

ROYAL  
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

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Royal Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2022

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## Introductory Section

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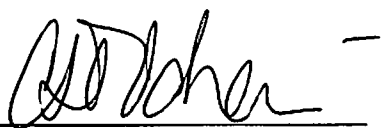
CERTIFICATE OF BOARD

Royal Independent School District  
Name of School District

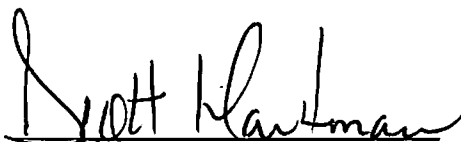
Waller  
County

237-905  
Co.-Dist. Number

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 17 day of January, 2023.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

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## Financial Section

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Royal Independent School District:

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Independent School District (the "District"), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the 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 the District as of August 31, 2022, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

### **Change in Accounting Principle**

As described in Note I. F. 17. to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

### **Responsibility 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 the 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.

### **Auditors' 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 auditors' 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 generally accepted auditing standards and *Government 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 the 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 the 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, budgetary comparison information, schedules of the District's proportionate share of the net pension and other postemployment benefits liability, and schedules of District contributions, identified as Required Supplementary Information on the table of contents, 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 the District's basic financial statements. The accompanying combining statements and schedules and 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 required parts 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 statements and 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the schedule of required responses to selected school first indicators, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
January 13, 2023

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## Management's Discussion and Analysis

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# ROYAL INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2022

This discussion and analysis of Royal Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2022. It should be read in conjunction with the District's financial statements.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2022 was \$2,329,501.
- For the fiscal year ended August 31, 2022, the District's general fund reported a total fund balance of \$20,557,720 of which \$5,978,782 which is restricted for long-term debt and \$14,578,938, which is unassigned. The debt service fund reported a fund balance of \$3,224,307, which is restricted.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund) reported combined ending fund balances of \$24,521,666.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

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

The government-wide financial statements of the District include the *governmental activities*. The District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operations and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

# ROYAL INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2022

### FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

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

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$2,329,501 at August 31, 2022. Table 1 focuses on net position while Table 2 shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2021. The District reported an increase of \$8,112,158 in net position from the prior year. Current assets increased due to an increase in cash as a result of operations. Capital assets increased slightly due to current year additions purchased during the year. Deferred outflows of resources increased for the pension plan due to changes in actuarial assumptions and increased for the other postemployment benefits (OPEB) plan due to changes in actuarial assumptions, changes in proportion and difference between the District's contributions, and the proportionate share of contributions. Current liabilities increased due to an increase in unearned revenue from state foundation payments. Long-term liabilities decreased due to decreases in the pension liability. Deferred inflows increased for the pension plan due to changes in actuarial assumptions, differences between expected and actual economic experience, and differences between the employers' contributions and the proportionate share of contributions.

**ROYAL INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

**Table 1**  
**Net Position**

Description	Governmental Activities		Total Change
	2022	2021	2022-2021
Current assets	\$ 28,406,744	\$ 16,873,750	\$ 11,532,994
Capital assets	55,299,885	55,106,185	193,700
<b>Total Assets</b>	<b>83,706,629</b>	<b>71,979,935</b>	<b>11,726,694</b>
Deferred charges on refunding	1,080,344	1,318,522	(238,178)
Deferred outflows related to pensions	3,086,100	2,572,003	514,097
Deferred outflows related to OPEB	2,357,735	1,866,606	491,129
<b>Total Deferred Outflows of Resources</b>	<b>6,524,179</b>	<b>5,757,131</b>	<b>767,048</b>
Current liabilities	2,955,347	1,223,228	1,732,119
Long-term liabilities	74,779,942	75,027,969	(248,027)
<b>Total Liabilities</b>	<b>77,735,289</b>	<b>76,251,197</b>	<b>1,484,092</b>
Deferred inflows related to pensions	4,673,196	1,690,971	2,982,225
Deferred inflows related to OPEB	5,492,822	5,577,555	(84,733)
<b>Total Deferred Inflows of Resources</b>	<b>10,166,018</b>	<b>7,268,526</b>	<b>2,897,492</b>
<b>Net Position:</b>			
Net invested in capital assets	(989,701)	(4,797,470)	3,807,769
Restricted	3,958,349	2,929,896	1,028,453
Unrestricted	(639,147)	(3,915,083)	3,275,936
<b>Total Net Position</b>	<b>\$ 2,329,501</b>	<b>\$ (5,782,657)</b>	<b>\$ 8,112,158</b>

**ROYAL INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

**Table 2**  
**Changes in Net Position**

	<b>Governmental</b>		<b>Total</b>
	<b>Activities</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	<b>2022-2021</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 176,495	\$ 89,153	\$ 87,342
Operating grants and contributions	9,112,073	5,928,542	3,183,531
General revenues:			
Property taxes	28,161,530	23,081,639	5,079,891
Grants and contributions not restricted	7,649,339	10,774,022	(3,124,683)
Investment earnings	167,939	15,435	152,504
Miscellaneous	253,641	603,009	(349,368)
<b>Total Revenue</b>	<b>45,521,017</b>	<b>40,491,800</b>	<b>5,029,217</b>
<b>Expenses</b>			
Instruction	16,932,518	18,581,618	(1,649,100)
Instructional resources and media services	362,187	354,576	7,611
Curriculum and staff development	1,003,183	682,440	320,743
Instructional leadership	774,342	492,346	281,996
School leadership	1,793,239	1,833,277	(40,038)
Guidance, counseling, and evaluation services	1,013,792	928,032	85,760
Social work/health services	499,916	484,267	15,649
Student transportation	1,510,340	1,403,504	106,836
Food services	1,890,501	1,526,529	363,972
Cocurricular/extracurricular activities	1,536,189	1,298,210	237,979
General administration	1,562,757	1,309,474	253,283
Plant maintenance and operations	5,342,912	3,798,133	1,544,779
Security and monitoring	248,464	197,257	51,207
Data processing services	582,233	577,984	4,249
Community services	13,831	16,550	(2,719)
Interest on long-term debt	1,849,175	1,947,654	(98,479)
Bond issuance costs	90,217	151,269	(61,052)
Payments related to shared services arrangements	15,294	61,839	(46,545)
Other intergovernmental charges	387,769	343,553	44,216
<b>Total Expenses</b>	<b>37,408,859</b>	<b>35,988,512</b>	<b>1,420,347</b>
<b>Change in Net Position</b>	<b>8,112,158</b>	<b>4,503,288</b>	<b>3,608,870</b>
Beginning net position	(5,782,657)	(10,285,945)	4,503,288
<b>Ending Net Position</b>	<b>\$ 2,329,501</b>	<b>\$ (5,782,657)</b>	<b>\$ 8,112,158</b>

Revenues for the District increased significantly in property tax, as a result of an increase in the assessed values of properties within the District and; operating grants and contributions due to receiving federal grant money, specifically Elementary and Secondary School Emergency Relief (ESSER) II and ESSER III grants. Expenses experienced a net increase from the prior year as a result of an increase in plant maintenance and operations due to the start of projects throughout the District and a decrease in instruction cost due to payroll cost related to COVID-19 retention bonuses and salary increase reported in the prior year.

# ROYAL INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2022

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2022, the District's governmental funds reported a combined fund balance of \$24,521,666. This compares to a combined fund balance of \$14,655,999 at August 31, 2021. The fund balance in the general fund increased primarily due to an increase in local revenues, as a result of additional property tax revenues due to an increase in appraised values within the District. The fund balance in the debt service fund increased due to the partial cash defeasance of Series 2015 Unlimited Tax Refunding Bonds. The District's combined governmental funds revenue increased by \$6,553,815. This consisted of an increase in local revenue due to an increase in property tax revenue due to an increase in appraised values within the District and an increase in federal revenues due to an increase in ESSER related grants. The total combined revenue was \$46,550,208 this year, compared to \$39,996,393 last year. The District's combined governmental funds expenditures increased by \$4,708,919. This increase is primarily due to increases in facilities maintenance and operations for ongoing construction projects for HVAC improvements, electric system upgrades, and building automation systems (BAS) upgrades. The total combined expenditures were \$42,936,902 compared to \$38,227,983. There was an increase in total revenues and expenditures for the American Recovery Plan (ARP) ESSER III grants which netted against expenditures causing no fund balance at fiscal year end.

### GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2022, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were material changes between the original budget and the final amended budget. There was a significant increase for plant maintenance and operations. The general fund's budgeted revenues exceeded actual revenues by \$55,840 primarily due to receiving less state funding than anticipated. Budgeted expenditures exceeded actual expenditures by \$9,384,694 primarily due to spending less in instruction and plant maintenance and operations.

### CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2022, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2022, the District had a total of \$55,299,885 invested in capital assets (net of accumulated depreciation) such as land, vehicles, buildings, and District equipment. This total includes \$306,468 invested in vehicles and equipment, and \$2,110,736 in construction in progress during the fiscal year ended August 31, 2022.

Major capital asset events during the year included the following:

- Purchase of two 77-passenger buses for \$221,348
- Purchase of a playground structure for \$23,183
- Purchase of a police vehicle for \$40,589
- Construction in progress of HVAC improvements, electric system upgrades, and BAS upgrades \$2,110,736

More detailed information about the District's capital assets can be found in the notes to the financial statements.

### LONG-TERM DEBT

At August 31, 2022, the District had \$60,326,894 in general obligation bonds, tax notes, and leases payable outstanding versus \$58,248,990 last year. The District issued Maintenance Tax Notes, Series 2022 of \$8,200,000 during the year.

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

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

- The District's management takes into consideration all aspects that influence school district budgets during the budget development process. This includes instructional improvements, student enrollment, property values, facility needs, economy, location, and new legislative mandates. The District encompasses 161 square miles located 35 miles west of Houston in southern Waller County along the West I-10 Corridor.

# ROYAL INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2022

The prime location of commercial land along and near I-10 and the District's approved freeport exemption attracts major manufacturing and distribution centers such as Amazon, Costco, Goya Foods, Grundfos, Houston Executive Airport, Igloo, Man Diesel & Turbo SE's North American headquarters, Rooms-to-Go, Ross Distribution, and Twinwood business park that provide additional jobs, extend the tax base, and attract housing developments.

