depreciation on Furniture and Equipment	<u>(106,446)</u>
Total Noncurrent Assets	<u>4</u>
Total Assets	<u>555,919</u>
LIABILITIES	
Current Liabilities:	
Due to Other Governments	2,395
Accrued Expenses	<u>365,234</u>
Total Liabilities	<u>367,629</u>
NET POSITION	
Unrestricted Net Position	<u>188,290</u>
Total Net Position	<u><u>\$ 188,290</u></u>

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

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

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 354,334
Total Operating Revenues	354,334
OPERATING EXPENSES:	
Payroll Costs	51,127
Professional and Contracted Services	150,510
Supplies and Materials	66,315
Other Operating Costs	105,331
Total Operating Expenses	373,283
Operating Income (Loss)	(18,949)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	4,310
Total Nonoperating Revenues (Expenses)	4,310
Income Before Transfers	(14,639)
Transfer In	70,000
Change in Net Position	55,361
Total Net Position - September 1 (Beginning)	132,929
Total Net Position - August 31 (Ending)	\$ 188,290

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

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

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 105,852
Operating Transactions with Other Funds	245,714
Cash Payments to Employees for Services	(51,127)
Cash Payments for Suppliers	(302,426)
	<u>(1,987)</u>
Net Cash Used for Operating Activities	<u>(1,987)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers From (To) Other Funds	70,000
Repayment of Due to Other Funds	(99,951)
	<u>(29,951)</u>
Net Cash Used for Non-Capital Activities	<u>(29,951)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	4,310
	<u>4,310</u>
Net Cash Provided by Investing Activities	<u>4,310</u>
Net Decrease in Cash and Cash Equivalents	(27,628)
Cash and Cash Equivalents at Beginning of Year	<u>579,340</u>
Cash and Cash Equivalents at End of Year	<u>\$ 551,712</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (18,949)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(2,768)
Increase (decrease) in Accrued Expenses	17,335
Increase (decrease) in Due to Other Governments	2,395
	<u>(1,987)</u>
Net Cash Used for Operating Activities	<u>\$ (1,987)</u>

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

TERRELL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AUGUST 31, 2020

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 256,005
Total Assets	<u>\$ 256,005</u>
LIABILITIES	
Due to Student Groups	\$ 256,005
Total Liabilities	<u>\$ 256,005</u>

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

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Terrell Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Terrell Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **CARES Act Stimulus Grant** - This special revenue fund is used to account for funds received under the CARES Act Stimulus Grant.
3. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities.
3. **Internal Service Fund** - The District utilizes an Internal Service Fund to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. This fund facilitates distribution of support costs to the users of support services. The District has an internal service fund for its workers compensation plan, print shop and employee insurance fund.
4. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The internal service funds are a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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.

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

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

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Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

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

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

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

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

August 31, 2020 <u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$391,454
Nonappropriated Budget Funds	<u>457,015</u>
All Special Revenue Funds	<u>\$848,469</u>

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E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2020.

F. INVENTORIES

The consumption method is used to account for inventories of certain instructional, maintenance, and food service supplies. Under this method, these items are carried in an inventory account of the respective fund at average cost and are subsequently charged to expenditures when consumed. Other supplies are recorded as expenditures when purchased.

G. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

H. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	5-50 Years
Furniture and Equipment	3-20 Years

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

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Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2020 was \$189,431.

Deferred outflows of resources for pensions - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The 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 next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2020 was \$6,997,661.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The 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 next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported for deferred OPEB expense at August 31, 2020 was \$3,242,303.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2020 was \$1,367,957.

Deferred inflows of resources for pensions - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments and other actuarial and other assumption differences. These amounts will be amortized over a closed 5 year period. In fiscal year 2020, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$2,432,702.

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Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2019 measurement year). In fiscal year 2020, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$7,435,612.

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

K. CASH EQUIVALENTS

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid and have a maturity of three months or less when purchased.

L. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

N. RISK MANAGEMENT

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

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O. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash and a permanent endowment donated to the District.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Unspent capital projects funds are restricted for future capital acquisition programs. Food service and other Federal and State grant resources are restricted because their use is restricted pursuant to the mandates of the National School Lunch and Breakfast Program or other grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2020 for campus activities, local grants, and the Excel Center operations.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of August 31, 2020 representing the 2020-21 adopted deficit budget.

