

TERRELL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2022

TERRELL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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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, 2022, at a meeting of the Board of Trustees of such school district on the 18th day of January, 2023.

Ann McDonald
Signature of Board Secretary

Dena B. Krueger
Signature of Board President

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Independent Auditor's Report

Terrell Independent School District
Terrell, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Terrell Independent School District as of and for the year ended August 31, 2022 and the related notes to the financial statements, which collectively comprise Terrell Independent School District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financials section of our report. We are required to be independent of Terrell Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Terrell Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with general accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Terrell Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Terrell Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Teacher Retirement System schedules on page 58 through 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, 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 12, 2023 on our consideration of Terrell Independent School District's internal control over financial reporting and on our tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Terrell Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 12, 2023

**TERRELL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2022
(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, 2022. 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 \$19,300,341.
- The District's total net position increased by \$8,965,633 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 \$34,310,401. Approximately 55% of this total amount, \$18,891,834, 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 \$18,891,834 or 40.0% 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 29) 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 custodian, for money raised by student activities. The District's custodial activity is reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 27 and 28. 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 \$8,965,633 to \$19,300,341. 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 (\$1,608,325) at August 31, 2022.

**Table I
NET POSITION**

	Governmental Activities	
	2022	2021
Current and other assets	\$ 39,648,728	\$ 36,065,090
Capital assets	84,948,399	88,939,462
Total assets	<u>124,597,127</u>	<u>125,004,552</u>
Deferred outflows of resources	<u>8,231,652</u>	<u>9,027,993</u>
Long-term liabilities	92,168,998	108,155,043
Other liabilities	<u>3,599,901</u>	<u>4,478,758</u>
Total liabilities	<u>95,768,899</u>	<u>112,633,801</u>
Deferred inflows of resources	<u>17,759,539</u>	<u>12,433,111</u>
Net Position:		
Net investment in capital assets	14,503,688	10,068,947
Restricted	6,404,978	6,755,685
Unrestricted	<u>(1,608,325)</u>	<u>(7,858,999)</u>
Total net position	<u>\$ 19,300,341</u>	<u>\$ 8,965,633</u>

Table II
CHANGES IN NET POSITION

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues:		
Charges for services	\$ 1,436,811	\$ 1,308,102
Operating grants and contributions	15,168,786	10,794,571
General Revenues:		
Maintenance and operations taxes	24,102,521	22,427,169
Debt service taxes	9,594,727	9,104,691
State aid	23,747,628	25,619,925
Grants & contributions not restricted	-	622,060
Investment earnings	170,495	41,702
Miscellaneous	213,361	146,021
Total Revenues	74,434,329	70,064,241
Expenses:		
Instruction, curriculum and media services	33,796,978	33,197,387
Instructional and school leadership	3,751,573	3,912,127
Student support services	6,411,895	5,949,678
Food services	2,864,195	2,625,434
Extracurricular activities	2,287,437	2,403,521
General administration	2,908,738	2,682,640
Plant maintenance, security and data processing	7,357,373	7,745,894
Community services	755,776	506,254
Debt service	3,591,300	3,438,667
Other intergovernmental charges	374,356	333,114
Total Expenses	64,099,621	62,794,716
Increase (Decrease) in Net Position	10,334,708	7,269,525
Net Position - beginning of year	8,965,633	1,696,108
Net Position - end of year	\$ 19,300,341	\$ 8,965,633

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 \$10,334,708 during the current fiscal year.

The District had an increase in revenue of 6.2%. Local tax revenues increased due to a 11.4% increase in taxable property values. State Foundation revenue decreased due to higher local tax collections. Certain adjustments were necessary in the preparation of the 2021-22 budget to enable the District to maintain a sound financial position.

- Average daily attendance increased 2.9% from the prior year.
- The District's General Fund expenditures increased \$807,420. The increase was due primarily to salary increases.
- The District's maintenance and operations (M&O) tax rate decreased from \$0.963 per \$100 valuation to \$0.9603 per \$100 valuation due to tax rate compression required by state law. The District's debt service tax rate decreased from \$0.3942 per \$100 valuation to \$0.3842 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$64,099,621. 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 \$33,697,248 because some of the costs were paid by those who directly benefited from the programs (\$1,436,811) or by other governments and organizations that subsidized certain programs with grants and contributions (\$15,168,786) or by State equalization funding (\$23,747,628).

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 \$34,310,401, which is \$4,299,625 more than last year's total of \$30,010,776. Included in this year's total change in fund balance is an increase of \$1,259,275 in the District's General Fund and a decrease of \$1,456,169 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 2021). 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 \$23,397,229 reported on page 20 differs from the General Fund's budgetary fund balance of \$19,155,892 reported in the budgetary comparison schedule on page 23. This is principally due to cost savings achieved during the year based on the final amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2022, the District had \$84,948,399 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 \$3,991,063, or 4.5%, 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 \$71,029,579 in long-term debt outstanding (including accreted interest on bonds) versus \$79,592,126 last year—a decrease of \$8,562,547. 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 rates. Once the FSP entitlement is established, then the state makes up the difference between the allotment and the amount the district can generate through property taxes.
- The District’s maintenance and operations tax rate decreased from \$0.9603 to \$0.9429 per \$100 taxable value due to tax rate compression required by HB3. The District’s property value growth rate (approximately 18.5%) 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. Attendance rates continue to remain below pre-COVID rates. For budgeting purposes, the District utilized post COVID attendance rates applied to enrollment projections to yield a conservative estimate.
- The District’s spring demographic report indicated a projected enrollment growth rate of 155 students, or a 3.11 % increase. The actual enrollment growth on snapshot date was 242 students. The District planned for a modest increase in ADA of 118, or a 2.7 % increase over the actual 2021-22 ADA of 4,301. Applying estimated attendance rates to the snapshot enrollment, results in a positive variance from the budgeted ADA.
- Total State and local M&O revenue budgeted for 2022-23 as compared to the budgeted revenue for 2021-2022 is expected to increase by approximately \$1,742,532. This increase is largely the result of the projected increase in ADA described above as well as an increase in federal indirect cost revenue from ESSER funds. 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 2022-23 as compared to total budgeted expenditures budgeted for 2021-22 is expected to increase by approximately \$3.5 million, or 6.96%. Major changes in the District’s operations included 1) a \$1,200 increase for teachers and additional adjustments for years 1-5 teachers, a 2% of midpoint pay increase for all other staff and various other salary adjustments proposed by a market study, 2) the addition of fifteen staff positions and 3) increase in various major contracted services as a result of inflation.
- Although the District adopted a deficit budget for 2022-23 of \$2,613,935, the District has assigned fund balance to offset the anticipated loss.
- The District anticipates a continued growth in enrollment over the next school year (2023-2024) that will assist in lowering the overall deficit. In addition, the District has received a significant amount of funds through the American Rescue Plan (ARP) Act that will be utilized over the next two years to respond to the pandemic and provide additional support to students and staff.