- The District has seven subdivisions actively under construction that include Freeman Ranch with 1,124 total lots, Bluestem – Signorelli with 1,300 potential lots, Riverway Farms with 1,000 potential lots, Sandell MH Park with 175 potential lots, Sunterra with 2,000 potential lots, Sports Flyer Estates with 85 lots, and Oak Meadows with 45 lots. We are also anticipating developments from Woodmore – Pattison Farms, Maple Grove, Rosebrook Holding Tract, Bold Fox, Sofi Lakes, Greenland Tract – Ersa Grae, LGI, Sun Lantana Ranch South, Gamal Enterprise, Jasek Tract, and a local developer. When fully developed, we anticipate around 22,000 homes.
- Since 2014-15, the total student population increased 16.9% from 2,202 to 2,575 in 2021-22, averaging 2.4% per year during this period. In October of the 2022-23 school year, enrollment increased to 2,648. The District anticipates an enrollment increase through 2024-25 as the housing developments continue to build homes.
- Since tax year 2015, the assessed certified property values of \$1,028,343,859, after freeze, increased 102.168%, averaging 14.595% per year. From tax year 2020 to 2021, values increased by 20.512% from \$1,725,128,867 to \$2,078,979,264. At the beginning of 2022-23, values again increased by 31.615% to \$2,736,256,448. These spikes are mainly contributed to the commercial growth along I-10. Royal ISD Education Foundation (the "Foundation") was established to supplement the District's programs and activities. The Foundation received its 501(c)(3) exemption status in November 2016. The District utilized \$57,440 in awarded grants during 2021-22.
- The District continues its partnership with the Boys and Girls Club of Greater Houston with its location on the District's premises, to provide sports and quality after school programs and activities for the students. Except during the altered COVID-19 schedule, the average daily attendance for the Royal Boys and Girls Club is typically 150 students.
- In 2022, the District authorized the issuance, sale, and delivery of Maintenance Tax Note, Series 2022 (the "Note") in the amount of \$8,200,000. The proceeds from the Note are for HVAC improvement projects and for energy efficiency improvements. This includes HVAC system upgrades at all five campus locations, electrical system upgrades at the high school, and building automation system (BAS) upgrades at all five campuses, the field house, administration, and DAEP location.
- The District used \$1,933,098 in Interest and Sinking funds for a Series 2022 defeasance to pay down outstanding debt, saving taxpayers \$3,099,750 in principal and interest. The Board also approved a resolution in August 2022, expressing the intention to apply approximately \$5,600,000 in lawfully available funds for another defeasance in 2022-23. The I&S tax rate for 2021-22 was \$.0358817, as well as for 2022-23.

### COVID-19

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The District suspended in-classroom learning for the remainder of the school year. While changes to operations caused a significant hardship, the overall impact to the financial operations for the 2020-2021 and 2021-22 school years, of the overall budget, was nominal. Areas impacted the most were teaching and learning, technology, and facilities. Under the federal CARES Act, the District was awarded multiple year ESSER Grants, which helped to offset Foundation School Program hold harmless funding from the State, to mitigate the financial impact of school closure. These grants include:

ESSER I, \$606,929, grant period 7/20/2020 to 9/30/2022  
CRRSA ESSER II, \$2,474,932, grant period 9/10/2021 to 9/30/2023  
ARP ESSER III, \$5,560,142, grant period 7/26/2021 to 9/30/2023  
TCLAS-ESSER III, \$850,700, grant period 11/12/2021 to 8/31/2024  
TCLAS-GR, \$725,526, grant period 11/12/2021 to 5/31/2024

The District used these funds to pay teacher salaries during virtual learning in 2020; provided staff raises to help compete with neighboring districts to help retain employees; to mitigate learning loss by addressing the social, emotional, mental health, and academic needs of students; for HVAC renovations and repairs to improve ventilation and air quality at all the campuses; and to purchase additional buses for social distancing.

## **ROYAL INDEPENDENT SCHOOL DISTRICT**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2022*

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

This financial report is designed to provide our citizens, taxpayers, 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 P.O. Box 489, Pattison, Texas 77466 or by calling (281) 934-1330.

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## Basic Financial Statements

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**ROYAL INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF NET POSITION  
 AUGUST 31, 2022

1

Data Control Codes	Governmental Activities
<b>ASSETS:</b>	
1110 Cash and Cash Equivalents	\$ 1,367,521
1120 Current Investments	24,500,428
1220 Property Taxes Receivable	1,666,058
1230 Allowance for Uncollectible Taxes	(653,441)
1240 Due from Other Governments	1,484,167
1290 Other Receivables (Net)	36,414
1300 Inventories	5,597
Capital Assets:	
1510 Land	816,227
1520 Buildings and Improvements, Net	51,208,074
1530 Furniture and Equipment, Net	210,698
1530 Vehicles, Net	659,079
1550 Right to Use Assets, Net	295,071
1580 Construction in Progress	2,110,736
1000 Total Assets	<u>83,706,629</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
1700 Deferred Charges on Refunding	1,080,344
1705 Deferred Outflows Related to Pensions	3,086,100
1706 Deferred Outflows Related to OPEB	2,357,735
1700 Total Deferred Outflows of Resources	<u>6,524,179</u>
<b>LIABILITIES:</b>	
2110 Accounts Payable	830,492
2140 Interest Payable	82,886
2165 Accrued Liabilities	12,719
2180 Due to Other Governments	23,831
2300 Unearned Revenue	2,005,419
Noncurrent Liabilities:	
2501 Due Within One Year	3,497,214
2502 Due in More Than One Year	59,851,498
2540 Net Pension Liability	3,744,897
2545 Net OPEB Liability	7,686,333
2000 Total Liabilities	<u>77,735,289</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
2605 Deferred Inflows Related to Pensions	4,673,196
2606 Deferred Inflows Related to OPEB	5,492,822
2600 Total Deferred Inflows of Resources	<u>10,166,018</u>
<b>NET POSITION:</b>	
3200 Net Investment in Capital Assets	(989,701)
Restricted For:	
3820 Federal and State Programs	703,456
3850 Debt Service	3,224,307
3890 Other Purposes	30,586
3900 Unrestricted	(639,147)
3000 Total Net Position	<u>\$ 2,329,501</u>

The accompanying notes are an integral part of this statement.

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## ROYAL INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 16,932,518	\$ --		\$ 4,484,154	\$ (12,448,364)
12	Instructional Resources and Media Services	362,187	--		6,286	(355,901)
13	Curriculum and Staff Development	1,003,183	--		697,218	(305,965)
21	Instructional Leadership	774,342	--		274,100	(500,242)
23	School Leadership	1,793,239	--		99,565	(1,693,674)
31	Guidance, Counseling, and Evaluation Services	1,013,792	--		342,957	(670,835)
32	Social Work Services	156,168	--		4,954	(151,214)
33	Health Services	343,748	--		31,043	(312,705)
34	Student Transportation	1,510,340	--		303,893	(1,206,447)
35	Food Service	1,890,501	111,317		2,142,689	363,505
36	Cocurricular/Extracurricular Activities	1,536,189	65,178		18,720	(1,452,291)
41	General Administration	1,562,757	--		93,712	(1,469,045)
51	Facilities Maintenance and Operations	5,342,912	--		512,268	(4,830,644)
52	Security and Monitoring Services	248,464	--		28,866	(219,598)
53	Data Processing Services	582,233	--		15,541	(566,692)
61	Community Services	13,831	--		1,514	(12,317)
72	Interest on Long-term Debt	1,849,175	--		39,316	(1,809,859)
73	Bond Issuance Costs and Fees	90,217	--		--	(90,217)
93	Payments Related to Shared Services Arrangements	15,294	--		15,277	(17)
99	Other Intergovernmental Charges	387,769	--		--	(387,769)
TG	Total Governmental Activities	37,408,859	176,495		9,112,073	(28,120,291)
TP	Total Primary Government	<u>\$ 37,408,859</u>	<u>\$ 176,495</u>		<u>\$ 9,112,073</u>	<u>(28,120,291)</u>
	General Revenues:					
MT	Property Taxes, Levied for General Purposes					20,501,568
DT	Property Taxes, Levied for Debt Service					7,659,962
IE	Investment Earnings					167,939
GC	Grants and Contributions Not Restricted to Specific Programs					7,649,339
MI	Miscellaneous					253,641
TR	Total General Revenues					<u>36,232,449</u>
CN	Change in Net Position					8,112,158
NB	Net Position - Beginning					(5,782,657)
NE	Net Position - Ending					<u>\$ 2,329,501</u>

The accompanying notes are an integral part of this statement.

**ROYAL INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2022

Data Control Codes	10 General Fund	American Rescue Plan (ESSER III)
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 567,594	\$ --
1120 Current Investments	21,392,516	--
1220 Property Taxes Receivable	1,189,704	--
1230 Allowance for Uncollectible Taxes	(454,311)	--
1240 Due from Other Governments	135,330	907,288
1260 Due from Other Funds	1,023,440	--
1290 Other Receivables	20	--
1300 Inventories	--	--
1000 Total Assets	<u>\$ 23,854,293</u>	<u>\$ 907,288</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	\$ 526,725	\$ 292,472
2150 Payroll Deductions and Withholdings	12,694	--
2170 Due to Other Funds	91,677	614,816
2180 Due to Other Governments	--	--
2300 Unearned Revenue	1,930,084	--
2000 Total Liabilities	<u>2,561,180</u>	<u>907,288</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2600 Unavailable Revenue for Property Taxes	735,393	--
2600 Total Deferred Inflows of Resources	<u>735,393</u>	<u>--</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 Inventories	--	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3470 Capital Acquisitions and Contractual Obligations	5,978,782	--
3480 Retirement of Long-Term Debt	--	--
3490 Other Restrictions of Fund Balance	--	--
3600 Unassigned	14,578,938	--
3000 Total Fund Balances	<u>20,557,720</u>	<u>--</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 23,854,293</u>	<u>\$ 907,288</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 45,940	\$ 753,987	\$ 1,367,521
3,107,912	--	24,500,428
476,354	--	1,666,058
(199,130)	--	(653,441)
34,305	407,244	1,484,167
--	91,677	1,115,117
36,150	244	36,414
--	5,597	5,597
<u>\$ 3,501,531</u>	<u>\$ 1,258,749</u>	<u>\$ 29,521,861</u>
\$ --	\$ 11,295	\$ 830,492
--	25	12,719
--	408,624	1,115,117
--	23,831	23,831
--	75,335	2,005,419
<u>--</u>	<u>519,110</u>	<u>3,987,578</u>
<u>277,224</u>	<u>--</u>	<u>1,012,617</u>
<u>277,224</u>	<u>--</u>	<u>1,012,617</u>
--	5,597	5,597
--	703,456	703,456
--	--	5,978,782
3,224,307	--	3,224,307
--	30,586	30,586
--	--	14,578,938
<u>3,224,307</u>	<u>739,639</u>	<u>24,521,666</u>
<u>\$ 3,501,531</u>	<u>\$ 1,258,749</u>	<u>\$ 29,521,861</u>

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

Total fund balances - governmental funds balance sheet	\$ 24,521,666
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	55,299,885
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,012,617
Payables for bond principal which are not due in the current period are not reported in the funds.	(50,734,994)
Payables for leases which are not due in the current period are not reported in the funds.	(298,901)
Payables for debt interest which are not due in the current period are not reported in the funds.	(82,886)
Payables for notes which are not due in the current period are not reported in the funds.	(9,293,000)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(603,235)
Payables for premiums which are not due in the current period are not reported in the funds.	(2,418,582)
Recognition of deferred charges on refunding is not reported in the funds.	1,080,344
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,744,897)
Deferred outflows of resources related to the pension plan are not reported in the funds.	3,086,100
Deferred inflows of resources related to the pension plan are not reported in the funds.	(4,673,196)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(7,686,333)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	2,357,735
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>(5,492,822)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 2,329,501</u>

The accompanying notes are an integral part of this statement.

**ROYAL 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	American Rescue Plan (ESSER III)
<b>REVENUES:</b>		
5700 Local and Intermediate Sources	\$ 20,935,340	\$ --
5800 State Program Revenues	8,986,123	--
5900 Federal Program Revenues	499,977	1,697,389
5020 Total Revenues	<u>30,421,440</u>	<u>1,697,389</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	12,475,149	190,521
0012 Instructional Resources and Media Services	176,134	--
0013 Curriculum and Staff Development	477,179	459,238
0021 Instructional Leadership	599,624	170,416
0023 School Leadership	1,793,949	--
0031 Guidance, Counseling, and Evaluation Services	741,056	67,612
0032 Social Work Services	127,740	--
0033 Health Services	295,994	--
0034 Student Transportation	1,363,404	221,348
0035 Food Service	72	--
0036 Cocurricular/Extracurricular Activities	1,172,658	--
0041 General Administration	1,551,994	--
0051 Facilities Maintenance and Operations	6,664,560	588,254
0052 Security and Monitoring Services	263,720	--
0053 Data Processing Services	605,586	--
0061 Community Services	12,558	--
0071 Principal on Long-term Debt	842,096	--
0072 Interest on Long-term Debt	139,898	--
0073 Bond Issuance Costs and Fees	70,870	--
0093 Payments to Shared Services Arrangements	--	--
0099 Other Intergovernmental Charges	387,769	--
6030 Total Expenditures	<u>29,762,010</u>	<u>1,697,389</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>659,430</u>	<u>--</u>
Other Financing Sources and (Uses):		
7911 Capital-Related Debt Issued (Regular Bonds)	8,200,000	--
8949 Other Uses	(27,813)	--
7080 Total Other Financing Sources and (Uses)	<u>8,172,187</u>	<u>--</u>
1200 Net Change in Fund Balances	8,831,617	--
0100 Fund Balances - Beginning	11,726,103	--
3000 Fund Balances - Ending	<u>\$ 20,557,720</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

50 Debt Service Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 7,697,270	\$ 220,347	\$ 28,852,957
39,316	354,139	9,379,578
--	6,120,307	8,317,673
<u>7,736,586</u>	<u>6,694,793</u>	<u>46,550,208</u>
--	3,926,447	16,592,117
--	427	176,561
--	89,516	1,025,933
--	46,501	816,541
--	34,900	1,828,849
--	233,350	1,042,018
--	--	127,740
--	20,069	316,063
--	--	1,584,752
--	1,660,879	1,660,951
--	53,585	1,226,243
--	9,739	1,561,733
--	122,085	7,374,899
--	21,705	285,425
--	5,000	610,586
--	1,273	13,831
3,435,000	--	4,277,096
1,782,386	--	1,922,284
19,347	--	90,217
--	15,294	15,294
--	--	387,769
<u>5,236,733</u>	<u>6,240,770</u>	<u>42,936,902</u>
<u>2,499,853</u>	<u>454,023</u>	<u>3,613,306</u>
--	--	8,200,000
(1,919,826)	--	(1,947,639)
(1,919,826)	--	6,252,361
<u>580,027</u>	<u>454,023</u>	<u>9,865,667</u>
2,644,280	285,616	14,655,999
<u>\$ 3,224,307</u>	<u>\$ 739,639</u>	<u>\$ 24,521,666</u>

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**ROYAL INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2022

Net change in fund balances - total governmental funds	\$ 9,865,667
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	2,417,204
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,657,500)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(65,540)
Reversal of on-behalf revenues reported in the funds but not in the SOA.	(1,339,743)
Reversal of on-behalf expenditures reported in the funds but not in the SOA.	1,339,743
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,435,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	707,000
Repayment of lease principal is an expenditure in the funds but is not an expense in the SOA.	135,096
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	109,144
The accretion of interest on capital appreciation bonds is not reported in the funds.	(36,781)
(Increase) decrease in accrued interest from beginning of period to end of period.	748
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(8,200,000)
Payment to escrow agent is not an expense in the SOA.	1,919,826
GASB 68 on-behalf revenues are reported with governmental activities.	23,831
The District's share of the net pension expense is reported with governmental activities.	185,345
GASB 75 on-behalf revenues are reported with governmental activities.	380,074
The District's share of the net OPEB expense is reported with governmental activities.	(106,954)
Rounding difference	<u>(2)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 8,112,158</u>

The accompanying notes are an integral part of this statement.

**ROYAL INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

AUGUST 31, 2022

Data Control Codes		Custodial Fund
		Student Activity
	<b>ASSETS:</b>	
1110	Cash and Cash Equivalents	\$ 43,150
1000	Total Assets	<u>43,150</u>
	<b>LIABILITIES:</b>	
2000	Total Liabilities	<u>--</u>
	<b>NET POSITION:</b>	
3800	Restricted for Individuals and Organizations	43,150
3000	Total Net Position	<u>\$ 43,150</u>

The accompanying notes are an integral part of this statement.

**ROYAL INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Fund
	Student Activity
<b>ADDITIONS:</b>	
Concession Stand Sales	\$ 14,225
Student Fees and Dues	29,210
Fundraising Activities	105,083
Miscellaneous Revenues	3,243
Gifts and Bequests	58,581
Investment Income	185
Total Additions	<u>210,527</u>
<b>DEDUCTIONS:</b>	
Fees and Dues	8,657
Fundraising Expenses	120,751
Student Activities	43,154
Scholarships	32,600
Total Deductions	<u>205,162</u>
<b>Change in Fiduciary Net Position</b>	5,365
Net Position-Beginning of the Year	37,785
Net Position-End of the Year	<u>\$ 43,150</u>

The accompanying notes are an integral part of this statement.

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# ROYAL INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2022

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Royal Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas (the "State"). It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

#### B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

#### C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

##### General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

##### Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*  
FOR THE YEAR ENDED AUGUST 31, 2022

## Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund. American Rescue Plan (ARP) ESSER III, is a special revenue fund used to account for revenues and expenditures related to the ESSER III grant awards and entitlements. This fund is primarily on a reimbursement basis and has a program year that does not coincide with the District's fiscal year. This special revenue fund is considered a major fund for reporting purposes.

## **Fiduciary Fund**

The fiduciary fund accounts for assets held by the District in a trustee capacity or as a custodial on behalf of others. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the District's own programs.

The District has the following types of fiduciary fund:

### Custodial Fund

The custodial fund reports resources, not in a trust, that are held by the District for other parties outside of the District. The custodial fund is accounted for using the accrual basis of accounting. This fund is used to account for the District's student activity funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

## **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

# ROYAL INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS, *Continued* FOR THE YEAR ENDED AUGUST 31, 2022

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for the revenue source (within 60 days of year end). All other revenue items are considered measurable and available only when cash is received by the District.

### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

#### **1. Cash and Cash Equivalents**

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

#### **2. Investments**

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Government investment pools and commercial paper

#### **3. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

#### **4. Restricted Assets**

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

#### **5. Capital Assets**

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

# ROYAL INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued FOR THE YEAR ENDED AUGUST 31, 2022

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings and improvements	7 to 39 years
Vehicles	5 years
Equipment	1 to 7 years

### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding 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.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

### 7. Receivable and Payables Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

### 8. Interfund Activity

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

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*  
FOR THE YEAR ENDED AUGUST 31, 2022

## 9. 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 are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

## 10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

## 11. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## 12. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

# ROYAL INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS, *Continued* FOR THE YEAR ENDED AUGUST 31, 2022

### 13. Estimates

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

### 14. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

### 15. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 16. Other Postemployment Benefits

The fiduciary net position of the TRS Texas Public School Retired Employees Group Insurance Program ("TRS-Care") 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 OPEB, 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.

### 17. Leases

The District is a lessee for various noncancellable leases of equipment. The District recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*  
FOR THE YEAR ENDED AUGUST 31, 2022

## G. Revenues and Expenditures/Expenses

### 1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

### 2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

## III. DETAILED NOTES ON ALL FUNDS

### A. 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.

#### 1. Cash Deposits

At August 31, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,410,672 and the bank balance was \$2,837,308. 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.

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued  
FOR THE YEAR ENDED AUGUST 31, 2022

## 2. Investments

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

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers' acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

As of August 31, 2022, the District had the following investments:

<u>Investments</u>	<u>Amount</u>	<u>Rating</u>	<u>Weighted Average Maturity (Years)</u>
TexSTAR	\$ 3,306,269	AAAm*	0.07
TexPool	3,777,541	AAAm*	0.07
TexasCLASS	13,910,654	AAAm*	0.09
LOGIC	3,505,964	AAA*	0.08
	<u>\$ 24,500,428</u>		
Portfolio weighted average maturity			0.08

*Interest rate risk.* In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

*Credit risk.* The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/P1' as provided by two of the nationally recognized rating agencies. As of August 31, 2022, the District's investments in investment pools were rated 'AAAm' or 'AAA' by Standard and Poor's.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that 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 in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

### TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.



## ROYAL INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS, *Continued* FOR THE YEAR ENDED AUGUST 31, 2022

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

#### **TexPool**

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard and Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

#### **Texas CLASS**

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), amount certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program director and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member Board of Trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at [www.texasclass.com](http://www.texasclass.com).

#### **LOGIC**

The District invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member Board of Directors comprised of employees, officers, or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day-to-day administration of LOGIC are First Southwest Company and J.P. Morgan Investment Management, Inc. LOGIC is rated at 'AAA' or equivalent rating from at least one nationally recognized rating agency and operates in a manner consistent with the SEC's Rule 2A7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designated to be used for investment of funds which may be needed at any time.

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued  
FOR THE YEAR ENDED AUGUST 31, 2022

## B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

Governmental Activities:	*Beginning Balance	Increases	(Decreases)	Ending Balance
Capital assets not being depreciated:				
Land	\$ 816,227	\$ -	\$ -	\$ 816,227
Construction in Progress	-	2,110,736	-	2,110,736
Total capital assets not being depreciated	<u>816,227</u>	<u>2,110,736</u>	<u>-</u>	<u>2,926,963</u>
Capital assets being depreciated:				
Buildings and improvements	99,904,004	-	-	99,904,004
Equipment	1,644,569	44,531	-	1,689,100
Vehicles	3,368,295	261,937	(218,327)	3,411,905
Right-to-use assets - equipment	433,996	-	-	433,996
Total capital assets being depreciated:	<u>105,350,864</u>	<u>306,468</u>	<u>(218,327)</u>	<u>105,439,005</u>
Less accumulated depreciation for:				
Buildings and improvements	(46,474,468)	(2,221,462)	-	(48,695,930)
Equipment	(1,417,387)	(61,015)	-	(1,478,402)
Vehicles	(2,735,055)	(236,098)	218,327	(2,752,826)
Right-to-use assets - equipment	-	(138,925)	-	(138,925)
Total accumulated depreciation	<u>(50,626,910)</u>	<u>(2,657,500)</u>	<u>218,327</u>	<u>(53,066,083)</u>
Total capital assets being depreciated, net	<u>54,723,954</u>	<u>(2,351,032)</u>	<u>-</u>	<u>52,372,922</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 55,540,181</u>	<u>\$ (240,296)</u>	<u>\$ -</u>	<u>55,299,885</u>

\*Beginning balance has been restated for implementation of GASB 87

Less associated debt	(63,348,712)
Plus unspent bond proceeds	5,978,782
Plus deferred charge on refunding	1,080,344
<b>Net Investment in Capital Assets</b>	<u>\$ (989,701)</u>

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 1,206,820
12 Instructional resources/media services	196,173
13 Curriculum and staff development	18,268
21 Instructional leadership	4,565
23 School leadership	73,743
31 Guidance, counseling, and evaluation services	22,359
32 Social work services	37,517
33 Health services	45,420
34 Student (pupil) transportation	216,240
35 Food service	229,550
36 Extracurricular activities	342,656
41 General administration	72,343
51 Plant maintenance and operations	176,979
52 Security and monitoring services	14,867
<b>Total Depreciation Expense</b>	<u>\$ 2,657,500</u>

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued  
FOR THE YEAR ENDED AUGUST 31, 2022

## C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

Governmental Activities:	<b>**Beginning Balance</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Bonds payable:					
Refunding Bonds, Series 2013	\$ 764,994	\$ -	\$ (55,000)	\$ 709,994	\$ 55,000
Refunding Bonds, Series 2014	1,995,000	-	(485,000)	1,510,000	495,000
Refunding Bonds, Series 2015	5,265,000	-	(1,845,000)	3,420,000	-
Maintenance Tax Notes, 2015	1,800,000	-	(180,000)	1,620,000	185,000
Refunding Bonds, Series 2016	8,185,000	-	(240,000)	7,945,000	240,000
Refunding Bonds, Series 2017	31,255,000	-	(1,235,000)	30,020,000	1,305,000
Refunding Bonds, Series 2018	2,300,000	-	(415,000)	1,885,000	445,000
Refunding Bonds, Series 2021	6,250,000	-	(1,005,000)	5,245,000	195,000
Direct Borrowings/Placements					
Maintenance Tax Notes, 2022	-	8,200,000	(527,000)	7,673,000	437,000
Leases payable	433,997	-	(135,096)	298,901	140,214
	<u>58,248,991</u>	<u>8,200,000</u>	<u>(6,122,096)</u>	<u>60,326,895</u> *	<u>3,497,214</u>
Other liabilities:					
Issuance premiums/discount	2,840,729	-	(422,147)	2,418,582 *	-
Accreted interest	566,454	36,781	-	603,235 *	-
Net pension liability	6,422,201	-	(2,677,304)	3,744,897	-
Net OPEB liability	7,383,591	302,742	-	7,686,333	-
<b>Total Governmental Activities</b>	<b>\$ 75,461,966</b>	<b>\$ 8,539,523</b>	<b>\$ (9,221,547)</b>	<b>\$ 74,779,942</b>	<b>\$ 3,497,214</b>

\*\*Beginning balance has been restated  
for implementation of GASB 87

**Long-term liabilities due in more than one year**

\$ 71,282,728

**\*Debt associated with capital assets**

\$ 63,348,712

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Current requirements for principal and interest expenditures are accounted for in the general fund and the debt service fund. These bonds were issued as refunding bonds and maintenance tax notes. Interest rates on the Series 2013 bonds are 2.00% to 4.00%, Series 2014 bonds are 2.50% to 3.00%, Series 2015 bonds are 3.00% to 4.00%, Series 2015 notes are 2.00% to 3.250%, Series 2016 bonds are 1.60% to 4.00%, Series 2017 bonds are 3.00% to 5.00%, Series 2018 bonds are 1.90% to 2.65%, and Series 2021 bonds are 0.150% to 1.80%. Interest expense was \$1,830,574 for the year ended August 31, 2022.

### Cash Defeasance

During the fiscal year, the District made a partial cash defeasance of the Unlimited Tax Refunding Bonds, Series 2015, in the amount of \$1,845,000 with a call date of February 15, 2025 by placing funds with an escrow agent. As a result, that portion of the bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$27,417, and had a present value savings of \$1,166,651.

### Direct Borrowing and Placement

The Maintenance Tax Note, Series 2022 principal and interest payments are accounted for in the general fund. The interest rate is 2.20%. Interest expense was \$78,674 for the year ended August 31, 2022.

**ROYAL INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS, *Continued*  
 FOR THE YEAR ENDED AUGUST 31, 2022

Maintenance Tax Notes, Series 2022

The District issued Royal Independent School District Maintenance Tax Notes, Series 2022, dated March 8, 2022, in the amount of \$8,200,000. Proceeds from the sale of these notes are for HVAC improvement projects at all five campuses, electrical system upgrades at the high school, building automation systems (BAS) upgrades at all five campuses, the field house, administration, and DAEP location.

The annual requirements to amortize debt issues outstanding at year end were as follows:

Fiscal Year Ended August 31	Bonds Payable		Total Requirements
	Principal	Interest	
2023	\$ 2,735,000	\$ 1,635,317	\$ 4,370,317
2024	2,845,000	1,520,840	4,365,840
2025	2,960,000	1,400,953	4,360,953
2026	3,100,000	1,272,028	4,372,028
2027	2,806,328	1,550,672	4,357,000
2028-2032	16,343,666	4,776,469	21,120,135
2033-2037	16,735,000	1,985,837	18,720,837
2038-2040	3,210,000	54,909	3,264,909
Totals	<u>\$ 50,734,994</u>	<u>\$ 14,197,025</u>	<u>\$ 64,932,019</u>

Fiscal Year Ended August 31	Maintenance Tax Notes - Series 2015		Total Requirements
	Principal	Interest	
2023	\$ 185,000	\$ 44,538	\$ 229,538
2024	185,000	40,375	225,375
2025	195,000	35,138	230,138
2026	200,000	29,213	229,213
2027	205,000	23,138	228,138
2028-2032	650,000	31,106	681,106
Totals	<u>\$ 1,620,000</u>	<u>\$ 203,506</u>	<u>\$ 1,823,506</u>

The debt service requirements for direct borrowings/private placements are as follows:

Fiscal Year Ended August 31	Maintenance Tax Notes - Series 2022		Total Requirements
	Principal	Interest	
2023	\$ 437,000	\$ 168,806	\$ 605,806
2024	447,000	159,192	606,192
2025	456,000	149,358	605,358
2026	466,000	139,326	605,326
2027	477,000	129,074	606,074
2028-2032	2,546,000	483,340	3,029,340
2033-2038	2,844,000	184,129	3,028,129
Totals	<u>\$ 7,673,000</u>	<u>\$ 1,413,225</u>	<u>\$ 9,086,225</u>

**D. Leases**

During the prior fiscal years, the District entered into copier and printer lease agreements with three to four year terms. An initial lease liability was recorded in the amount of \$433,997. As of August 31, 2022, the value of the lease liability was \$298,901. The District is required to make monthly principal and interest payments ranging from \$2,474 to \$9,870. An estimated borrowing rate of 3.50% was used by the District. The value of the right-to-use lease assets as of the end of the current fiscal year was \$433,996 and had accumulated amortization of \$138,925.

**ROYAL INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS, *Continued*  
 FOR THE YEAR ENDED AUGUST 31, 2022

Fiscal Year Ended August 31	Principal	Interest	Total Requirements
2023	\$ 140,214	\$ 7,918	\$ 148,132
2024	120,142	3,248	123,390
2025	38,545	172	38,717
Totals	<u>\$ 298,901</u>	<u>\$ 11,338</u>	<u>\$ 310,239</u>

**E. Interfund Transactions**

The interfund balances and transfers at August 31, 2022 were as follows:

Due To Fund	Due From Fund	Amount	Reason
General Fund	Nonmajor Governmental Funds	\$ 408,624	Short-term loans
General Fund	American Rescue Plan ESSER III	614,816	Short-term loans
Nonmajor Governmental Funds	General Fund	91,677	Short-term loans
	Total	<u>\$ 1,115,117</u>	

**IV. OTHER INFORMATION**

**A. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Claims and Judgements

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*  
FOR THE YEAR ENDED AUGUST 31, 2022

## C. Defined Benefit Pension Plan

### Teacher Retirement System

#### Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. TRS'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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by TRS.

#### Pension Plan Fiduciary Net Position

Detailed information about TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at <https://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 provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in the State. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment 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 the manner are determined by TRS'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 TRS during the fiscal year.

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

**ROYAL INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS, *Continued*  
 FOR THE YEAR ENDED AUGUST 31, 2022

<b>Contribution Rates</b>			
<b>Fiscal Year</b>	<b>State</b>	<b>Public Education Employer*</b>	<b>Active Employee</b>
2021	7.50%	1.60%	7.70%
2022	7.75%	1.70%	8.00%
2023	8.00%	1.80%	8.00%
2024	8.25%	1.90%	8.25%
2025	8.25%	2.00%	8.25%

	<b>Contribution Rates</b>	
	<b>2021</b>	<b>2022</b>
Member	7.70%	8.00%
NECE (State)	7.50%	7.75%
Employer	7.50%	7.50%

	<b>Measurement Year (2021)</b>	<b>Fiscal Year (2022)</b>
Employer contributions	\$ 627,541	\$ 642,713
Member contributions	\$ 1,429,472	\$ 1,546,261
NECE on-behalf contributions	\$ 998,885	\$ 1,076,496

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

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

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

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

- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member’s salary beginning in the fiscal year 2021, gradually increasing to 2.0% in fiscal year 2025.

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*  
FOR THE YEAR ENDED AUGUST 31, 2022

## Actuarial Assumptions

The total pension liability (TPL) 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	Fair value
Single discount rate	7.25%
Long-term expected rate	7.25%
Municipal bond rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Inflation	2.30%
Salary increases	3.05% to 9.05%, including inflation
Benefit changes during the year	None
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions used in the determination of the TPL are the same assumptions used in the actuarial valuation as of ending August 31, 2020. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 9, 2020.

## Discount Rate

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

Based on those assumptions, TRS' 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 TRS investments was applied to all periods of projected benefit payments to determine the TPL.

The long-term expected rate of return on TRS investments is 7.25%. The long-term expected rate of return on TRS 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.



**ROYAL INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS, Continued  
 FOR THE YEAR ENDED AUGUST 31, 2022

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2021 are summarized below:

**Teacher Retirement System of Texas**  
**Asset Allocation and Long-Term Expected Real Rate of Returns**  
**August 31, 2021**

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Long-Term Expected Geometric Real Rate of Return (2)</u>	<u>Expected Contributions to Long-Term Portfolio Returns</u>
<b>Global Equity</b>			
U.S.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
<b>Stable Value</b>			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Value	-	1.10%	-
Stable Value Hedge Funds	5.00%	2.20%	0.12%
<b>Real Return</b>			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources, and Infrastructure	6.00%	4.70%	0.35%
Commodities	-	1.70%	-
<b>Risk Parity</b>			
Risk Parity	8.00%	2.80%	0.28%
<b>Leverage</b>			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
<b>Inflation Expectation</b>			2.20%
<b>Volatility Drag (3)</b>			-0.95%
<b>Total</b>	<u>100.00%</u>	<u>34.50%</u>	<u>6.90%</u>

(1) Target allocations are based on the FY 2021 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.

Discount Rate Sensitivity Analysis

The following table shows the impact of the net pension liability (NPL) of TRS using the discount rate of 7.25% and what the NPL would be if it was calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current year rate:

	<b>1% Decrease in Discount Rate (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase in Discount Rate (8.25%)</b>
District's proportionate share of the NPL	<u>\$ 8,183,195</u>	<u>\$ 3,744,897</u>	<u>\$ 144,901</u>

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued  
FOR THE YEAR ENDED AUGUST 31, 2022

## Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2022, the District reported a liability of \$3,744,897 for its proportionate share of the TRS's NPL. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	3,744,897
State's proportionate share that is associated with the District		5,960,916
<b>Total</b>	<b>\$</b>	<b><u>9,705,813</u></b>

The NPL was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2020 through August 31, 2021.

At August 31, 2022, the District's proportion of the collective NPL was 0.0147052%, which was an increase of 0.0027141% from its proportion measured as of August 31, 2021.

### Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$23,831 and revenue of \$23,831 for support provided by the State.

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 pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ 6,267	\$ (263,644)
Changes in actuarial assumptions	1,323,748	(577,041)
Difference between projected and actual investment earnings	-	(3,140,048)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,113,372	(692,463)
Contributions paid to TRS subsequent to the measurement date	642,713	-
<b>Total</b>	<b><u>\$ 3,086,100</u></b>	<b><u>\$ (4,673,196)</u></b>

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

<b>Fiscal Year Ended August 31</b>	<b>Pension Expense</b>
2023	\$ (409,310)
2024	(449,812)
2025	(719,379)
2026	(857,288)
2027	151,214
Thereafter	54,766
<b>Total</b>	<b><u>\$ (2,229,809)</u></b>

**ROYAL INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS, *Continued*  
 FOR THE YEAR ENDED AUGUST 31, 2022

**D. Defined Other Postemployment Benefits Plan**

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined benefit OPEB plan with a special funding situation. TRS-Care was established in 1986 by the Texas Legislature.

The TRS Board of Trustees (the "Board") administers the TRS-Care program and the related fund in accordance with Texas insurance Code Chapter 1575. The Board 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

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

Components of the net OPEB liability of TRS-Care as of August 31, 2021 are as follows:

Total OPEB liability	\$	41,113,711,083
Less: plan fiduciary net position		<u>(2,539,242,470)</u>
<b>Net OPEB Liability</b>	<b>\$</b>	<b><u>38,574,468,613</u></b>

Net position as a percentage of total OPEB liability -6.18%

Benefits Provided

TRS-Care provides a basic health insurance coverage to retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of TRS. 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 TRS. There are no automatic postemployment benefit changes, including automatic COLAs.

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

<b>TRS-Care Plan Premium Rates</b>			
		<b>Medicare</b>	<b>Non-Medicare</b>
Retiree or surviving spouse	\$	135	\$ 200
Retiree and spouse	\$	529	\$ 689
Retiree or surviving spouse and children	\$	468	\$ 408
Retiree and family	\$	1,020	\$ 999

**ROYAL INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS, *Continued*  
 FOR THE YEAR ENDED AUGUST 31, 2022

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate, which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate, which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the GAA.

The following table shows contribution rates to TRS-Care by type of contributor:

	<b>Contribution Rates</b>	
	<b>Fiscal Year</b>	
	<b>2021</b>	<b>2022</b>
Active employee	0.65%	0.65%
NECE (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	<b>Measurement</b>	<b>Fiscal</b>
	<b>Year (2021)</b>	<b>Year (2022)</b>
Employer contributions	\$ 155,667	\$ 160,361
Member contributions	\$ 49,897	\$ 62,817
NECE on-behalf contributions	\$ 208,559	\$ 241,603

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

TRS-Care received supplemental appropriations from the State as the NECE in the amount of \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions

The 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 TRS pension plan, except that the OPEB valuation is more complex. 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:

- |                         |                                  |
|-------------------------|----------------------------------|
| 1. Rates of Mortality   | 4. Rates of Disability Incidence |
| 2. Rates of Retirement  | 5. General Inflation             |
| 3. Rates of Termination | 6. Wage Inflation                |

# ROYAL INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued FOR THE YEAR ENDED AUGUST 31, 2022

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. 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.

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2020 rolled forward to 8/31/2021
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Discount rate	1.95% as of August 31, 2021
Aging factors	Based on plan-specific experience
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs
Projected salary increases	3.05% to 9.05%, including inflation
Healthcare trend rates	Medical trend rates: 8.50% (Medicare retirees) and 7.10% (non-Medicare retirees) prescription drug trend rate: 8.50%
Election rates	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad hoc postemployment 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% in the discount rate since the previous year. Because TRS-Care 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 NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care’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.

### Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (1.95%) in measuring the net OPEB liability:

	<u>1% Decrease in Discount Rate (0.95%)</u>	<u>Current Single Discount Rate (1.95%)</u>	<u>1% Increase in Discount Rate (2.95%)</u>
District’s proportionate share of net OPEB liability	\$ 9,271,489	\$ 7,686,333	\$ 6,438,764

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

	<u>1% Decrease in Healthcare Cost Trend Rate</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase in Healthcare Cost Trend Rate</u>
District’s proportionate share of net OPEB liability	\$ 6,225,675	\$ 7,686,333	\$ 9,646,173

**ROYAL INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS, *Continued*  
 FOR THE YEAR ENDED AUGUST 31, 2022

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2022, the District reported a liability of \$7,686,333 for its proportionate share of TRS-Care’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	\$	7,686,333
State’s proportionate share that is associated with the District		<u>10,297,973</u>
<b>Total</b>	<b>\$</b>	<b><u>17,984,306</u></b>

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 District’s proportion of the net OPEB liability was based on the District’s contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2020 through August 31, 2021.

At August 31, 2022, the employer’s proportion of the collective net OPEB liability was 0.0199260%, compared to 0.0194231% as of August 31, 2021.

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 rate was changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

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

For the year ended August 31, 2022, the District recognized OPEB expense of \$380,074 and revenue of \$380,074 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of TRS-Care’s deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 330,933	\$ (3,720,723)
Changes in actuarial assumptions	851,352	(1,625,517)
Differences between projected and actual investment earnings	8,345	-
Changes in proportion and difference between the District’s contributions and the proportionate share of contributions	1,006,744	(146,582)
Contributions paid to TRS subsequent to the measurement date	<u>160,361</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>2,357,735</u></b>	<b>\$ <u>(5,492,822)</u></b>

# ROYAL INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS, Continued FOR THE YEAR ENDED AUGUST 31, 2022

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

<u>Fiscal Year Ended August 31</u>	<u>OPEB Expense</u>
2023	\$ (665,962)
2024	(666,150)
2025	(666,099)
2026	(463,775)
2027	(189,861)
Thereafter	(643,601)
<b>Total</b>	<b>\$ (3,295,448)</b>

### Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$81,974, \$83,099, and \$74,932, respectively.

### **E. Employee Health Care Coverage**

During the year ended August 31, 2022, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2022 and terms of coverage and premiums costs are included in the contractual provisions.

### **F. Workers' Compensation**

During the year ended August 31, 2022, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2021, the Fund carries a discount reserve of \$44,985,187 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2022, the Fund anticipated no additional liability to members beyond their contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*  
FOR THE YEAR ENDED AUGUST 31, 2022

## G. Unemployment Compensation

During the year ended August 31, 2022, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2022, the Fund anticipates that the District has no additional liability beyond the contractual obligation or payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021 are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

## H. Tax Abatements

The District has entered into a property tax abatement (the "Agreement") with a food manufacturing company (the "Company") for a limitation on appraised value of property for school district maintenance and operation (M&O) taxes pursuant to Chapter 313 of the Texas Tax Code, the Texas Economic Development Act (the "Act") as of December 10, 2012. The original Agreement has been amended several times, with the most recent effective as of March 20, 2017.

Under the Act, a taxpayer agrees to build or install property and create jobs in exchange for a 10-year limitation on the taxable property value for school district M&O tax purposes. The minimum value varies by school district.

The District has granted the Company a tax limitation of \$20,000,000 for the period beginning January 1, 2015 through December 31, 2022. In order to be eligible to receive the limitation, the Company must have completed a qualified investment of \$50,000,000 during the time period beginning December 10, 2012 and ending December 31, 2014. The qualified investment consists of a new canned food manufacturing plant in Waller County. Additionally, the Company must have created and maintained, subject to the provisions of Section 313.021 of the Texas Tax Code, new qualifying jobs as required by the Act and pay an average weekly wage of at least \$1,079 for all qualifying jobs created.

In order for the Company to receive and maintain the tax limitation, the Company must:

- Provide payments to the District sufficient to protect the future revenues through payment of revenue offsets;
- Provide payments to the District that protect the District from the payment of extraordinary education-related expenses related to the project;
- Provide such supplemental payments;
- Create and maintain a viable presence on or with the qualified property beginning January 1, 2023 through December 31, 2025.

For the fiscal year ended August 31, 2022, the District abated property taxes totaling \$236,858 under the Agreement.



# ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*  
FOR THE YEAR ENDED AUGUST 31, 2022

## I. Restatement

During the fiscal year, the District restated beginning net position for the implementation of Governmental Accounting Standards Board Statement, No. 87, *Leases*.

	Governmental Activities
Beginning net position - as reported	\$ (5,782,657)
Right-to-use assets	433,996
Lease liability	<u>(433,996)</u>
Beginning net position - as restated	<u>\$ (5,782,657)</u>

## J. Subsequent Event

The District entered into a lease agreement with Huntington National Bank for the purchase of a scoreboard in the amount of \$249,000 to be paid over the next five years with annual payment of \$49,800. The first payment will be paid on December 13, 2022.

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## Required Supplementary Information

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

**ROYAL INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2022

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 19,913,629	\$ 19,975,362	\$ 20,935,340	\$ 959,978
5800	State Program Revenues	10,101,918	10,101,918	8,986,123	(1,115,795)
5900	Federal Program Revenues	400,000	400,000	499,977	99,977
5020	Total Revenues	<u>30,415,547</u>	<u>30,477,280</u>	<u>30,421,440</u>	<u>(55,840)</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	16,864,454	14,617,869	12,475,149	2,142,720
0012	Instructional Resources and Media Services	206,823	207,823	176,134	31,689
0013	Curriculum and Staff Development	753,879	796,079	477,179	318,900
	Total Instruction and Instr. Related Services	<u>17,825,156</u>	<u>15,621,771</u>	<u>13,128,462</u>	<u>2,493,309</u>
Instructional and School Leadership:					
0021	Instructional Leadership	670,911	746,912	599,624	147,288
0023	School Leadership	1,864,956	1,821,506	1,793,949	27,557
	Total Instructional and School Leadership	<u>2,535,867</u>	<u>2,568,418</u>	<u>2,393,573</u>	<u>174,845</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling, and Evaluation Services	703,352	743,702	741,056	2,646
0032	Social Work Services	153,056	146,406	127,740	18,666
0033	Health Services	327,859	323,637	295,994	27,643
0034	Student (Pupil) Transportation	1,561,116	1,560,366	1,363,404	196,962
0035	Food Services	500	500	72	428
0036	Cocurricular/Extracurricular Activities	1,311,817	1,299,960	1,172,658	127,302
	Total Support Services - Student (Pupil)	<u>4,057,700</u>	<u>4,074,571</u>	<u>3,700,924</u>	<u>373,647</u>
Administrative Support Services:					
0041	General Administration	1,569,043	1,599,439	1,551,994	47,445
	Total Administrative Support Services	<u>1,569,043</u>	<u>1,599,439</u>	<u>1,551,994</u>	<u>47,445</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	3,240,207	12,807,119	6,664,560	6,142,559
0052	Security and Monitoring Services	223,196	285,596	263,720	21,876
0053	Data Processing Services	716,205	683,605	605,586	78,019
	Total Support Services - Nonstudent Based	<u>4,179,608</u>	<u>13,776,320</u>	<u>7,533,866</u>	<u>6,242,454</u>
Ancillary Services:					
0061	Community Services	8,800	14,800	12,558	2,242
	Total Ancillary Services	<u>8,800</u>	<u>14,800</u>	<u>12,558</u>	<u>2,242</u>
Debt Service:					
0071	Principal on Long-Term Debt	180,000	845,419	842,096	3,323
0072	Interest on Long-Term Debt	48,188	187,226	139,898	47,328
0073	Bond Issuance Costs and Fees	500	70,970	70,870	100
	Total Debt Service	<u>228,688</u>	<u>1,103,615</u>	<u>1,052,864</u>	<u>50,751</u>
0099	Other Intergovernmental Charges	340,109	387,770	387,769	1
	Total Intergovernmental Charges	<u>340,109</u>	<u>387,770</u>	<u>387,769</u>	<u>1</u>
6030	Total Expenditures	<u>30,744,971</u>	<u>39,146,704</u>	<u>29,762,010</u>	<u>9,384,694</u>

**ROYAL INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2022

**EXHIBIT G-1**  
 Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	\$ 329,424	\$ (8,669,424)	\$ 659,430	\$ 9,328,854
Other Financing Sources (Uses):				
7911 Capital-Related Debt Issued	--	8,200,000	8,200,000	--
8949 Other Uses	--	--	(27,813)	(27,813)
7080 Total Other Financing Sources and (Uses)	--	8,200,000	8,172,187	(27,813)
1200 Net Change in Fund Balance	329,424	(469,424)	8,831,617	9,301,041
0100 Fund Balance - Beginning	11,726,103	11,726,103	11,726,103	--
3000 Fund Balance - Ending	\$ 12,055,527	\$ 11,256,679	\$ 20,557,720	\$ 9,301,041

**Notes to the Required Supplementary Information:**

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**ROYAL INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)  
FOR THE YEAR ENDED AUGUST 31, 2022

	Measurement Year*			
	2021	2020	2019	2018
District's proportion of the net pension liability (asset)	0.0147052%	0.0119911%	0.0131901%	0.0146931%
District's proportionate share of the net pension liability (asset)	\$ 3,744,897	\$ 6,422,201	\$ 6,856,606	\$ 8,087,433
State's proportionate share of the net pension liability (asset) associated with the District	5,960,916	13,625,370	12,455,632	13,462,697
Total	<u>\$ 9,705,813</u>	<u>\$ 20,047,571</u>	<u>\$ 19,312,238</u>	<u>\$ 21,550,130</u>
District's covered payroll**	\$ 18,564,577	\$ 17,515,113	\$ 16,319,256	\$ 16,629,322
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.17%	36.67%	42.02%	48.63%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%

\* Only eight years' worth of information is currently available.

\*\* As of the measurement date.

**Notes to Required Supplementary Information:**

Changes in Assumptions:

There were no changes of assumptions that affected measurement of the total pension liability (TPL) during the measurement period.

Changes in Benefits:

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

Measurement Year*			
<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0149381%	0.0146559%	0.049568%	0.0084990%
\$ 4,776,402	\$ 5,538,234	\$ 5,287,030	\$ 2,270,201
<u>7,522,370</u>	<u>8,993,528</u>	<u>8,215,895</u>	<u>6,515,686</u>
<u>\$ 12,298,772</u>	<u>\$ 14,531,762</u>	<u>\$ 13,502,925</u>	<u>\$ 8,785,887</u>
\$ 15,755,024	\$ 15,174,769	\$ 12,983,588	\$ 12,027,683
30.32%	36.50%	40.72%	18.87%
82.17%	78.00%	78.43%	83.25%

**ROYAL INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)  
 FOR THE YEAR ENDED AUGUST 31, 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Contractually required contribution	\$ 642,713	\$ 627,424	\$ 494,779	\$ 461,668	\$ 494,030
Contributions in relation to the contractually required contribution	642,713	627,424	494,779	461,668	494,030
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 19,328,266	\$ 18,564,577	\$ 17,515,113	\$ 16,319,256	\$ 16,629,322
Contributions as a percentage of covered payroll	3.33%	3.38%	2.82%	2.83%	2.97%



		Fiscal Year				
		2017	2016	2015	2014	2013
\$		489,585	\$ 465,654	\$ 420,813	\$ 215,472	\$ 186,739
		<u>489,585</u>	<u>465,654</u>	<u>420,813</u>	<u>215,472</u>	<u>186,739</u>
\$		<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$		15,755,024	\$ 15,174,769	\$ 12,983,588	\$ 12,027,683	\$ 12,190,150
		3.11%	3.07%	3.24%	1.79%	1.53%

**ROYAL INDEPENDENT SCHOOL DISTRICT**

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE

## SHARE OF THE NET OPEB LIABILITY

## TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE)

## FOR THE YEAR ENDED AUGUST 31, 2022

	Measurement Year*			
	2021	2020	2019	2018
District's proportion of the collective net OPEB liability (asset)	0.0199260%	0.0194231%	0.0190759%	0.0194284%
District's proportionate share of the collective net OPEB liability (asset)	\$ 7,686,333	\$ 7,383,591	\$ 9,021,220	\$ 9,700,764
State proportionate share of the collective net OPEB liability (asset) associated with the District	10,297,973	9,921,776	11,987,185	14,443,974
Total	<u>\$ 17,984,306</u>	<u>\$ 17,305,367</u>	<u>\$ 21,008,405</u>	<u>\$ 24,144,738</u>
District's covered payroll**	\$ 18,564,577	\$ 17,515,113	\$ 16,319,256	\$ 16,629,322
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	41.40%	42.18%	55.28%	58.34%
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	4.99%	2.66%	1.57%

\*Only five year's worth of information is currently available.

\*\*As of the measurement date.

**Notes to Required Supplementary Information:***Changes in Assumptions:*

The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

*Changes in Benefits:*

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

Measurement  
Year\*  
2017

0.0177955%

\$ 7,738,595

12,618,457  
\$ 20,357,052

\$ 15,755,024

49.12%

0.91%

**ROYAL INDEPENDENT SCHOOL DISTRICT**

## SCHEDULE OF DISTRICT CONTRIBUTIONS

## TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE)

FOR THE YEAR ENDED AUGUST 31, 2022

	Fiscal Year*			
	2022	2021	2020	2019
Statutorily or contractually required District contribution	\$ 160,361	\$ 155,667	\$ 147,629	\$ 135,386
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	160,361	155,667	147,629	135,386
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 19,328,266	\$ 18,564,577	\$ 17,515,113	\$ 16,319,256
Contributions as a percentage covered payroll	0.83%	0.84%	0.84%	0.83%

\*Only five years' worth of information is currently available.

<u>Fiscal Year*</u>	
<u>2018</u>	
\$	133,465
	<u>133,465</u>
\$	<u><u>--</u></u>
\$	16,629,322
	0.80%

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## Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**ROYAL INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2022

Data Control Codes	211 Title I, Part A- Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool	240 National School Breakfast/Lunch Program	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ 12,361	\$ --	\$ 680,965
1240	Due from Other Governments	84,443	63,512	--	8,559
1260	Due from Other Funds	--	--	--	91,677
1290	Other Receivables	--	--	--	244
1300	Inventories	--	--	--	5,597
1000	Total Assets	<u>\$ 84,443</u>	<u>\$ 75,873</u>	<u>\$ --</u>	<u>\$ 787,042</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ 4,012	\$ --	\$ 19
2150	Payroll Deductions and Withholdings	--	16	--	--
2170	Due to Other Funds	84,443	71,845	--	--
2180	Due to Other Governments	--	--	--	3,135
2300	Unearned Revenue	--	--	--	75,335
2000	Total Liabilities	<u>84,443</u>	<u>75,873</u>	<u>--</u>	<u>78,489</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	5,597
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	702,956
3490	Other Restrictions of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>708,553</u>
4000	Total Liabilities and Fund Balances	<u>\$ 84,443</u>	<u>\$ 75,873</u>	<u>\$ --</u>	<u>\$ 787,042</u>



244 Perkins V: Strengthen. CTE for 21st Century	255 Title II, Part A- Supp. Effective Instruction	263 Title III, Part A-ELA	266 Education Stabilization Fund (ESSER)	281 CRRSA ESSER II
\$ --	\$ --	\$ 8,879	\$ --	\$ --
34,361	4,640	2,530	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 34,361</u>	<u>\$ 4,640</u>	<u>\$ 11,409</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	9	--	--	--
34,361	4,631	11,409	--	--
--	--	--	--	--
--	--	--	--	--
<u>34,361</u>	<u>4,640</u>	<u>11,409</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 34,361</u>	<u>\$ 4,640</u>	<u>\$ 11,409</u>	<u>\$ --</u>	<u>\$ --</u>

**ROYAL INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2022

Data Control Codes	284 IDEA-B Formula - ARP	289 Title IV, Part A, Subpart 1	397 Advanced Placement Incentives
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ --
1240 Due from Other Governments	59,460	27,654	--
1260 Due from Other Funds	--	--	--
1290 Other Receivables	--	--	--
1300 Inventories	--	--	--
1000 Total Assets	<u>\$ 59,460</u>	<u>\$ 27,654</u>	<u>\$ --</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ --	\$ --	\$ --
2150 Payroll Deductions and Withholdings	--	--	--
2170 Due to Other Funds	59,460	27,654	--
2180 Due to Other Governments	--	--	--
2300 Unearned Revenue	--	--	--
2000 Total Liabilities	<u>59,460</u>	<u>27,654</u>	<u>--</u>
<b>FUND BALANCES:</b>			
Nonspendable Fund Balances:			
3410 Inventories	--	--	--
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	--	--
3490 Other Restrictions of Fund Balance	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 59,460</u>	<u>\$ 27,654</u>	<u>\$ --</u>

410 State Textbook	429 State Funded Special Revenue	461 Campus Activity	480 Education Fund
\$ --	\$ --	\$ 23,365	\$ 20,696
--	122,085	--	--
--	--	--	--
--	--	--	--
<u>\$ --</u>	<u>\$ 122,085</u>	<u>\$ 23,365</u>	<u>\$ 20,696</u>
\$ --	\$ 7,264	\$ --	\$ --
--	--	--	--
--	114,821	--	20,696
--	--	--	--
<u>--</u>	<u>122,085</u>	<u>--</u>	<u>20,696</u>
--	--	--	--
--	--	23,365	--
<u>--</u>	<u>--</u>	<u>23,365</u>	<u>--</u>
<u>\$ --</u>	<u>\$ 122,085</u>	<u>\$ 23,365</u>	<u>\$ 20,696</u>

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**ROYAL INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 AUGUST 31, 2022

Data Control Codes	498  Scholarship	499 Locally Funded Grants	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 2,000	\$ 5,721	\$ 753,987
1240	Due from Other Governments	--	--	407,244
1260	Due from Other Funds	--	--	91,677
1290	Other Receivables	--	--	244
1300	Inventories	--	--	5,597
1000	Total Assets	<u>\$ 2,000</u>	<u>\$ 5,721</u>	<u>\$ 1,258,749</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ 11,295
2150	Payroll Deductions and Withholdings	--	--	25
2170	Due to Other Funds	--	--	408,624
2180	Due to Other Governments	--	--	23,831
2300	Unearned Revenue	--	--	75,335
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>519,110</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410	Inventories	--	--	5,597
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	500	--	703,456
3490	Other Restrictions of Fund Balance	1,500	5,721	30,586
3000	Total Fund Balances	<u>2,000</u>	<u>5,721</u>	<u>739,639</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,000</u>	<u>\$ 5,721</u>	<u>\$ 1,258,749</u>

**ROYAL INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	211 Title I, Part A- Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool	240 National School Breakfast/Lunch Program
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 116,819
5800 State Program Revenues	--	--	--	2,624
5900 Federal Program Revenues	687,355	454,683	5,117	2,140,065
5020 Total Revenues	<u>687,355</u>	<u>454,683</u>	<u>5,117</u>	<u>2,259,508</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	621,677	235,338	--	--
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	64,405	925	--	--
0021 Instructional Leadership	--	46,501	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, and Evaluation Services	--	156,625	5,117	--
0033 Health Services	--	--	--	--
0035 Food Service	--	--	--	1,660,879
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0041 General Administration	--	--	--	--
0051 Facilities Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
0053 Data Processing Services	--	--	--	--
0061 Community Services	1,273	--	--	--
0093 Payments to Shared Services Arrangements	--	15,294	--	--
6030 Total Expenditures	<u>687,355</u>	<u>454,683</u>	<u>5,117</u>	<u>1,660,879</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	598,629
1200 Net Change in Fund Balances	--	--	--	598,629
0100 Fund Balances - Beginning	--	--	--	109,924
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 708,553</u>

244 Perkins V: Strengthen. CTE for 21st Century	255 Title II, Part A- Supp. Effective Instruction	263 Title III, Part A-ELA	266 Education Stabilization Fund (ESSER)	281 CRRSA ESSER II
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>34,361</u>	<u>97,637</u>	<u>71,271</u>	<u>770</u>	<u>2,474,932</u>
<u>34,361</u>	<u>97,637</u>	<u>71,271</u>	<u>770</u>	<u>2,474,932</u>
34,361	60,087	62,271	770	2,474,932
--	--	--	--	--
--	2,950	9,000	--	--
--	--	--	--	--
--	34,600	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>34,361</u>	<u>97,637</u>	<u>71,271</u>	<u>770</u>	<u>2,474,932</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**ROYAL INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	284 IDEA-B Formula - ARP	289 Title IV, Part A, Subpart 1	397 Advanced Placement Incentives
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	212
5900 Federal Program Revenues	59,460	94,656	--
5020 Total Revenues	<u>59,460</u>	<u>94,656</u>	<u>212</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	18,460	22,874	212
0012 Instructional Resources and Media Services	--	--	--
0013 Curriculum and Staff Development	--	--	--
0021 Instructional Leadership	--	--	--
0023 School Leadership	--	--	--
0031 Guidance, Counseling, and Evaluation Services	41,000	30,008	--
0033 Health Services	--	20,069	--
0035 Food Service	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	--
0041 General Administration	--	--	--
0051 Facilities Maintenance and Operations	--	--	--
0052 Security and Monitoring Services	--	21,705	--
0053 Data Processing Services	--	--	--
0061 Community Services	--	--	--
0093 Payments to Shared Services Arrangements	--	--	--
6030 Total Expenditures	<u>59,460</u>	<u>94,656</u>	<u>212</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	<u>--</u>	<u>--</u>	<u>--</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



410 State Textbook	429 State Funded Special Revenue	461 Campus Activity	480 Education Fund
\$ --	\$ --	\$ 26,265	\$ 57,440
211,546	139,757	--	--
--	--	--	--
<u>211,546</u>	<u>139,757</u>	<u>26,265</u>	<u>57,440</u>
353,332	--	--	41,616
--	--	--	--
--	9,556	--	--
--	--	--	--
--	--	--	--
--	--	--	--
--	--	31,638	15,824
--	8,116	--	--
--	122,085	--	--
--	--	--	--
--	--	--	--
--	--	--	--
<u>353,332</u>	<u>139,757</u>	<u>31,638</u>	<u>57,440</u>
(141,786)	--	(5,373)	--
<u>(141,786)</u>	<u>--</u>	<u>(5,373)</u>	<u>--</u>
141,786	--	28,738	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 23,365</u>	<u>\$ --</u>

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**ROYAL INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	498  Scholarship	499 Locally Funded Grants	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 500	\$ 19,323	\$ 220,347
5800 State Program Revenues	--	--	354,139
5900 Federal Program Revenues	--	--	6,120,307
5020 Total Revenues	<u>500</u>	<u>19,323</u>	<u>6,694,793</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	--	517	3,926,447
0012 Instructional Resources and Media Services	--	427	427
0013 Curriculum and Staff Development	--	2,680	89,516
0021 Instructional Leadership	--	--	46,501
0023 School Leadership	--	300	34,900
0031 Guidance, Counseling, and Evaluation Services	--	600	233,350
0033 Health Services	--	--	20,069
0035 Food Service	--	--	1,660,879
0036 Cocurricular/Extracurricular Activities	--	6,123	53,585
0041 General Administration	--	1,623	9,739
0051 Facilities Maintenance and Operations	--	--	122,085
0052 Security and Monitoring Services	--	--	21,705
0053 Data Processing Services	--	5,000	5,000
0061 Community Services	--	--	1,273
0093 Payments to Shared Services Arrangements	--	--	15,294
6030 Total Expenditures	<u>--</u>	<u>17,270</u>	<u>6,240,770</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>500</u>	<u>2,053</u>	<u>454,023</u>
1200 Net Change in Fund Balances	<u>500</u>	<u>2,053</u>	<u>454,023</u>
0100 Fund Balances - Beginning	1,500	3,668	285,616
3000 Fund Balances - Ending	<u>\$ 2,000</u>	<u>\$ 5,721</u>	<u>\$ 739,639</u>

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## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**ROYAL INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED AUGUST 31, 2022

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2013 and Prior Years	Various	Various	Various
2014	\$ 1.0400	\$ 0.5563	\$ 876,060,060
2015	\$ 1.0400	\$ 0.5000	\$ 995,418,384
2016	\$ 1.0400	\$ 0.4888	\$ 1,037,758,434
2017	\$ 1.0400	\$ 0.4889	\$ 1,066,145,568
2018	\$ 1.1700	\$ 0.3588	\$ 1,100,969,227
2019	\$ 1.1700	\$ 0.3588	\$ 1,193,950,092
2020	\$ 1.0639	\$ 0.3588	\$ 1,453,800,656
2021	\$ 0.9630	\$ 0.3588	\$ 1,719,769,241
2022 (School Year Under Audit)	\$ 0.9603	\$ 0.3588	\$ 2,123,028,398

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/21	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/22
\$ 433,138	\$ --	\$ 10,679	\$ 4,634	\$ --	\$ 417,825
41,189	--	1,370	733	--	39,086
41,515	--	1,707	821	--	38,987
40,384	--	2,916	1,370	--	36,098
216,659	--	5,186	2,437	(14)	209,022
57,820	--	8,531	2,616	(384)	46,289
103,291	--	33,704	10,336	(460)	58,791
136,026	--	75,614	25,502	81,651	116,561
620,675	--	113,685	35,618	(244,937)	226,435
--	28,004,867	20,082,556	7,510,137	64,790	476,964
<u>\$ 1,690,697</u>	<u>\$ 28,004,867</u>	<u>\$ 20,335,948</u>	<u>\$ 7,594,204</u>	<u>\$ (99,354)</u>	<u>\$ 1,666,058</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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**ROYAL INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

**EXHIBIT J-2**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 160,065	\$ 164,065	\$ 116,819	\$ (47,246)
5800	State Program Revenues	3,643	3,643	2,624	(1,019)
5900	Federal Program Revenues	1,376,421	1,506,019	2,140,065	634,046
5020	Total Revenues	<u>1,540,129</u>	<u>1,673,727</u>	<u>2,259,508</u>	<u>585,781</u>
<b>EXPENDITURES:</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	1,540,129	1,673,727	1,660,879	12,848
	Total Support Services - Student (Pupil)	<u>1,540,129</u>	<u>1,673,727</u>	<u>1,660,879</u>	<u>12,848</u>
6030	Total Expenditures	<u>1,540,129</u>	<u>1,673,727</u>	<u>1,660,879</u>	<u>12,848</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	598,629	598,629
1200	Net Change in Fund Balance	--	--	598,629	598,629
0100	Fund Balance - Beginning	109,924	109,924	109,924	--
3000	Fund Balance - Ending	<u>\$ 109,924</u>	<u>\$ 109,924</u>	<u>\$ 708,553</u>	<u>\$ 598,629</u>

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**ROYAL INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 7,429,502	\$ 7,442,771	\$ 7,697,270	\$ 254,499
5800	State Program Revenues	28,761	28,761	39,316	10,555
5020	Total Revenues	<u>7,458,263</u>	<u>7,471,532</u>	<u>7,736,586</u>	<u>265,054</u>
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long-Term Debt	3,435,000	3,435,000	3,435,000	--
0072	Interest on Long-Term Debt	1,818,537	1,818,537	1,782,386	36,151
0073	Bond Issuance Costs and Fees	10,600	23,869	19,347	4,522
	Total Debt Service	<u>5,264,137</u>	<u>5,277,406</u>	<u>5,236,733</u>	<u>40,673</u>
6030	Total Expenditures	<u>5,264,137</u>	<u>5,277,406</u>	<u>5,236,733</u>	<u>40,673</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>2,194,126</u>	<u>2,194,126</u>	<u>2,499,853</u>	<u>305,727</u>
Other Financing Sources (Uses):					
8949	Other Uses	--	(1,919,826)	(1,919,826)	--
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(1,919,826)</u>	<u>(1,919,826)</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>2,194,126</u>	<u>274,300</u>	<u>580,027</u>	<u>305,727</u>
0100	Fund Balance - Beginning	2,644,280	2,644,280	2,644,280	--
3000	Fund Balance - Ending	<u>\$ 4,838,406</u>	<u>\$ 2,918,580</u>	<u>\$ 3,224,307</u>	<u>\$ 305,727</u>

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**ROYAL INDEPENDENT SCHOOL DISTRICT**

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM  
AS OF AUGUST 31, 2022

Data Control Codes		<u>Responses</u>
<b><u>Section A: Compensatory Education Programs</u></b>		
AP1	Did your District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the District 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.	\$ 2,720,113
AP4	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 2,683,720
<b><u>Section B: Bilingual Education Programs</u></b>		
AP5	Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
AP6	Does the District 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 District's fiscal year.	\$ 662,604
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	\$ 348,652

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## Federal Awards and Other Compliance Section

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

To the Board of Trustees of  
Royal Independent School District:

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 Royal Independent School District (the "District"), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
January 13, 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 of  
Royal Independent School District:

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Royal Independent School District's (the "District") 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 the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 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 the District's federal programs.

## **Auditors' 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 the 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 the 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 profession judgement 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of 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 the 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 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 Auditors' 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 have not been identified.

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
January 13, 2023

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

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?  Yes  No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	COVID-19 Education Stabilization Fund (ESSER)
84.425D	COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) ESSER II
84.425U	COVID-19 American Rescue Plan (ARP) ESSER III

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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**ROYAL INDEPENDENT SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2022

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None noted		

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

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	806780706	\$ 563,158
National School Lunch Program	10.555	806780706	1,477,937
Total Passed Through State Department of Education			<u>2,041,095</u>
Total U. S. Department of Agriculture			<u>2,041,095</u>
Total Child Nutrition Cluster			<u>2,041,095</u>
<b>FOOD DISTRIBUTION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Commodity Delivery Fee Reimbursement	10.560	01115	5,424
Commodity Supplemental Food Program (Non-cash)	10.565	806780706	93,546
Total U. S. Department of Agriculture			<u>98,970</u>
Total Food Distribution Cluster			<u>98,970</u>
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-Part B, Formula	84.027A	226600012379056600	454,683
COVID-19 IDEA-B Formula - American Rescue Plan (ARP)	84.027X	225350012379055000	59,460
IDEA-Part B, Preschool	84.173A	226610012379056610	5,117
Total Passed Through State Department of Education			<u>519,260</u>
Total U. S. Department of Education			<u>519,260</u>
Total Special Education (IDEA) Cluster			<u>519,260</u>
<b>OTHER PROGRAMS:</b>			
<u>U.S. Department of Defense</u>			
Direct Program:			
Junior ROTC	12.000	237-905	84,933
Total U.S. Department of Defense			<u>84,933</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Part A - Improving Basic Programs	84.010A	22610101237905	687,355
Perkins V: Strengthening CTE for 21st Century	84.048A	22420006237905	34,361
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	22671001237905	71,271
Title II, Part A-Supporting Effective Instruction	84.367A	22694501237905	97,637
LEP Summer School	84.369A	69552002	4,424
Title IV, Part A, Subpart 1	84.424A	22680101237905	70,163
COVID-19 Education Stabilization Act (ESSER)	84.425D	20521001237905	770
COVID-19 Coronavirus Response and Relief Supplemental Appropriations Act (ESSER II)	84.425D	21521001237905	2,474,932
Total AL Number 84.425D			<u>2,475,702</u>
COVID-19 American Rescue Plan (ARP) ESSER III	84.425U	21528001237905	1,697,389
Total Passed Through State Department of Education			<u>7,698,657</u>

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

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services Passed Through Education Service Center, Region IV: COVID-19 Public Health Workforce Supplemental	93.354	HHS001101500001	\$ 20,069
Total Passed Through Education Service Center, Region IV			<u>20,069</u>
Total U.S. Department of Health and Human Services			<u>20,069</u>
Total U. S. Department of Education			<u>7,718,726</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 7,902,629</u></u>
		Federal Revenue per SEFA	\$ 7,902,629
		General Fund SHARs Revenue	381,478
		E-Rate Revenue	33,566
		<b>Total Exhibit C-2 Federal Revenue</b>	<u><u>\$ 8,317,673</u></u>

The accompanying notes are an integral part of this schedule.

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**ROYAL INDEPENDENT SCHOOL DISTRICT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**ROYAL INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2022

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the District make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the District was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the District is considered <b>to not have made</b> timely payments.)  Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.  Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the District issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the District is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws, and rules that were in effect at the District's fiscal year end?	Yes
SF8	Did the Board members discuss the District's property values at a Board meeting within 120 days before the District adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end	\$ 603,235

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