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- **Unassigned:** This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

The General Fund has unassigned fund balance of \$15,233,425 at August 31, 2020. Inventories of \$11,759 and \$229,300 of prepaid items are considered nonspendable fund balance. The District has \$1,846,192 of assigned fund balance representing the 2020-21 adopted deficit budget.

Debt Service Fund

The Debt Service Fund has restricted funds of \$6,085,611 at August 31, 2020 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

Inventories of \$55,500 in the National Breakfast and Lunch Program Fund are considered nonspendable fund balance.

The fund balances of \$74,644 of the Campus Activity Funds and \$351,530 of the Excel Center Fund (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities and Excel Center operations. The following special revenue funds fund balances are restricted by Federal or State grant restrictions:

National Breakfast & Lunch Program	\$335,954
Summer Feeding Program	<u>30,841</u>
Total	<u>\$366,795</u>

The Capital Projects Fund has restricted funds of \$193,248 at August 31, 2020 consisting of unspent funds for future construction and other approved projects.

NOTE 3. DEPOSITS AND INVESTMENTS

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

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1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (checking accounts, interest-bearing demand accounts and time deposits) was \$10,805,817 and the bank balance was \$12,118,531. The District's cash deposits at August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2020, the District's cash deposits totaled \$12,118,531. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits were not exposed to custodial credit risk as of August 31, 2020.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2020, the District held investments in two public funds investment pools and in bank certificates of deposit. The District is not exposed to custodial credit risk for its certificates of deposit as they are collateralized by securities held by the District's agent or covered by FDIC insurance. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for Lone Star Investment Pool at year-end was AAAm (Standard & Poor's). The credit quality rating for TexPool Investment Pool at year-end was AAAm (Standard & Poor's).

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d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 90 days. Additionally, all investments in bank certificates of deposit are covered by the District's depository pledge or FDIC insurance.

e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2020, the District was not exposed to foreign currency risk.

f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At August 31, 2020, the District did not have more than 5 percent invested with a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

The District's investments at August 31, 2020, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Lone Star Investment Pool	\$ 2,111,164	\$ 2,111,164
TexPool Investment Pool	9,100,420	9,100,420
Money Market Funds	1,669,909	1,669,909
Certificates of Deposit	<u>1,971,511</u>	<u>1,987,535</u>
	<u>\$14,853,004</u>	<u>\$14,869,028</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		<u>Fair Value Measurements Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value level:</u>	<u>Balance at 8/31/20</u>			
Certificates of Deposit	<u>\$1,971,511</u>	<u>\$ -</u>	<u>\$1,971,511</u>	<u>\$ -</u>

The fair value of the certificate of deposit at August 31, 2020 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the State Investment Pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

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

	<u>Balance September 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance August 31</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 4,273,353	\$ -	\$ -	\$ 4,273,353
Construction in Progress	<u>1,560,327</u>	<u>440,744</u>	<u>(1,991,446)</u>	<u>9,625</u>
Total Capital assets not being depreciated	<u>5,833,680</u>	<u>440,744</u>	<u>(1,991,446)</u>	<u>4,282,978</u>
Capital assets, being depreciated				
Buildings and Improvements	139,688,620	2,367,307	-	142,055,927
Furniture and Equipment	<u>6,180,415</u>	<u>132,792</u>	<u>(93,853)</u>	<u>6,219,354</u>
Total capital assets being depreciated	<u>145,869,035</u>	<u>2,500,099</u>	<u>(93,853)</u>	<u>148,275,281</u>
Less accumulated depreciation for:				
Buildings and Improvements	(51,372,510)	(3,927,841)	-	(55,300,351)
Furniture and Equipment	<u>(3,891,949)</u>	<u>(405,708)</u>	<u>90,986</u>	<u>(4,206,671)</u>
Total accumulated depreciation	<u>(55,264,459)</u>	<u>(4,333,549)</u>	<u>90,986</u>	<u>(59,507,022)</u>
Total capital assets, being depreciated, net	<u>90,604,576</u>	<u>(1,833,450)</u>	<u>(2,867)</u>	<u>88,768,259</u>
Governmental activities capital assets, net	<u>\$ 96,438,256</u>	<u>\$ (1,392,706)</u>	<u>\$(1,994,313)</u>	<u>\$ 93,051,237</u>