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, 2022

EXHIBIT A-1

Data Control Codes	Primary Government <u>Governmental Activities</u>
ASSETS	
1110 Cash and Cash Equivalents	\$ 29,538,714
1120 Current Investments	1,518,189
1220 Property Taxes - Delinquent	1,982,598
1230 Allowance for Uncollectible Taxes	(396,520)
1240 Due from Other Governments	6,787,682
1250 Accrued Interest	4,819
1300 Inventories	213,246
Capital Assets:	
1510 Land	4,273,353
1520 Buildings, Net	79,047,737
1530 Furniture and Equipment, Net	1,627,309
1000 Total Assets	<u>124,597,127</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refundings	508,656
1705 Deferred Resource Outflows Related to TRS Pension	4,391,509
1706 Deferred Resource Outflows Related to TRS OPEB	3,331,487
1700 Total Deferred Outflows of Resources	<u>8,231,652</u>
LIABILITIES	
2140 Accrued Interest Payable	141,232
2150 Payroll Deductions and Withholdings	156,226
2160 Accrued Wages Payable	2,098,029
2180 Due to Other Governments	10,743
2200 Accrued Expenses	975,478
2300 Unearned Revenue	218,193
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	4,542,459
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	66,487,120
2540 Net Pension Liability (District's Share)	7,155,474
2545 Net OPEB Liability (District's Share)	13,983,945
2000 Total Liabilities	<u>95,768,899</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflows Related to TRS Pension	7,965,040
2606 Deferred Resource Inflows Related to TRS OPEB	9,794,499
2600 Total Deferred Inflows of Resources	<u>17,759,539</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	14,503,688
Restricted:	
3820 Restricted for Federal and State Programs	1,329,968
3850 Restricted for Debt Service	5,025,058
3890 Restricted for Other Purposes	49,952
3900 Unrestricted	(1,608,325)
3000 Total Net Position	<u>\$ 19,300,341</u>

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, 2022

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 31,067,870	\$ 738,009	\$ 7,410,012	\$ (22,919,849)
12 Instructional Resources and Media Services	628,483	-	30,696	(597,787)
13 Curriculum and Instructional Staff Development	2,100,625	12,849	1,179,913	(907,863)
21 Instructional Leadership	804,880	560	46,154	(758,166)
23 School Leadership	2,946,693	8,668	299,488	(2,638,537)
31 Guidance, Counseling, and Evaluation Services	2,335,752	-	434,719	(1,901,033)
32 Social Work Services	551,684	-	212,822	(338,862)
33 Health Services	696,401	-	61,099	(635,302)
34 Student (Pupil) Transportation	2,828,058	-	471,710	(2,356,348)
35 Food Services	2,864,195	242,288	3,571,107	949,200
36 Extracurricular Activities	2,287,437	197,358	47,250	(2,042,829)
41 General Administration	2,908,738	-	655,304	(2,253,434)
51 Facilities Maintenance and Operations	5,351,758	30,495	448,805	(4,872,458)
52 Security and Monitoring Services	805,566	-	51,162	(754,404)
53 Data Processing Services	1,200,049	-	82,415	(1,117,634)
61 Community Services	755,776	206,584	94,471	(454,721)
72 Debt Service - Interest on Long-Term Debt	3,274,309	-	71,659	(3,202,650)
73 Debt Service - Bond Issuance Cost and Fees	316,991	-	-	(316,991)
99 Other Intergovernmental Charges	374,356	-	-	(374,356)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 64,099,621</u>	<u>\$ 1,436,811</u>	<u>\$ 15,168,786</u>	<u>(47,494,024)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				24,102,521
DT Property Taxes, Levied for Debt Service				9,594,727
SF State Aid - Formula Grants				23,747,628
IE Investment Earnings				170,495
MI Miscellaneous Local and Intermediate Revenue				213,361
TR Total General Revenues				<u>57,828,732</u>
CN Change in Net Position				10,334,708
NB Net Position - Beginning				<u>8,965,633</u>
NE Net Position - Ending				<u>\$ 19,300,341</u>

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

TERRELL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 21,843,247	\$ 4,762,804	\$ 2,323,515	\$ 28,929,566
1120 Investments - Current	1,468,000	-	50,189	1,518,189
1220 Property Taxes - Delinquent	1,466,199	516,399	-	1,982,598
1230 Allowance for Uncollectible Taxes	(293,240)	(103,280)	-	(396,520)
1240 Due from Other Governments	2,509,603	-	4,278,079	6,787,682
1250 Accrued Interest	4,819	-	-	4,819
1260 Due from Other Funds	1,023,245	-	1,000,000	2,023,245
1300 Inventories	141,697	-	71,549	213,246
1000 Total Assets	<u>\$ 28,163,570</u>	<u>\$ 5,175,923</u>	<u>\$ 7,723,332</u>	<u>\$ 41,062,825</u>
LIABILITIES				
2150 Payroll Deductions and Withholdings Payable	\$ 156,226	\$ -	\$ -	\$ 156,226
2160 Accrued Wages Payable	1,871,952	-	226,077	2,098,029
2170 Due to Other Funds	1,000,000	-	1,023,245	2,023,245
2180 Due to Other Governments	-	9,633	948	10,581
2200 Accrued Expenditures	544,112	-	115,960	660,072
2300 Unearned Revenue	21,092	-	197,101	218,193
2000 Total Liabilities	<u>3,593,382</u>	<u>9,633</u>	<u>1,563,331</u>	<u>5,166,346</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,172,959	413,119	-	1,586,078
2600 Total Deferred Inflows of Resources	<u>1,172,959</u>	<u>413,119</u>	<u>-</u>	<u>1,586,078</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	141,697	-	-	141,697
3425 Endowment Principal	-	-	49,952	49,952
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,329,968	1,329,968
3470 Capital Acquisition and Contractual Obligation	-	-	76,212	76,212
3480 Retirement of Long-Term Debt	-	4,753,171	-	4,753,171
Committed Fund Balance:				
3545 Other Committed Fund Balance	1,750,000	-	4,703,632	6,453,632
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	2,613,935	-	-	2,613,935
3600 Unassigned Fund Balance	18,891,597	-	237	18,891,834
3000 Total Fund Balances	<u>23,397,229</u>	<u>4,753,171</u>	<u>6,160,001</u>	<u>34,310,401</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 28,163,570</u>	<u>\$ 5,175,923</u>	<u>\$ 7,723,332</u>	<u>\$ 41,062,825</u>