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Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$2,700,092
Instructional Resources & Media Services	248,853
Guidance, Counseling & Evaluation Services	17,816
Student (Pupil) Transportation	31,784
Food Services	45,127
Extracurricular Activities	849,252
General Administration	67,651
Plant Maintenance and Operations	164,422
Security and Monitoring Services	79,274
Date Processing	40,236
Community Services	<u>89,042</u>
Total depreciation expense-Governmental activities	<u>\$4,333,549</u>

NOTE 5. MAINTENANCE TAX NOTES AND TIME WARRANTS

The District issued \$8,560,000 of Maintenance Tax Notes in February 2014 to fund construction and renovation projects throughout the District. The notes have an interest rate of 2.0%-4.0% and a final maturity date of August 1, 2032.

The District issued \$2,045,000 of Maintenance Tax Notes in December 2018 to fund capital asset acquisitions and renovation projects throughout the District. The notes have an interest rate of 4.03% and a final maturity date of August 1, 2034.

The District issued \$1,000,000 of Time Warrants in February 2014 to fund renovation projects throughout the District. The warrants have an interest rate of 0.99% and were fully repaid on August 1, 2020.

Maintenance tax note repayment requirements are as follows:

Years ending August 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 630,000	\$ 354,047	\$ 984,047
2022	650,000	334,014	984,014
2023	670,000	313,330	983,330
2024	690,000	292,045	982,045
2025	710,000	270,109	980,109
2026-2030	3,995,000	927,469	4,922,469
2021-2034	<u>2,185,000</u>	<u>160,922</u>	<u>2,345,922</u>
Totals	<u>\$9,530,000</u>	<u>\$2,651,936</u>	<u>\$12,181,936</u>

NOTE 6. LONG-TERM DEBT

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

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The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2020:

Description	Interest Rate Payable	Amounts Outstanding 9/1/19	Issued Current Year	Interest Accretion	Retired/ Refunded	Amounts Outstanding 8/31/20	Due Within One Year
Bonded Indebtedness:							
2001 School Bldg. & Refunding Bonds	4.625-5.76%	\$10,792,255	\$ -	\$ -	\$1,220,408	\$ 9,571,847	\$1,147,648
2012 Refunding Bonds	2.00-3.00%	4,055,000	-	-	295,000	3,760,000	305,000
2016 Unlimited Tax Building Bonds	2.00-5.00%	39,610,000	-	-	90,000	39,520,000	90,000
Total Bonded Indebtedness		<u>54,457,255</u>	<u>-</u>	<u>-</u>	<u>1,605,408</u>	<u>52,851,847</u>	<u>1,542,648</u>
Other Direct Obligations:							
Accreted Interest-							
Capital Appreciation Bonds		19,125,708	-	1,712,213	2,294,592	18,543,329	2,367,352
Premiums/Discounts		5,039,329	-	-	150,715	4,888,614	157,305
Maintenance Tax Notes	2.00-4.03%	9,840,000	-	-	310,000	9,530,000	630,000
Time Warrants	0.99%	255,000	-	-	255,000	-	-
Total Other Obligations		<u>34,260,037</u>	<u>-</u>	<u>1,712,213</u>	<u>3,010,307</u>	<u>32,961,943</u>	<u>3,154,657</u>
Total Obligations of District		<u>\$88,717,292</u>	<u>\$ -</u>	<u>\$1,712,213</u>	<u>\$4,615,715</u>	<u>\$85,813,790</u>	<u>\$4,697,305</u>

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2020.

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended August 31,	General Obligation		Total
	Principal	Interest	Requirements
2021	\$ 1,542,648	\$ 4,031,052	\$ 5,573,700
2022	1,489,290	4,082,560	5,571,850
2023	1,437,487	4,137,063	5,574,550
2024	1,389,630	4,185,570	5,575,200
2025	1,347,011	4,227,589	5,574,600
2026-2030	6,165,775	21,698,325	27,864,100
2031-2035	9,305,006	10,046,544	19,351,550
2036-2040	12,120,000	5,103,400	17,223,400
2041-2045	14,745,000	2,477,400	17,222,400
2046	3,310,000	132,400	3,442,400
	<u>\$52,851,847</u>	<u>\$60,121,903</u>	<u>\$112,973,750</u>

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NOTE 7. DEFERRED CHARGES ON BOND REFUNDINGS

The District's deferred charge on bond refundings are as follows:

Balance – August 31, 2019	\$221,758
Current year amortization	<u>(32,327)</u>
Balance – August 31, 2020	<u>\$189,431</u>

NOTE 8. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) 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 upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2019-20 fiscal year was based was \$1,917,578,485. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2020, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.06835 and \$0.4297 per \$100 valuation, respectively, for a total of \$1.49805 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2020 were 97.76% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,039,253 and \$328,704 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description. Terrell Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan 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.