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

TERRELL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	34,310,401
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.		293,584
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.		152,657,957
3 Accumulated depreciation is not reported in the fund financial statements.		(67,709,562)
4 Bonds payable and maintenance tax notes payable are not reported in the fund financial statements.		(49,824,909)
5 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.		(16,879,226)
6 Property tax revenue recorded as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		1,586,078
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.		(141,232)
8 Bond premiums are not recognized in the fund financial statements.		(4,325,444)
9 Deferred charges on bond refundings are not recognized in the fund financial statements.		508,656
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 \$7,155,474, Deferred Inflows of Resources related to TRS in the amount of \$7,965,040, and Deferred Outflows of Resources related to TRS in the amount of \$4,391,509. This results in a net decrease in Net Position in the amount of \$10,729,005.		(10,729,005)
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 \$13,983,945, a Deferred Resource Inflow related to TRS OPEB in the amount of \$9,794,499, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$3,331,487. This results in a net decrease in Net Position in the amount of \$20,446,957.		(20,446,957)
19 Net Assets of Governmental Activities	\$	19,300,341

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, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 24,612,685	\$ 9,627,413	\$ 1,047,393	\$ 35,287,491
5800 State Program Revenues	26,417,044	71,659	289,649	26,778,352
5900 Federal Program Revenues	1,246,356	-	11,169,981	12,416,337
5020 Total Revenues	<u>52,276,085</u>	<u>9,699,072</u>	<u>12,507,023</u>	<u>74,482,180</u>
EXPENDITURES:				
Current:				
0011 Instruction	23,186,033	-	6,070,175	29,256,208
0012 Instructional Resources and Media Services	363,916	-	26,691	390,607
0013 Curriculum and Instructional Staff Development	999,151	-	1,138,496	2,137,647
0021 Instructional Leadership	822,470	-	8,592	831,062
0023 School Leadership	2,952,706	-	136,053	3,088,759
0031 Guidance, Counseling, and Evaluation Services	2,099,517	-	317,049	2,416,566
0032 Social Work Services	364,111	-	197,853	561,964
0033 Health Services	696,429	-	24,860	721,289
0034 Student (Pupil) Transportation	2,796,910	-	511	2,797,421
0035 Food Services	72,425	-	2,820,715	2,893,140
0036 Extracurricular Activities	1,274,035	-	272,986	1,547,021
0041 General Administration	2,866,896	-	53,331	2,920,227
0051 Facilities Maintenance and Operations	5,057,957	-	385,126	5,443,083
0052 Security and Monitoring Services	796,331	-	6,938	803,269
0053 Data Processing Services	1,178,201	-	20,658	1,198,859
0061 Community Services	435,021	-	277,470	712,491
Debt Service:				
0071 Principal on Long-Term Liabilities	765,000	1,169,290	-	1,934,290
0072 Interest on Long-Term Liabilities	175,658	3,995,660	-	4,171,318
0073 Bond Issuance Cost and Fees	1,700	5,990,291	-	5,991,991
Intergovernmental:				
0099 Other Intergovernmental Charges	374,356	-	-	374,356
6030 Total Expenditures	<u>47,278,823</u>	<u>11,155,241</u>	<u>11,757,504</u>	<u>70,191,568</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,997,262</u>	<u>(1,456,169)</u>	<u>749,519</u>	<u>4,290,612</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	3,747,000	3,747,000
7949 Other Resources	59,013	-	-	59,013
8911 Transfers Out (Use)	(3,797,000)	-	-	(3,797,000)
7080 Total Other Financing Sources (Uses)	<u>(3,737,987)</u>	<u>-</u>	<u>3,747,000</u>	<u>9,013</u>
1200 Net Change in Fund Balances	1,259,275	(1,456,169)	4,496,519	4,299,625
0100 Fund Balance - September 1 (Beginning)	<u>22,137,954</u>	<u>6,209,340</u>	<u>1,663,482</u>	<u>30,010,776</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 23,397,229</u>	<u>\$ 4,753,171</u>	<u>\$ 6,160,001</u>	<u>\$ 34,310,401</u>

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, 2022

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	4,299,625
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.		140,392
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.		231,768
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.		(4,222,831)
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.		10,040,000
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.		(1,632,158)
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.		1,832
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.		20,646
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.		154,705
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.		(58,080)
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 8/31/2021 caused the change in the ending net position to increase by \$148,171. These contributions were replaced with the District's negative pension expense for the year of \$589,925, which caused an increase in the change in net position. The total effect of these is to increase the change in net position by \$738,096.		738,096

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, 2022

EXHIBIT C-4

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 8/31/2021 but during the current fiscal year caused the ending net position to increase in the amount of \$26,001. These contributions were replaced with the District's negative OPEB expense for the year of \$594,712, which caused an increase in the change in net position. The total effect of these is to increase the change in net position by \$620,713.	620,713
Change in Net Assets of Governmental Activities	<u>\$ 10,334,708</u>

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 BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

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	\$ 24,438,560	\$ 24,215,538	\$ 24,612,685	\$ 397,147
5800 State Program Revenues	24,656,475	26,835,509	26,417,044	(418,465)
5900 Federal Program Revenues	603,809	1,249,954	1,246,356	(3,598)
5020 Total Revenues	49,698,844	52,301,001	52,276,085	(24,916)
EXPENDITURES:				
Current:				
0011 Instruction	25,129,103	25,022,701	23,186,033	1,836,668
0012 Instructional Resources and Media Services	444,787	444,787	363,916	80,871
0013 Curriculum and Instructional Staff Development	1,061,228	1,203,735	999,151	204,584
0021 Instructional Leadership	875,188	908,820	822,470	86,350
0023 School Leadership	2,939,903	3,116,358	2,952,706	163,652
0031 Guidance, Counseling, and Evaluation Services	2,352,069	2,355,069	2,099,517	255,552
0032 Social Work Services	308,715	413,565	364,111	49,454
0033 Health Services	681,199	742,464	696,429	46,035
0034 Student (Pupil) Transportation	2,806,487	2,811,487	2,796,910	14,577
0035 Food Services	85,005	100,005	72,425	27,580
0036 Extracurricular Activities	1,456,216	1,473,225	1,274,035	199,190
0041 General Administration	2,815,176	3,223,943	2,866,896	357,047
0051 Facilities Maintenance and Operations	5,578,266	5,737,612	5,057,957	679,655
0052 Security and Monitoring Services	816,297	862,257	796,331	65,926
0053 Data Processing Services	1,212,602	1,245,102	1,178,201	66,901
0061 Community Services	316,868	467,618	435,021	32,597
Debt Service:				
0071 Principal on Long-Term Liabilities	946,159	765,000	765,000	-
0072 Interest on Long-Term Liabilities	-	175,659	175,658	1
0073 Bond Issuance Cost and Fees	-	5,500	1,700	3,800
Intergovernmental:				
0099 Other Intergovernmental Charges	411,219	411,219	374,356	36,863
6030 Total Expenditures	50,236,487	51,486,126	47,278,823	4,207,303
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(537,643)	814,875	4,997,262	4,182,387
OTHER FINANCING SOURCES (USES):				
7949 Other Resources	-	-	59,013	59,013
8911 Transfers Out (Use)	(300,000)	(3,797,000)	(3,797,000)	-
7080 Total Other Financing Sources (Uses)	(300,000)	(3,797,000)	(3,737,987)	59,013
1200 Net Change in Fund Balances	(837,643)	(2,982,125)	1,259,275	4,241,400
0100 Fund Balance - September 1 (Beginning)	22,137,954	22,137,954	22,137,954	-
3000 Fund Balance - August 31 (Ending)	\$ 21,300,311	\$ 19,155,829	\$ 23,397,229	\$ 4,241,400

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, 2022

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 609,148
Total Current Assets	609,148
Noncurrent Assets:	
Capital Assets:	
Furniture and Equipment	106,450
Depreciation on Furniture and Equipment	(106,446)
Total Noncurrent Assets	4
Total Assets	609,152
LIABILITIES	
Current Liabilities:	
Due to Other Governments	162
Accrued Expenses	315,406
Total Liabilities	315,568
NET POSITION	
Unrestricted Net Position	293,584
Total Net Position	\$ 293,584

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, 2022

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 323,747
Total Operating Revenues	323,747
OPERATING EXPENSES:	
Payroll Costs	52,850
Professional and Contracted Services	127,940
Supplies and Materials	25,293
Other Operating Costs	29,249
Total Operating Expenses	235,332
Operating Income	88,415
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	1,977
Total Nonoperating Revenues (Expenses)	1,977
Income Before Transfers	90,392
Transfer In	50,000
Change in Net Position	140,392
Total Net Position - September 1 (Beginning)	153,192
Total Net Position - August 31 (Ending)	\$ 293,584

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, 2022

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 61,571
Operating Transactions with Other Funds	281,517
Cash Payments to Employees for Services	(52,850)
Cash Payments for Suppliers	(261,102)
Net Cash Provided by Operating Activities	29,136
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers From (To) Other Funds	50,000
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	1,977
Net Increase in Cash and Cash Equivalents	81,113
Cash and Cash Equivalents at Beginning of Year	528,035
Cash and Cash Equivalents at End of Year	\$ 609,148
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 88,415
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Prepaid Expenses	31
Increase (decrease) in Accrued Expenses	(78,813)
Increase (decrease) in Other Governments	162
Decrease (increase) in Due from Other Funds	19,341
Net Cash Provided by Operating Activities	\$ 29,136

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

TERRELL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 308,010
Total Assets	308,010
LIABILITIES	
Due to Other Governments	1,220
Accrued Expenses	5,988
Total Liabilities	7,208
NET POSITION	
Restricted for Other Purposes	300,802
Total Net Position	\$ 300,802

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

TERRELL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Fund
ADDITIONS:	
Contributions to Student Groups	\$ 299,501
Total Additions	<u>299,501</u>
DEDUCTIONS:	
Expenses of Student Groups	<u>258,136</u>
Total Deductions	<u>258,136</u>
Change in Fiduciary Net Position	41,365
Total Net Position - September 1 (Beginning)	<u>259,437</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 300,802</u></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, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Terrell Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's 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 elected by registered voters of the District, 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, 2022

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. **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 and print shop.
4. **Fiduciary Funds** - These funds are used to account for activities of student groups and other organizational activities on a fiduciary basis. 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.

The internal service funds are proprietary fund types. 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.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

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.

TERRELL INDEPENDENT SCHOOL DISTRICT
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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, 2022	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$1,297,533
Nonappropriated Budget Funds	<u>1,729,424</u>
All Special Revenue Funds	<u>\$3,026,957</u>

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022.

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:

TERRELL INDEPENDENT SCHOOL DISTRICT
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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, 2022 was \$508,656.

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 6.3 years.

The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2022 was \$4,391,509.

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 9.2 years. The amount of deferred outflows reported for deferred OPEB expense at August 31, 2022 was \$3,331,487.

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, 2022 was \$1,586,078.

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 2022, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$7,965,040.

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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 (9.2 years for the 2021 measurement year). In fiscal year 2022, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$9,794,499.

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 2022, 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.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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 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 special revenue fund resources as of August 31, 2022 for campus activities, local grants, and the Excel Center operations. General fund resources have been committed for federal revenue stabilization, state revenue stabilization, and safety and security enhancements.
- 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, 2022 representing the 2022-23 adopted deficit budget.

TERRELL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 \$18,891,597 at August 31, 2022. Inventories of \$141,697 are considered nonspendable fund balance. The District has committed \$1.0 million for federal revenue stabilization, \$0.25 million for state revenue stabilization, and \$0.5 million for safety and security enhancements. The District has \$2,613,935 of assigned fund balance representing the 2022-23 adopted deficit budget.

Debt Service Fund

The Debt Service Fund has restricted funds of \$4,753,171 at August 31, 2022 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The fund balances of \$84,542 of the Campus Activity Funds, \$539,447 of the Excel Center Fund, and \$1,073,000 of the Technology Improvement Fund (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities, Excel Center operations, and technology improvements. The following special revenue funds fund balances are restricted by Federal or State grant restrictions:

National Breakfast & Lunch Program	\$1,297,533
Summer Feeding Program	<u>32,435</u>
Total	<u>\$1,329,968</u>

The Capital Projects Fund has restricted funds of \$76,212 at August 31, 2022 consisting of unspent funds for future construction and other approved projects and \$3,006,643 committed for future construction.

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.

TERRELL INDEPENDENT SCHOOL DISTRICT
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1. Cash Deposits:

At August 31, 2022, the carrying amount of the District's deposits (checking accounts, interest-bearing demand accounts and time deposits) was \$5,828,022 and the bank balance was \$6,859,818. The District's cash deposits at August 31, 2022 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, 2022, the District's cash deposits totaled \$6,859,818. 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, 2022.

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, 2022, 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).

TERRELL INDEPENDENT SCHOOL DISTRICT
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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, 2022, 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, 2022, 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, 2022, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Lone Star Investment Pool	\$15,833,008	\$15,833,008
TexPool Investment Pool	8,235,205	8,235,205
Certificates of Deposit	<u>1,468,000</u>	<u>1,454,617</u>
	<u>\$25,536,213</u>	<u>\$25,522,830</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.

TERRELL INDEPENDENT SCHOOL DISTRICT
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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

	Fair Value Measurements Using			
	Balance at 8/31/22	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>				
Certificates of Deposit	\$1,468,000	\$ -	\$1,468,000	\$ -

The fair value of the certificate of deposit at August 31, 2022 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, 2022, was as follows:

	Balance September 1	Additions/ Completions	Retirement/ Adjustments	Balance August 31
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 4,273,353	\$ -	\$ -	\$ 4,273,353
Total Capital assets not being depreciated	<u>4,273,353</u>	<u>-</u>	<u>-</u>	<u>4,273,353</u>
Capital assets, being depreciated				
Buildings and Improvements	142,117,459	-	-	142,117,459
Furniture and Equipment	6,035,381	231,768	-	6,267,149
Total Capital assets being depreciated	<u>148,152,840</u>	<u>231,768</u>	<u>-</u>	<u>148,384,608</u>
Less accumulated depreciation for:				
Buildings and Improvements	(59,220,821)	(3,848,901)	-	(63,069,722)
Furniture and Equipment	(4,265,910)	(373,930)	-	(4,639,840)
Total accumulated depreciation	<u>(63,486,731)</u>	<u>(4,222,831)</u>	<u>-</u>	<u>(67,709,562)</u>
Total Capital assets, being depreciated, net	<u>84,666,109</u>	<u>(3,991,063)</u>	<u>-</u>	<u>80,675,046</u>
Governmental activities capital assets, net	<u>\$ 88,939,462</u>	<u>\$ (3,991,063)</u>	<u>\$ -</u>	<u>\$ 84,948,399</u>

TERRELL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$2,756,438
Instructional Resources & Media Services	253,510
Guidance, Counseling & Evaluation Services	5,967
Student (Pupil) Transportation	31,784
Food Services	40,140
Extracurricular Activities	824,499
General Administration	67,651
Plant Maintenance and Operations	74,242
Security and Monitoring Services	32,670
Date Processing	43,603
Community Services	<u>92,327</u>
Total depreciation expense-Governmental activities	<u>\$4,222,831</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, 2023.

Maintenance tax note repayment requirements are as follows:

Years ending August 31:			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	<u>\$555,000</u>	<u>\$16,650</u>	<u>\$571,650</u>
Totals	<u>\$555,000</u>	<u>\$16,650</u>	<u>\$571,650</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.

TERRELL INDEPENDENT SCHOOL 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, 2022:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/21</u>	<u>Issued Current Year</u>	<u>Interest Accretion</u>	<u>Retired/ Refunded</u>	<u>Amounts Outstanding 8/31/22</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
2001 School Bldg. & Refunding Bonds	4.625-5.76%	\$ 8,424,199	\$ -	\$ -	\$ 1,079,290	\$ 7,344,909	\$1,017,487
2016 Unlimited Tax Building Bonds	2.00-5.00%	39,430,000	-	-	5,765,000	33,665,000	95,000
2021A Refunding Bonds		1,925,000	-	-	140,000	1,785,000	135,000
2021B Refunding Bonds		<u>6,565,000</u>	-	-	<u>90,000</u>	<u>6,475,000</u>	<u>90,000</u>
Total Bonded Indebtedness		<u>56,344,199</u>	<u>-</u>	<u>-</u>	<u>7,074,290</u>	<u>49,269,909</u>	<u>1,337,487</u>
Other Direct Obligations:							
Accreted Interest-							
Capital Appreciation Bonds		17,677,778	-	1,632,158	2,430,710	16,879,226	2,497,513
Premiums/Discounts		4,480,149	-	-	154,705	4,325,444	152,459
Maintenance Tax Notes	2.00-4.03%	<u>1,090,000</u>	<u>-</u>	<u>-</u>	<u>535,000</u>	<u>555,000</u>	<u>555,000</u>
Total Other Obligations		<u>23,247,927</u>	<u>-</u>	<u>1,632,158</u>	<u>3,120,415</u>	<u>21,759,670</u>	<u>3,204,972</u>
Total Obligations of District		<u>\$79,592,126</u>	<u>\$ -</u>	<u>\$1,632,158</u>	<u>\$10,194,705</u>	<u>\$71,029,579</u>	<u>\$4,542,459</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, 2022.

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

Year Ended August 31,	<u>General Obligation</u>		Total Requirements
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 1,337,487	\$ 3,972,182	\$ 5,309,669
2024	1,854,630	4,023,720	5,878,350
2025	1,822,011	4,058,780	5,880,791
2026	1,791,381	4,096,405	5,887,786
2027	1,766,165	4,123,151	5,889,316
2028-2032	9,648,235	18,066,944	27,715,179
2033-2037	11,115,000	5,300,672	16,415,672
2038-2042	13,110,000	2,979,400	16,089,400
2043-2045	<u>6,825,000</u>	<u>461,000</u>	<u>7,286,000</u>
	<u>\$49,269,909</u>	<u>\$47,082,254</u>	<u>\$96,352,163</u>

TERRELL INDEPENDENT SCHOOL DISTRICT
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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, 2021	\$566,736
Current year amortization	<u>(58,080)</u>
Balance – August 31, 2022	<u>\$508,656</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 2021-22 fiscal year was based was \$2,486,285,742. 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, 2022, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.9603 and \$0.3842 per \$100 valuation, respectively, for a total of \$1.3445 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2022 were 97.73% 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, 2022, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,172,959 and \$413,119 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.

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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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/pages/aboutpublications.aspx>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension 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. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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>2021</u>	<u>2022</u>
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
Terrell ISD FY2022 Employer Contributions		\$ 1,347,900
Terrell ISD FY2022 Member Contributions		\$ 2,680,475
Terrell ISD FY2022 NECE On-Behalf Contributions		\$ 1,719,395

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:

TERRELL INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED AUGUST 31, 2022

- 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 replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.
- All public schools must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.

In addition to the employer contributions listed above, there are 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.

Actuarial Assumptions. The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
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 2020	1.95%
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, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

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%.

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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, 2021 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.6%	0.94%
Non-U.S. Developed	13%	4.4%	0.83%
Emerging Markets	9%	4.6%	0.74%
Private Equity	14%	6.3%	1.36%
Stable Value			
Government Bonds	16%	-.2%	0.01%
Stable Value Hedge Funds	5%	2.2%	0.12%
Real Return			
Real Estate	15%	4.5%	1.00%
Energy, Natural Resources	6%	4.7%	0.35%
Risk Parity			
Risk Parity	8%	2.8%	0.28%
Leverage			
Cash	2%	-.7%	-0.01%
Asset Allocation Leverage	-6%	-.5%	0.03%
Inflation Expectation	-		2.20%
Volatility Drag ³	-		-0.95%
Total	<u>100%</u>		<u>6.90%</u>

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	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:	\$15,635,848	\$7,155,474	\$275,318

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2022, Terrell Independent School District reported a liability of \$7,155,474 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:

¹ Target allocations are based on the FY21 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

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

TERRELL INDEPENDENT SCHOOL DISTRICT
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District's Proportionate share of the collective net pension liability	\$ 7,155,474
State's proportionate share that is associated with the District	<u>9,748,394</u>
Total	<u>\$16,903,868</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.028097639%, an increase of 2.13% from its proportionate share of 0.027511985% at August 31, 2020.

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

For the year ended August 31, 2022, Terrell Independent School District recognized pension expense of \$1,719,395 and revenue of \$1,719,395 for support provided by the State.

At August 31, 2022, 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.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,974	\$ 503,751
Changes in actuarial assumptions	2,529,320	1,102,567
Difference between projected and actual investment earnings	-	5,999,772
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	502,315	358,950
Contributions paid to TRS subsequent to the measurement date	1,347,900	-
Total	\$4,391,509	\$7,965,040

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

Year ended August 31:	Pension Expense Amount
2023	\$ (813,496)
2024	(864,754)
2025	(1,389,026)
2026	(1,824,253)
2027	(29,518)
Thereafter	(383)

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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/pages/aboutpublications.aspx>; 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. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly 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.

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	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</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 FY22 Employer Contributions		\$310,236
Terrell ISD FY22 Member Contributions		\$217,787
Terrell ISD FY22 NECE On-behalf Contributions		\$371,113

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 \$5,520,343 in fiscal year 2021 for consumer protection against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021.

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

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

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95%
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 40% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District’s proportionate share of the Net OPEB Liability:	\$16,867,859	\$13,983,945	\$11,714,210

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$11,326,532	\$13,983,945	\$17,549,533

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OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2022, the District reported a liability of \$13,983,945 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	\$13,983,945
State’s proportionate share that is associated with the District	<u>\$18,735,369</u>
Total	<u>\$32,719,314</u>

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer’s proportion of the collective Net OPEB Liability was 0.036251814%, a decrease of 0.34% compared to the August 31, 2020 proportionate share of 0.036375735%.

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

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was (\$612,389).

At August 31, 2022, 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	\$ 602,075	\$6,769,207
Changes in actuarial assumptions	1,548,886	2,957,345
Difference between projected and actual investment earnings	15,183	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	855,107	67,947
Contributions paid to TRS subsequent to the measurement date	310,236	-
Total	\$3,331,487	\$9,794,499

The net amounts of the employer’s balances 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:

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Year ended August 31:	OPEB Expense Amount
2023	\$ (1,317,961)
2024	(1,318,304)
2025	(1,318,210)
2026	(950,114)
2027	(451,779)
Thereafter	(1,416,882)

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, 2022, 2021 and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$104,496, \$156,888 and \$134,929, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

NOTE 12. HEALTH CARE

During the year ended August 31, 2022, 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 \$159,510 for the 2021-22 fiscal year. Additionally, the District incurred fixed costs of \$97,884 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 \$314,377 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 2022 and 2021 are shown below:

Fiscal Year	September 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	August 31 Claims Liability
2022	\$392,186	\$ 32,574	\$110,383	\$314,377
2021	362,948	156,243	127,005	392,186

TERRELL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022, 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	\$2,187,537	\$ 322,066	\$ -	\$2,509,603
Special Revenue	119,905	4,158,174	-	4,278,079
Debt Service	-	-	-	-
Total	<u>\$2,307,442</u>	<u>\$4,480,240</u>	<u>\$ -</u>	<u>\$6,787,682</u>

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, 2022 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	Permanent Fund	Total
Property Taxes	\$23,673,141	\$ -	\$ 9,459,998	\$ -	\$ -	\$ 33,133,139
Food Sales	-	242,288	-	-	-	242,288
Investment Income	112,828	1,407	46,380	9,643	237	170,495
Penalties, interest and other tax related income	422,429	-	121,035	-	-	543,464
Co-curricular student activities	131,065	67,102	-	-	-	198,167
Other	273,222	724,637	-	2,079	-	999,938
Total	<u>\$24,612,685</u>	<u>\$ 1,035,434</u>	<u>\$ 9,627,413</u>	<u>\$ 11,722</u>	<u>\$ 237</u>	<u>\$ 35,287,491</u>

TERRELL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

NOTE 17. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Season Tickets	\$ 21,092	\$ -	\$ -	\$ 21,092
State Grants	-	665	-	665
National Breakfast & Lunch Program	-	29,858	-	29,858
Local Grants	-	166,578	-	166,578
	<u>\$ 21,092</u>	<u>\$ 197,101</u>	<u>\$ -</u>	<u>\$ 218,193</u>

NOTE 18. INTERFUND BALANCES AND ACTIVITIES

During the year ended August 31, 2022, the District transferred \$3,247,000 from the District's General Fund to the Capital Projects Fund (\$2,997,000) and the Excel Center Fund (\$250,000) as operating transfers. The District transferred \$50,000 from the General Fund to the print shop Internal Service Fund to cover operating deficits. The District transferred \$500,000 from the General Fund to the Technology Improvement Fund to be used for future technology improvements.