TERRELL INDEPENDENT SCHOOL DISTRICT
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Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/trs%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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

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

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th 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.

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.

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.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employer	6.8%	7.5%
Terrell ISD FY2020 Employer Contributions		\$ 1,135,171
Terrell ISD FY2020 Member Contributions		\$ 2,423,369
Terrell ISD FY2020 NECE On-Behalf Contributions		\$ 1,610,217

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

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

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
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, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

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

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

The long-term rate of return on pension plan investments is 7.25%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY2019 Target Allocation ¹	New Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³
Global Equity			
U.S.	18%	18%	6.4%
Non-U.S. Developed	13%	13%	6.3%
Emerging Markets	9%	9%	7.3%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14%	8.4%
Stable Value			
U.S. Treasuries	11%	16%	3.1%
Absolute Return	-	-	-
Stable Value Hedge Funds	4%	5%	4.5%
Real Return			
Global Inflation Linked Bonds ⁴	3%	-	-
Real Estate	14%	15%	8.5%
Energy, Natural Resources & Infrastructure	5%	6%	7.3%
Commodities	-	-	-
Risk Parity			
Risk Parity	5%	8%	5.8%/6.5% ⁵
Leverage			
Cash	1%	2%	2.5%
Asset Allocation Leverage	-	-6%	2.7%
Total	<u>100%</u>	<u>100%</u>	<u>7.23%</u>

¹ Target allocations are based on the Strategic Asset Allocation as of FY2019

² New allocations are based on the Strategic Asset Allocation to be implemented FY2020

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

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Terrell ISD's proportionate share of the net pension liability:	\$23,017,242	\$14,929,456	\$8,432,284

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, Terrell Independent School District reported a liability of \$14,929,456 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Terrell Independent School District. The amount recognized by Terrell Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Terrell Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$14,929,456
State's proportionate share that is associated with the District	<u>18,326,941</u>
Total	<u>\$33,256,397</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0287198%, an increase of 2.9% from its proportionate share of 0.0279017% at August 31, 2018.

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th 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.

For the year ended August 31, 2020, Terrell Independent School District recognized pension expense of \$1,610,217 and revenue of \$1,610,217 for support provided by the State.

At August 31, 2020, Terrell Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 62,717	\$ 518,374
Changes in actuarial assumptions	4,631,850	1,914,100
Difference between projected and actual investment earnings	149,909	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,018,014	228
Contributions paid to TRS subsequent to the measurement date	1,135,171	-
Total	\$6,997,661	\$2,432,702

\$1,135,171 reported as deferred outflows of resources 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2021	\$ 832,272
2022	666,216
2023	896,818
2024	844,878
2025	309,461
Thereafter	(119,857)

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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 post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2019</u>	<u>2020</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Terrell ISD FY20 Employer Contributions		\$276,484
Terrell ISD FY20 Member Contributions		\$204,569
Terrell ISD FY20 NECE On-behalf Contributions		\$357,777

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

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

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Actuarial Assumptions. The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions.

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

Additional Actuarial Methods and Assumptions:

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

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

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

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

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

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

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	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of the Net OPEB Liability:	\$20,750,949	\$17,187,603	\$14,399,991

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is one-percentage lower or one-percentage point higher than the assumed healthcare cost trend rate of 8.5%.

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District's proportionate share of the Net OPEB Liability:	\$14,021,044	\$17,187,603	\$21,429,339

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, the District reported a liability of \$17,187,603 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	\$17,187,603
State's proportionate share that is associated with the District	<u>22,838,480</u>
Total	<u>\$40,026,083</u>

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

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.03634417%, an increase of 0.7% compared to the August 31, 2018 proportionate share of 0.0360846%.

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 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.

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- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of the pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while activity employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$357,777 and revenue of \$357,777 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 843,198	\$2,812,569
Changes in actuarial assumptions	954,637	4,623,043
Difference between projected and actual investment earnings	1,854	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,166,130	-
Contributions paid to TRS subsequent to the measurement date	276,484	-
Total	\$3,242,303	\$7,435,612

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

Year ended August 31:	OPEB Expense Amount
2021	\$ (785,190)
2022	(785,190)
2023	(785,790)
2024	(786,134)
2025	(786,040)
Thereafter	(541,449)

NOTE 11. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2020, 2019 and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$134,929, \$106,769 and \$80,843, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

NOTE 12. HEALTH CARE

During the year ended August 31, 2020, employees of Terrell Independent School District were covered by a health insurance plan (the Plan). The District contributed \$300 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 13. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$187,285 for the 2019-20 fiscal year. Additionally, the District incurred fixed costs of \$102,075 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$362,948 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal year 2020 and 2019 are shown below:

Fiscal Year	September 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	August 31 Claims Liability
2020	\$345,200	\$105,889	\$ 88,141	\$362,948
2019	399,437	162,919	217,156	345,200

NOTE 14. DUE FROM OTHER GOVERNMENTS

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

Fund	State Entitlements	Federal Grants	Local Governments	Total
General	\$662,361	\$ 100,055	\$26,808	\$ 789,224
Special Revenue	94,608	1,287,082	-	1,381,690
Debt Service	-	-	10,363	10,363
Total	<u>\$756,969</u>	<u>\$1,387,137</u>	<u>\$37,171</u>	<u>\$2,181,277</u>

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

NOTE 15. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$20,314,439	\$ -	\$8,149,136	\$ -	\$28,463,575
Food Sales	-	325,186	-	-	325,186
Investment Income	204,131	9,380	48,717	2,802	265,030
Penalties, interest and other tax related income	307,845	-	92,075	-	399,920
Co-curricular student activities	87,387	155,473	-	-	242,860
Other	455,400	190,256	-	-	645,656
Total	<u>\$21,369,202</u>	<u>\$680,295</u>	<u>\$8,289,928</u>	<u>\$2,802</u>	<u>\$30,342,227</u>

NOTE 17. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State Grants	\$ -	\$ 98,792	\$ -	\$ 98,792
National Breakfast & Lunch Program	-	16,547	-	16,547
Federal Grants	-	10,000	-	10,000
Local Grants	-	148,730	-	148,730
	<u>\$ -</u>	<u>\$274,069</u>	<u>\$ -</u>	<u>\$274,069</u>

NOTE 18. INTERFUND BALANCES AND ACTIVITIES

During the year ended August 31, 2020, the District transferred \$630,000 from the District's General Fund to the Child Nutrition Fund (\$150,000) and the Excel Center Fund (\$480,000) to cover operating deficits. The District transferred \$70,000 from the General Fund to the print shop Internal Service Fund to cover operating deficits. The District transferred \$804 from one of its Capital Projects Funds to the Debt Service Fund as a residual equity transfer to close the fund. The District transferred \$150,000 from the Summer Feeding Fund to the Child Nutrition Fund to reimburse allowable expenditures.

Interfund receivables and payables at August 31, 2020 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2020.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
CARES Act Stimulus Fund	\$574,062	\$ _____
Total General Fund	<u>574,062</u>	<u>_____</u>
CARES Act Stimulus Fund:		
General Fund	-	574,062
Special Revenue Funds	<u>_____</u>	<u>16,710</u>
Total CARES Act Stimulus Fund	<u>_____</u>	<u>590,772</u>
Total Major Governmental Funds	<u>574,062</u>	<u>590,772</u>
Special Revenue Funds:		
CARES Act Stimulus Fund	16,710	-
Total Special Revenue Fund	<u>_____</u>	<u>_____</u>
Total	<u>\$590,772</u>	<u>\$590,772</u>

NOTE 19. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Under Executive Order GA-26, public schools, which ceased in-person instruction from the middle of March to the end of May and transitioned totally to remote instruction, resumed operations in the summer under protocols outlined in guidance from the TEA.

TEA has informed Texas school districts that COVID-19 related school closings and/or absenteeism will not impact ADA calculations and school funding so long as a school district commits to support students instructionally while they are at home. The District has developed remote instructional resources for its students and has begun delivering remote instruction in conjunction with in-person instruction. Therefore, the District does not anticipate a reduction in State funding as a result of the school closures at this time.