Interfund receivables and payables at August 31, 2022 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2022.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
Capital Projects Fund	\$ -	\$1,000,000
Special Revenue Fund	<u>1,023,245</u>	<u>-</u>
Total General Fund	<u>1,023,245</u>	<u>1,000,000</u>
Total Major Governmental Funds	<u>1,023,245</u>	<u>1,000,000</u>
Capital Projects Fund:		
General Fund	<u>1,000,000</u>	<u>-</u>
Special Revenue Funds:		
General Fund	<u>-</u>	<u>1,023,245</u>
Total	<u>\$2,023,245</u>	<u>\$2,023,245</u>

NOTE 19. LEASES

In June 2017, GASB issued Statement No. 87 - Leases. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY2022) by GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

Per review of the agreements identified by the District as potential leases, the leases were determined to either not meet the definition of a lease or were immaterial to the financial statements.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

NOTE 20. 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, mitigation and reopening.

On June 3, 2021, TEA issued updated public planning health guidance to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

During the 87th Legislative Session, the Texas Legislature failed to pass legislation that would include virtual learning in ADA calculations. As a result, the 2021-2022 school year began with funding based on in-person attendance. During the second called special session, the Texas Legislature adopted Senate Bill 15, which allows virtual instruction attendance to be used for ADA funding purposes under certain circumstances. The District does not currently expect that all virtual instruction attendance will qualify for ADA funding. A return to funding based on actual attendance during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if the District does not qualify for the additional hold harmless periods or if students do not take part in the instruction options made available by the District. TEA announced on August 5, 2021 that a school district has the authority to provide remote instruction to a student if the school district meets certain state and federal requirements. Students receiving remote instruction are considered enrolled, but do not meet the requirements for ADA funding. Further, on March 29, 2022, TEA issued guidance on the calculation of the ADA hold harmless for the 2021-2022 school year, providing that each district will receive an adjustment to ADA such that the total percentage attendance rate for the first four six weeks of the 2021-2022 school year that is equal to the attendance rate for the first four six weeks of the 2019-2020 school year.

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. 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.

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.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

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, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.028097639%	0.027511985%	0.02871981%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,155,474	\$ 14,734,858	\$ 14,929,456
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	9,748,394	20,810,855	18,326,911
Total	<u>\$ 16,903,868</u>	<u>\$ 35,545,713</u>	<u>\$ 33,256,367</u>
District's Covered Payroll	\$ 32,354,256	\$ 31,472,297	\$ 28,552,892
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	22.12%	46.82%	52.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

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, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.02790168%	0.027449243%	0.02710231%	0.027625%	0.0204683%
\$ 15,357,762	\$ 8,776,789	\$ 10,241,560	\$ 9,765,070	5,467,366
20,266,272	11,354,597	13,515,033	13,358,204	12,538,626
<u>\$ 35,624,034</u>	<u>\$ 20,131,386</u>	<u>\$ 23,756,593</u>	<u>\$ 23,123,274</u>	<u>\$ 18,005,992</u>
\$ 27,579,588	\$ 25,837,754	\$ 24,842,976	\$ 24,117,593	24,906,145
55.69%	33.97%	41.23%	40.49%	21.95%
73.74%	82.17%	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 2022

	2022	2021	2020
Contractually Required Contribution	\$ 1,347,900	\$ 1,199,729	\$ 1,135,171
Contribution in Relation to the Contractually Required Contribution	(1,347,900)	(1,199,729)	(1,135,171)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 33,505,598	\$ 32,354,256	\$ 31,472,297
Contributions as a Percentage of Covered Payroll	4.02%	3.71%	3.61%

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.

	2019	2018	2017	2016	2015
\$	1,005,342	\$ 940,718	\$ 912,885	\$ 861,264	\$ 817,988
	(1,005,342)	(940,718)	(912,885)	(861,264)	(817,988)
\$	-	\$ -	\$ -	\$ -	\$ -
\$	28,552,892	\$ 27,579,588	\$ 25,837,754	\$ 24,842,976	\$ 24,117,593
	3.52%	3.41%	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, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.036251814%	0.036375735%	0.03634417%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 13,983,945	\$ 13,828,059	\$ 17,187,603
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	18,735,369	18,581,597	22,838,480
Total	<u>\$ 32,719,314</u>	<u>\$ 32,409,656</u>	<u>\$ 40,026,083</u>
District's Covered Payroll	\$ 32,354,256	\$ 31,472,297	\$ 28,552,892
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	43.22%	43.94%	60.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date 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.

<u>FY 2019</u>		<u>FY 2018</u>	
<u>Plan Year 2018</u>		<u>Plan Year 2017</u>	
	0.0360846%		0.033954149%
\$	18,017,359	\$	14,765,386
	22,375,713		19,164,905
\$	<u>40,393,072</u>	\$	<u>33,930,291</u>
\$	27,579,588	\$	25,837,754
	65.33%		57.15%
	1.57%		0.91%

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 310,236	\$ 284,235	\$ 276,484
Contribution in Relation to the Contractually Required Contribution	(310,236)	(284,235)	(276,484)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 33,505,598	\$ 32,354,256	\$ 31,472,297
Contributions as a Percentage of Covered Payroll	0.93%	0.88%	0.88%

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.

	2019	2018
\$	257,399	\$ 248,932
	(257,399)	(248,932)
\$	-	\$ -
\$	28,552,892	\$ 27,599,092
	0.90%	0.90%

TERRELL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

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:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

REQUIRED T.E.A. SCHEDULES

TERRELL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2022

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	\$ Various
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	1.068350	0.429700	1,917,578,485
2021	0.963000	0.394200	2,231,291,042
2022 (School year under audit)	0.960300	0.384200	2,486,285,742
1000 TOTALS			

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
\$ 274,093	\$ -	\$ 29,091	\$ 4,914	\$ (13,258)	\$ 226,830
44,756	-	6,557	785	-	37,414
59,492	-	7,866	1,950	-	49,676
69,607	-	7,761	1,924	-	59,922
108,661	-	20,580	7,558	5,035	85,558
131,455	-	31,508	11,572	9,516	97,891
151,338	-	41,545	15,258	16,958	111,493
263,345	-	52,068	20,942	(16,867)	173,468
854,043	-	288,520	118,105	(62,764)	384,654
-	32,212,918	23,187,645	9,276,990	1,007,409	755,692
<u>\$ 1,956,790</u>	<u>\$ 32,212,918</u>	<u>\$ 23,673,141</u>	<u>\$ 9,459,998</u>	<u>\$ 946,029</u>	<u>\$ 1,982,598</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, 2022

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	\$ 229,700	\$ 229,700	\$ 243,685	\$ 13,985
5800 State Program Revenues	92,536	92,536	45,709	(46,827)
5900 Federal Program Revenues	2,691,814	3,274,207	3,476,735	202,528
5020 Total Revenues	3,014,050	3,596,443	3,766,129	169,686
EXPENDITURES:				
Current:				
0035 Food Services	2,924,850	3,507,243	2,724,844	782,399
0051 Facilities Maintenance and Operations	89,200	89,200	81,919	7,281
6030 Total Expenditures	3,014,050	3,596,443	2,806,763	789,680
1200 Net Change in Fund Balances	-	-	959,366	959,366
0100 Fund Balance - September 1 (Beginning)	338,167	338,167	338,167	-
3000 Fund Balance - August 31 (Ending)	\$ 338,167	\$ 338,167	\$ 1,297,533	\$ 959,366

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, 2022

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	\$ 9,632,578	\$ 9,632,578	\$ 9,627,413	\$ (5,165)
5800 State Program Revenues	81,275	81,275	71,659	(9,616)
5020 Total Revenues	9,713,853	9,713,853	9,699,072	(14,781)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	1,169,289	1,169,290	1,169,290	-
0072 Interest on Long-Term Liabilities	3,995,660	3,995,660	3,995,660	-
0073 Bond Issuance Cost and Fees	4,548,904	6,030,249	5,990,291	39,958
6030 Total Expenditures	9,713,853	11,195,199	11,155,241	39,958
1200 Net Change in Fund Balances	-	(1,481,346)	(1,456,169)	25,177
0100 Fund Balance - September 1 (Beginning)	6,209,340	6,209,340	6,209,340	-
3000 Fund Balance - August 31 (Ending)	\$ 6,209,340	\$ 4,727,994	\$ 4,753,171	\$ 25,177

TERRELL INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT- SELECT STATE ALLOMENT PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$5,753,979
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$1,772,258

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$675,950
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$268,042

FEDERAL AWARDS SECTION

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
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902 NORTH LOCUST
P.O. BOX 977
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FAX (940) 383-4746

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, 2022, 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 12, 2023.

Report on 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.

Report on 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 an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay, PC

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

January 12, 2023

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

Opinion on Each Major Federal Program

We have audited Terrell Independent School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. Terrell Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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) Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Terrell Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Terrell Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Terrell Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Terrell Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Terrell Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Terrell Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Terrell Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Terrell Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 12, 2023

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

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:

Child Nutrition Cluster:	
FALN 10.553	School Breakfast Program
FALN 10.555	National School Lunch Program
FALN 10.559	Summer Feeding Program
FALN 84.425D	Elementary & Secondary School Emergency Relief Fund I
FALN 84.425D	Elementary & Secondary School Emergency Relief Fund II
FALN 84.425U	ESSER III-ARP School Emergency Relief
FALN 84.425U	Texas COVID Learning Supports-State ESSER III
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, 2022

No prior year findings.

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL COMMUNICATIONS COMMISSION			
<u>Direct Programs</u>			
Emergency Connectivity Fund	32.009	140871	\$ 712,445
Total Direct Programs			<u>712,445</u>
TOTAL FEDERAL COMMUNICATIONS COMMISSION			<u>712,445</u>
 U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Education Service Center</u>			
Title III, Part A - English Language Acquisition	84.365A	22671003057950	86,332
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501057950	149,864
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001057950	398
Elementary Secondary School Emergency Relief II	84.425D	21521001057950	1,284,677
ESSER III - ARP School Emergency Relief	84.425U	21528001057950	1,827,060
Total Assistance Listing Number 84.425			<u>3,112,135</u>
Total Passed Through Region 10 Education Service Center			<u>3,348,331</u>
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101129906	1,316,973
*IDEA - Part B, Formula	84.027A	226600011299066600	965,504
*IDEA, Part B, Formula - American Rescue Act (ARP)	84.027X	225350011299065350	86,733
Total Assistance Listing Number 84.027			<u>1,052,237</u>
*IDEA - Part B, Preschool	84.173A	226610011299066610	31,679
*IDEA, Part B, Preschoo - American Rescue Act (ARP)	84.173X	225360011299065360	12,970
Total Assistance Listing Number 84.173			<u>44,649</u>
Total Special Education Cluster (IDEA)			<u>1,096,886</u>
Career and Technical - Basic Grant	84.048A	22420006129906	65,982
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358A	22696001129906	37,488
ESEA, Title II, Part A, Teacher Leadership	84.367A	22694501129906	72,115
Summer School LEP	84.369A	69552002	2,949
Title IV, Part A - Student Support	84.424A	22680101129906	97,022
Texas COVID Learning Supports - State ESSER III	84.425U	21528042129906	73,176
Total Passed Through Texas Education Agency			<u>2,762,591</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>6,110,922</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start	93.600	06CH011444	1,133,500
Total Direct Programs			<u>1,133,500</u>
<u>Passed Through Texas Education Agency</u>			
ELC Reopening Schools	93.323	39352201	182,243
Total Passed Through Texas Education Agency			<u>182,243</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,315,743</u>

TERRELL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	806780706	811,136
*National School Lunch Program - Cash Assistance	10.555	806780706	2,341,539
*National School Lunch Prog. - Non-Cash Assistance	10.555	806780706	154,195
*Supply Chain Assistance	10.555	806780706	127,853
Total Assistance Listing Number 10.555			2,623,587
*Summer Feeding Program - Cash Assistance	10.559	806780706	62,483
Total Child Nutrition Cluster			3,497,206
Child & Adult Care Food Program - Cash Assistance	10.558	806780706	38,949
P-EBT Local Administrative Costs	10.649	806780706	3,063
Total Passed Through the Texas Department of Agriculture			3,539,218
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,539,218
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 11,678,328
*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, 2022

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*.
- **General Fund** - is used to account for among other things, resources related to the School Health and Related Services (SHARS).
- **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.
- 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 or, in some instances, in the General Fund which are Governmental Fund type funds.

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 assets. The modified accrual basis of accounting is used in the Governmental Fund types. 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 General 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 unearned revenues until earned.

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- FALN numbers for commodity assistance are the FALN numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$508,349.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$11,678,328
SHARS Revenue reported in the General Fund	<u>738,009</u>
Total Federal Program Revenue	<u>\$12,416,337</u>

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