The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District's bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

REQUIRED SUPPLEMENTARY INFORMATION

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>
District's Proportion of the Net Pension Liability (Asset)	0.02871981%	0.02790168%	0.027449243%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 14,929,456	\$ 15,357,762	\$ 8,776,789
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	18,326,911	20,266,272	11,354,597
Total	<u>\$ 33,256,367</u>	<u>\$ 35,624,034</u>	<u>\$ 20,131,386</u>
District's Covered Payroll	\$ 28,552,892	\$ 27,579,588	\$ 25,837,754
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	52.29%	55.69%	33.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

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

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

FY 2017			FY 2016			FY 2015		
Plan Year 2016			Plan Year 2015			Plan Year 2014		
0.02710231%			0.027625%			0.0204683%		
\$	10,241,560	\$	9,765,070	\$	5,467,366			
13,515,033			13,358,204			12,538,626		
\$	23,756,593	\$	23,123,274	\$	18,005,992			
\$	24,842,976	\$	24,117,593	\$	24,906,145			
41.23%			40.49%			21.95%		
78.00%			78.43%			83.25%		

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

	2020	2019	2018
Contractually Required Contribution	\$ 1,135,171	\$ 1,005,342	\$ 940,718
Contribution in Relation to the Contractually Required Contribution	(1,135,171)	(1,005,342)	(940,718)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 31,472,297	\$ 28,552,892	\$ 27,579,588
Contributions as a Percentage of Covered Payroll	3.61%	3.52%	3.41%

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

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

2017		2016	2015		
\$	912,885	\$ 861,264	\$	817,988	
	(912,885)	(861,264)		(817,988)	
\$	-	\$ -	\$	-	
\$	25,837,754	\$ 24,842,976	\$	24,117,593	
	3.53%	3.47%		3.39%	

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.03634417%	0.0360846%	0.033954149%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 17,187,603	\$ 18,017,359	\$ 14,765,386
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	22,838,480	22,375,713	19,164,905
Total	<u>\$ 40,026,083</u>	<u>\$ 40,393,072</u>	<u>\$ 33,930,291</u>
District's Covered Payroll	\$ 28,552,892	\$ 27,579,588	\$ 25,837,754
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.20%	65.33%	57.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

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

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

	2020	2019	2018
Contractually Required Contribution	\$ 276,484	\$ 257,399	\$ 248,932
Contribution in Relation to the Contractually Required Contribution	(276,484)	(257,399)	(248,932)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 31,472,297	\$ 28,552,892	\$ 27,599,092
Contributions as a Percentage of Covered Payroll	0.88%	0.90%	0.90%

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

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

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

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th 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.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of the pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while activity employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

REQUIRED T.E.A. SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ 1,323,383,511
2012	1.170000	0.140000	1,311,002,595
2013	1.170000	0.140000	1,303,573,664
2014	1.170000	0.140000	1,339,354,351
2015	1.170000	0.290000	1,342,353,689
2016	1.170000	0.290000	1,373,402,602
2017	1.170000	0.429700	1,401,561,793
2018	1.170000	0.429700	1,523,247,171
2019	1.170000	0.429700	1,663,031,018
2020 (School year under audit)	1.068350	0.429700	1,917,578,485
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 382,981	\$ -	\$ 11,778	\$ 2,329	\$ (148,349)	\$ 220,525
59,071	-	4,657	557	(4,178)	49,679
65,456	-	9,011	1,078	(3,398)	51,969
89,929	-	7,583	907	(18,785)	62,654
103,467	-	13,485	3,342	(7,481)	79,159
125,299	-	21,507	5,331	(3,066)	95,395
171,457	-	32,889	12,079	8,086	134,575
240,820	-	45,041	16,542	(9,888)	169,349
504,951	-	145,452	53,419	(53,811)	252,269
-	27,710,130	20,023,111	8,053,476	1,009,112	642,655
<u>\$ 1,743,431</u>	<u>\$ 27,710,130</u>	<u>\$ 20,314,514</u>	<u>\$ 8,149,060</u>	<u>\$ 768,242</u>	<u>\$ 1,758,229</u>

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 456,700	\$ 456,700	\$ 356,025	\$ (100,675)
5800 State Program Revenues	12,500	12,500	96,864	84,364
5900 Federal Program Revenues	2,524,255	1,674,255	1,727,407	53,152
5020 Total Revenues	2,993,455	2,143,455	2,180,296	36,841
EXPENDITURES:				
Current:				
0035 Food Services	2,993,455	2,993,455	2,392,904	600,551
6030 Total Expenditures	2,993,455	2,993,455	2,392,904	600,551
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(850,000)	(212,608)	637,392
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	300,000	300,000	-
1200 Net Change in Fund Balances	-	(550,000)	87,392	637,392
0100 Fund Balance - September 1 (Beginning)	304,062	304,062	304,062	-
3000 Fund Balance - August 31 (Ending)	\$ 304,062	\$ (245,938)	\$ 391,454	\$ 637,392

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,875,834	\$ 7,875,834	\$ 8,289,928	\$ 414,094
5800 State Program Revenues	-	-	85,331	85,331
5020 Total Revenues	7,875,834	7,875,834	8,375,259	499,425
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,605,408	1,605,408	1,605,408	-
0072 Interest on Long-Term Debt	3,968,942	3,968,942	3,968,942	-
0073 Bond Issuance Cost and Fees	5,750	5,750	1,350	4,400
6030 Total Expenditures	5,580,100	5,580,100	5,575,700	4,400
1100 Excess of Revenues Over Expenditures	2,295,734	2,295,734	2,799,559	503,825
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	804	804	-
1200 Net Change in Fund Balances	2,295,734	2,296,538	2,800,363	503,825
0100 Fund Balance - September 1 (Beginning)	3,285,248	3,285,248	3,285,248	-
3000 Fund Balance - August 31 (Ending)	\$ 5,580,982	\$ 5,581,786	\$ 6,085,611	\$ 503,825

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FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' 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
Terrell Independent School District
Terrell, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Terrell Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Terrell Independent School District's basic financial statements, and have issued our report dated January 13, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay, PC

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 13, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Terrell Independent School District
Terrell, Texas

Report on Compliance for Each Major Federal Program

We have audited Terrell Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Terrell Independent School District's major federal programs for the year ended August 31, 2020. Terrell Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Terrell Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Terrell Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Terrell Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Terrell Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

Management of Terrell Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Terrell Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Terrell Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay, PC

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 13, 2021

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

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:

CFDA 84.010A	ESEA, Title I, Part A-Improving Basic Programs
Special Education Cluster:	
CFDA 84.027	IDEA-Part B, Formula
CFDA 84.173	IDEA-Part B, Preschool
CFDA 84.425D	CARES Act Stimulus Grant
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Findings and Questioned Costs Related to Federal Awards

None

IV. Other Findings

None

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

Finding 2019-001 – Pledged collateral less than required amount.

Status: The District fully implemented the Corrective Action Plan as proposed. The District's deposits at its depository bank were fully collateralized through-out the fiscal year ended August 31, 2020.

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Education Service Center</u>			
Title III, Part A - English Language Acquisition	84.365A	20671003057950	\$ 59,845
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501057950	142,547
Total Passed Through Region 10 Education Service Center			202,392
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101129906	1,127,911
*IDEA - Part B, Formula	84.027	206600011299066600	1,111,934
*IDEA - Part B, Preschool	84.173	206610011299066610	27,286
Total Special Education Cluster (IDEA)			1,139,220
Career and Technical - Basic Grant	84.048	20420006129906	62,068
Career and Technical - Single Parent	84.048A	204200287110089	14,505
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20696001129906	71,738
Title IV, Part A - Student Support	84.424A	20680101129906	29,828
CARES Act Stimulus Grant	84.425D	20521001057950	681,485
Total Passed Through State Department of Education			3,126,755
TOTAL U.S. DEPARTMENT OF EDUCATION			3,329,147
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH7198-05	870,128
Head Start	93.600	06CH7198-06	456,740
Total CFDA Number 93.600			1,326,868
Total Passed Through State Department of Education			1,326,868
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,326,868
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	806780706	470,751
*National School Lunch Program - Cash Assistance	10.555	806780706	1,132,491
*National School Lunch Prog. - Non-Cash Assistance	10.555	806780706	93,531
Total CFDA Number 10.555			1,226,022
*Summer Feeding Program - Cash Assistance	10.559	806780706	891,969
Total Child Nutrition Cluster			2,588,742
Child & Adult Care Food Program - Cash Assistance	10.558	806780706	30,634
Total Passed Through the State Department of Agriculture			2,619,376
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,619,376
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,275,391

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current position.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The District participates in numerous state and Federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$515,731 of School Health and Related Services (SHARS) payments. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards.