

ODEM-EDROY
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2022

BOARD OF TRUSTEES

ANTHONY MARTINEZ	PRESIDENT
MARK MORENO	VICE-PRESIDENT
JANIE G. VARGAS	SECRETARY
JON R. WHATLEY	MEMBER
MAX MORENO	MEMBER
JACOB ROMERO	MEMBER
BENJAMIN BREWER	MEMBER

OTHER OFFICIALS

YOLANDA CARR	SUPERINTENDENT
TONYA ROMERO	BUSINESS MANAGER

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Odem-Edroy 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


Odem-Edroy Independent School District
Name of School District

San Patricio
County

205-905
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 13th day of February, 2023.


Signature of Board Secretary


Signature of Board President
(Signature Reflects Board Vice-President)

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

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Financial Section

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Odem-Edroy 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 Odem-Edroy Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Odem-Edroy Independent School District's 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 Odem-Edroy Independent School District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 including 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, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in 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 Odem-Edroy Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The other supplementary information and the

schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023 on our consideration of Odem-Edroy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Odem-Edroy Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
February 8, 2023

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Management's Discussion and Analysis

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**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2022
UNAUDITED**

This section of Odem-Edroy Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

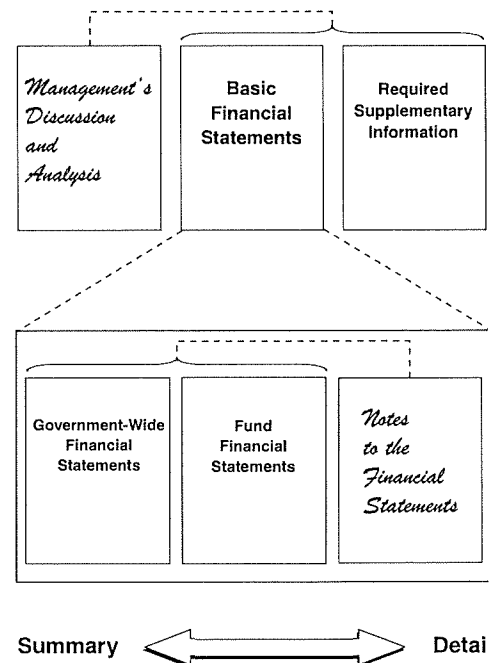
- The District's total combined net position was \$5,591,721 at August 31, 2022.
- During the year, the District's expenses were \$2,199,176 less than the \$16,394,713 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$2,397,679.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial 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 custodian* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide 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 government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—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 nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

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 accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

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 explain the relationship (or differences) between them.
- *Internal Service fund*—The District's worker compensation insurance coverage costs are accounted for in an internal service fund. Costs related to worker compensation insurance coverage services provided to parties inside the District are distributed to the users of support services on a cost-reimbursement basis.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. 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 operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was 5,591,721 at August 31, 2022. (See Table A-1.)

Table A-1
Odem-Edroy Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2022	2021	2022-2021
Assets			
Cash and Cash Equivalents	3.1	4.6	-32.6%
Property Taxes Receivable (Net)	0.5	0.5	0.0%
Due from Other Governments	0.9	0.9	0.0%
Other Current Assets	0.2	-	0.0%
Capital Assets			
Land	0.6	0.6	0.0%
Construction in Progress	-	3.4	-100.0%
Buildings, Net	32.8	28.6	14.7%
Furniture and Equipment, Net	2.4	2.3	4.3%
Total Assets	40.5	40.9	-1.0%
Deferred Outflows of Resources			
Deferred Charge for Refundings	-	-	0.0%
Deferred Outflow Related to Pensions	1.0	1.3	-23.1%
Deferred Outflow Related to OPEB	1.1	1.1	0.0%
Total Deferred Outflows of Resources	2.1	2.4	-12.5%
Liabilities			
Accounts Payable	-	0.6	-100.0%
Accrued Liabilities	0.7	0.8	-12.5%
Unearned Revenue	0.1	0.1	0.0%
Due to Other Governments	0.2	1.0	-80.0%
Noncurrent Liabilities			
Due within One Year	0.9	0.9	0.0%
Due in More Than One Year	26.4	27.2	-2.9%
Net Pension Liability	1.4	3.0	-53.3%
Net OPEB Liability	3.0	3.2	-6.3%
Total Liabilities	32.7	36.8	-11.1%
Deferred Inflows of Resources			
Deferred Inflow Related to Pensions	1.7	0.5	240.0%
Deferred Inflow Related to OPEB	2.6	2.6	0.0%
Total Deferred Inflows of Resources	4.3	3.1	38.7%
Net Position			
Net Investment in Capital Assets	8.5	6.8	25.0%
Restricted	0.9	0.7	28.6%
Unrestricted	(3.8)	(4.1)	7.3%
Total Net Position	5.6	3.4	64.7%

The (\$3,853,778) of unrestricted net position represents that part of the net position that is not restricted by parties outside the District.

Changes in Net Position

The District’s total revenues were \$16.4 million. A significant portion, 36 percent, of the District’s revenue comes from taxes. 41 percent comes from state aid—formula grants, while only 21 percent from operating grants, and 2 percent other.

The total cost of all programs and services was \$14.2 million.

Governmental Activities

- The Maintenance and Operation tax rate was \$0.9603. The Interest and Sinking property tax rate was \$0.3979.

Table A-2
Changes in Odem-Edroy Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2022	2021	2022-2021
Program Revenues:			
Charges for Services	0.1	0.1	0.0%
Operating Grants and Contributions	3.4	1.5	126.7%
General Revenues:			
Property Taxes	5.8	5.7	1.8%
State Aid – Formula	6.7	7.5	-10.7%
Investment Earnings	-	-	0.0%
Other	0.4	0.5	-20.0%
Total Revenues	16.4	15.3	7.2%
Expenses:			
Instruction	6.3	6.3	0.0%
Instructional Resources and Media Services	0.2	0.1	100.0%
Curriculum Dev. and Instructional Staff Dev.	0.3	0.2	50.0%
Instructional Leadership	0.1	0.1	0.0%
School Leadership	0.8	0.8	0.0%
Guidance, Counseling and Evaluation Services	0.4	0.4	0.0%
Health Services	0.2	0.2	0.0%
Student (Pupil) Transportation	0.5	0.5	0.0%
Food Services	0.8	0.8	0.0%
Curricular/Extracurricular Activities	0.8	0.8	0.0%
General Administration	0.7	0.7	0.0%
Plant Maintenance & Operations	1.7	1.5	13.3%
Data Processing Services	0.2	0.2	0.0%
Debt Service	1.0	1.0	0.0%
Capital Outlay	0.1	-	0.0%
Other Intergovernmental Charges	0.1	0.1	0.0%
Total Expenses	14.2	13.7	3.6%
Increase (Decrease) in Net Position	2.2	1.6	37.5%

- The cost of all *governmental* activities this year was \$14.2 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$5.8 million. Some of the cost was paid by grants totaling \$3.4 million.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-3
 Net Cost of Selected Odem-Edroy Independent School District Functions
 (in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2022	2021	% Change	2022	2021	% Change
Instruction	6.3	6.3	0.0%	4.8	5.8	-17.2%
School Administration	0.7	0.7	0.0%	0.6	0.7	-14.3%
Plant Maintenance & Operations	1.7	1.5	13.3%	1.5	1.5	0.0%
Debt Service - Interest & Fiscal Charges	1.0	1.0	0.0%	1.0	1.0	0.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$17.0 million, an increase of 12% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Actual expenditures were \$702,177 under final budget amounts. The most significant positive variance resulted from instruction expenditures. Revenues were over budget by \$608,314.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$49.0 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$0.9 million.

Table A-4
Odem-Edroy Independent School District's Capital Assets
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2022	2021	2022-2021
Land	0.6	0.6	0.0%
Construction in Progress	-	3.4	-100.0%
Buildings and Improvements	42.4	37.5	13.1%
Vehicles	1.7	1.5	13.3%
Equipment	4.3	4.2	2.4%
Totals at Historical Cost	<u>49.0</u>	<u>47.2</u>	3.8%
Total Accumulated Depreciation	<u>13.2</u>	<u>12.3</u>	7.3%
Net Capital Assets	<u><u>35.8</u></u>	<u><u>34.9</u></u>	2.6%

Long Term Obligations

At year-end the District had \$25.6 million in bonds and notes outstanding as shown in Table A-5. More detailed information about the District's obligations is presented in the notes to the financial statements.

The District had the following obligations at August 31, 2022:

Table A-5
Odem-Edroy Independent School District's Long-Term Obligations
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2022	2021	2022-2021
Bonds Payable	25.6	26.3	-2.7%
Plus Premiums	1.6	1.7	-5.9%
Loans Payable	0.1	0.1	0.0%
Total Debt - Bonds and Notes	<u>27.3</u>	<u>28.1</u>	-2.8%
Net Pension Liability	1.4	3.0	-53.3%
Net OPEB Liability	<u>3.0</u>	<u>3.2</u>	-6.3%
Total Long-Term Obligations	<u><u>31.7</u></u>	<u><u>34.3</u></u>	-7.6%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economic factors influencing the District's budget for the 2022-23 fiscal school year include:

- Continued impact of the coronavirus pandemic on enrollment and attendance
- Recruiting and retaining quality staff
- Addressing learning loss and student discipline
- Increasing safety and security measures
- Increasing maintenance and operating due to inflation
- 86th Texas Legislative Session – House Bill 3 (HB3) – Tax Rate Compression
- 87th Texas Legislative Session – Property Tax Relief – Local Property Values
- ESSER II & ESSER III Federal Coronavirus Stimulus Funds

The Board of Trustees adopted a \$827,506 deficit budget for 2022-23, before utilizing fund balance and federal stimulus funds. The budget provided raises for all employees, teacher retention incentives, employee insurance incentives, HB4545 learning loss, technology, classroom equipment, transportation, facilities projects, safety & security projects, note payment, and increase costs for general maintenance, operation, and insurance premiums.

The Board of Trustees adopted a 2022-23 tax rate of \$1.3406 per \$100 of assessed value. The total tax rate includes a maintenance and operations (M&O) tax rate of \$0.9429 and an interest and sinking (I&S) tax rate of \$0.3977. The adopted tax rate of \$1.3406 reflects a decrease of 0.0434 cents on the M&O tax rate. House Bill 3 (HB3) of the 86th Texas Legislative Session reduces the maintenance and operations tax rate to the lower of the state compressed rate or the local compressed rate when property values grow more than 2.5 percent. Since the District's property values increased by 8.5% for 2022-23, the maintenance and operations tax rate was based on the local compressed rate for 2022-23. Under HB3, the reduction in property tax revenues due to the compression of the M&O tax rate is offset by an increase in state funding.

The District held a successful bond election May 2015 for \$24.5 million in debt. The proceeds of the bond provided funds for a new high school, junior high school wing, and other facility upgrades. After a delayed start to the 2017-18 school year, due to Hurricane Harvey, the doors to the new Odem High School and Odem Junior High campuses were opened September 5, 2017. Hurricane Harvey significantly impacted the District and community properties. Due to a failed insurance co-op, the cost of replacing damaged roofs and aging facilities fell upon the District by way of fund balance and qualifying grants. In March 2020, the coronavirus pandemic caused statewide school closures. The District returned to 100% face-to-face (F2F) instruction September 2020. Different stages and variants of the pandemic continued to affect attendance during the 2021-22 school year compounding student learning loss. The District serves a large population of economically disadvantaged students requiring additional supports. This is the first year of the Community Eligibility Program (CEP) four-year-cycle.

With much community support, the District continues strong due to effective leadership offered by its Board of Trustees, administration, and staff members. Enrollment is steadily increasing with new housing developments for expanding industries in the area. The District continues its commitment to provide all students a quality education. The health, safety, and security of students and staff remain at the forefront of all decisions. Due to the need of District facility projects, the Board of Trustees and District Administration are in the planning stages for a possible May 2023 or November 2023 bond election.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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 Services Department.

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Basic Financial Statements

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 3,149,524
1225	Property Taxes Receivable (Net)	477,020
1240	Due from Other Governments	881,469
1290	Other Receivables (Net)	2,389
1300	Inventories	29,303
1410	Unrealized Expenses	172,859
Capital Assets:		
1510	Land	551,499
1520	Buildings and Improvements, Net	32,808,671
1530	Furniture and Equipment, Net	2,403,902
1000	Total Assets	<u>40,476,636</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1701	Deferred Charge for Refunding	25,987
1705	Deferred Outflow Related to Pensions	996,994
1706	Deferred Outflow Related to OPEB	1,108,492
1700	Total Deferred Outflows of Resources	<u>2,131,473</u>
LIABILITIES:		
2110	Accounts Payable	15,933
2140	Interest Payable	46,491
2165	Accrued Liabilities	652,846
2180	Due to Other Governments	190,316
2300	Unearned Revenue	83,333
Noncurrent Liabilities:		
2501	Due Within One Year	874,342
2502	Due in More Than One Year	26,370,411
2540	Net Pension Liability	1,455,338
2545	Net OPEB Liability	3,058,693
2000	Total Liabilities	<u>32,747,703</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions	1,650,364
2606	Deferred Inflow Related to OPEB	2,618,321
2600	Total Deferred Inflows of Resources	<u>4,268,685</u>
NET POSITION:		
3200	Net Investment in Capital Assets	8,545,303
Restricted For:		
3820	Federal and State Programs	355,623
3850	Debt Service	518,492
3890	Other	26,081
3900	Unrestricted	(3,853,778)
3000	Total Net Position	<u>\$ 5,591,721</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY 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	\$ 6,326,426	\$ 2,765	\$ 1,508,596	\$ (4,815,065)	
12	Instructional Resources and Media Services	138,497	--	47,956	(90,541)	
13	Curriculum and Staff Development	245,398	--	139,334	(106,064)	
21	Instructional Leadership	121,051	--	39,071	(81,980)	
23	School Leadership	795,702	--	247,760	(547,942)	
31	Guidance, Counseling, and Evaluation Services	405,885	--	91,948	(313,937)	
33	Health Services	189,346	--	56,380	(132,966)	
34	Student Transportation	523,065	--	44,147	(478,918)	
35	Food Service	797,194	37,375	850,510	90,691	
36	Cocurricular/Extracurricular Activities	834,263	60,561	43,422	(730,280)	
41	General Administration	739,812	--	117,834	(621,978)	
51	Facilities Maintenance and Operations	1,635,717	--	105,362	(1,530,355)	
52	Security and Monitoring Services	26,899	--	951	(25,948)	
53	Data Processing Services	224,682	--	18,535	(206,147)	
72	Interest on Long-term Debt	1,016,543	--	47,434	(969,109)	
73	Bond Issuance Costs and Fees	1,500	--	--	(1,500)	
81	Capital Outlay	102,738	--	18,537	(84,201)	
99	Other Intergovernmental Charges	70,819	--	--	(70,819)	
TG	Total Governmental Activities	<u>14,195,537</u>	<u>100,701</u>	<u>3,377,777</u>	<u>(10,717,059)</u>	
TP	Total Primary Government	<u>\$ 14,195,537</u>	<u>\$ 100,701</u>	<u>\$ 3,377,777</u>	<u>(10,717,059)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				4,124,370	
DT	Property Taxes, Levied for Debt Service				1,717,488	
IE	Investment Earnings				17,641	
GC	Grants and Contributions Not Restricted to Specific Programs				6,704,618	
MI	Miscellaneous				352,118	
TR	Total General Revenues				<u>12,916,235</u>	
CN	Change in Net Position				2,199,176	
NB	Net Position - Beginning				3,392,545	
NE	Net Position - Ending				<u>\$ 5,591,721</u>	

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2022

Data Control Codes	10 General Fund	ESSER Fund III of the American Rescue Plan Act
ASSETS:		
1110 Cash and Cash Equivalents	\$ 2,222,638	\$ --
1225 Taxes Receivable, Net	354,879	--
1240 Due from Other Governments	386,872	418,586
1260 Due from Other Funds	444,661	--
1290 Other Receivables	--	--
1300 Inventories	849	--
1410 Unrealized Expenditures	172,859	--
1000 Total Assets	<u>3,582,758</u>	<u>418,586</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 15,933	\$ --
2160 Accrued Wages Payable	438,169	--
2170 Due to Other Funds	113,881	388,577
2180 Due to Other Governments	190,316	--
2200 Accrued Expenditures	10,073	30,009
2300 Unearned Revenue	61,828	--
2000 Total Liabilities	<u>830,200</u>	<u>418,586</u>
DEFERRED INFLOWS OF RESOURCES:		
2601 Unavailable Revenue - Property Taxes	354,879	--
2600 Total Deferred Inflows of Resources	<u>354,879</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 Inventories	849	--
3430 Prepaid Items	172,859	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3480 Retirement of Long-Term Debt	--	--
3490 Other Restrictions of Fund Balance	--	--
Committed Fund Balances:		
3545 Other Committed Fund Balance	--	--
3600 Unassigned	2,223,971	--
3000 Total Fund Balances	<u>2,397,679</u>	<u>--</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 3,582,758</u>	<u>\$ 418,586</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 440,452	\$ 423,486	\$ 3,086,576
122,141	--	477,020
--	76,011	881,469
--	113,881	558,542
2,390	--	2,390
--	28,454	29,303
--	--	172,859
<u>564,983</u>	<u>641,832</u>	<u>5,208,159</u>
\$ --	\$ --	\$ 15,933
--	23,680	461,849
--	56,085	558,543
--	--	190,316
--	120,107	160,189
--	21,505	83,333
<u>--</u>	<u>221,377</u>	<u>1,470,163</u>
122,141	--	477,020
<u>122,141</u>	<u>--</u>	<u>477,020</u>
--	28,454	29,303
--	--	172,859
--	327,169	327,169
442,842	--	442,842
--	26,081	26,081
--	38,751	38,751
--	--	2,223,971
<u>442,842</u>	<u>420,455</u>	<u>3,260,976</u>
<u>\$ 564,983</u>	<u>\$ 641,832</u>	<u>\$ 5,208,159</u>

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ODEM-EDROY 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	\$ 3,260,976
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	35,764,063
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	477,020
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	32,140
Payables for bond principal which are not due in the current period are not reported in the funds.	(25,584,910)
Payables for loans which are not due in the current period are not reported in the funds.	(41,544)
Payables for debt interest which are not due in the current period are not reported in the funds.	(46,491)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	25,987
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,455,338)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,650,364)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	996,994
Bond premiums are amortized in the SNA but not in the funds.	(1,618,290)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,058,693)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,618,321)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>1,108,492</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 5,591,721</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY 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 <u>General Fund</u>	ESSER Fund III of the American Rescue Plan Act
REVENUES:		
5700 Local and Intermediate Sources	\$ 4,319,017	\$ --
5800 State Program Revenues	6,718,652	--
5900 Federal Program Revenues	167,118	1,782,940
5020 Total Revenues	<u>11,204,787</u>	<u>1,782,940</u>
EXPENDITURES:		
Current:		
0011 Instruction	5,101,452	638,308
0012 Instructional Resources and Media Services	118,366	22,255
0013 Curriculum and Staff Development	88,400	78,971
0021 Instructional Leadership	108,790	17,401
0023 School Leadership	709,014	111,173
0031 Guidance, Counseling, and Evaluation Services	299,418	40,517
0033 Health Services	158,017	22,956
0034 Student Transportation	474,985	73,961
0035 Food Service	845	2,537
0036 Cocurricular/Extracurricular Activities	667,782	5,882
0041 General Administration	676,052	42,940
0051 Facilities Maintenance and Operations	1,779,346	17,508
0052 Security and Monitoring Services	25,974	--
0053 Data Processing Services	221,361	2,536
0071 Principal on Long-term Debt	129,930	--
0072 Interest on Long-term Debt	41,358	--
0073 Bond Issuance Costs and Fees	--	--
0081 Capital Outlay	330,658	705,995
0099 Other Intergovernmental Charges	70,819	--
6030 Total Expenditures	<u>11,002,567</u>	<u>1,782,940</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>202,220</u>	<u>--</u>
Other Financing Sources and (Uses):		
7915 Transfers In	1,101	--
8911 Transfers Out	(331,868)	--
7080 Total Other Financing Sources and (Uses)	<u>(330,767)</u>	<u>--</u>
1200 Net Change in Fund Balances	(128,547)	--
0100 Fund Balances - Beginning	2,526,226	--
3000 Fund Balances - Ending	<u>\$ 2,397,679</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,714,498	\$ 256,777	\$ 6,290,292
47,434	73,338	6,839,424
--	1,897,968	3,848,026
<u>1,761,932</u>	<u>2,228,083</u>	<u>16,977,742</u>
--	787,739	6,527,499
--	770	141,391
--	76,020	243,391
--	--	126,191
--	--	820,187
--	73,852	413,787
--	14,459	195,432
--	102,900	651,846
--	793,841	797,223
--	166,212	839,876
--	23,573	742,565
--	22,810	1,819,664
--	--	25,974
--	--	223,897
630,000	--	759,930
1,063,713	--	1,105,071
1,500	--	1,500
--	380,520	1,417,173
--	--	70,819
<u>1,695,213</u>	<u>2,442,696</u>	<u>16,923,416</u>
<u>66,719</u>	<u>(214,613)</u>	<u>54,326</u>
--	331,868	332,969
--	(1,101)	(332,969)
--	330,767	--
<u>66,719</u>	<u>116,154</u>	<u>54,326</u>
376,123	304,301	3,206,650
<u>\$ 442,842</u>	<u>\$ 420,455</u>	<u>\$ 3,260,976</u>

ODEM-EDROY 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	\$ 54,326
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,833,021
The depreciation of capital assets used in governmental activities is not reported in the funds.	(942,636)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	22,023
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	721,143
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	39,719
(Increase) decrease in accrued interest from beginning of period to end of period.	964
The net revenue (expense) of internal service funds is reported with governmental activities.	30,235
Uncollected court fines are not recorded as revenue in the funds.	87,564
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	194,409
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	<u>158,408</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 2,199,176</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

AUGUST 31, 2022

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	ASSETS:	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 62,948
	Total Current Assets	<u>62,948</u>
1000	Total Assets	<u>62,948</u>
	LIABILITIES:	
	Current Liabilities:	
2200	Accrued Expenses	\$ 30,808
	Total Current Liabilities	<u>30,808</u>
2000	Total Liabilities	<u>30,808</u>
	NET POSITION:	
3900	Unrestricted	32,140
3000	Total Net Position	<u>\$ 32,140</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Nonmajor Internal Service Fund
	<u>Insurance Fund</u>
OPERATING REVENUES:	
5700 Local and Intermediate Sources	\$ 68,181
5020 Total Revenues	<u>68,181</u>
OPERATING EXPENSES:	
6200 Professional and Contracted Services	34,074
6400 Other Operating Costs	<u>3,872</u>
6030 Total Expenses	<u>37,946</u>
1300 Change in Net Position	30,235
0100 Total Net Position - Beginning	1,905
3300 Total Net Position - Ending	<u>\$ 32,140</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2022

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ --
Cash Received from Grants	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	68,181
Cash Payments to Employees for Services	--
Cash Payments to Other Suppliers for Goods and Services	(37,534)
Cash Payments for Grants to Other Organizations	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	<u>30,647</u>
Cash Flows from Non-capital Financing Activities:	
Proceeds (Payments) from (for) Borrowings	24,917
Net Cash Provided (Used) by Non-capital Financing Activities	<u>24,917</u>
Cash Flows from Investing Activities:	
Purchase of Investment Securities	--
Proceeds from Sale and Maturities of Securities	--
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	55,564
Cash and Cash Equivalents at Beginning of Year	7,384
Cash and Cash Equivalents at End of Year	<u>\$ 62,948</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 30,235
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	--
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	--
Increase (Decrease) in Accounts Payable	--
Increase (Decrease) in Accrued Expenses	412
Increase (Decrease) in Unearned Revenue	--
Total Adjustments	<u>412</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 30,647</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2022

Data Control Codes	Private-purpose Trust Fund	Custodial Fund
<u>ASSETS:</u>	<u>Student Scholarship Trust Fund</u>	<u>Student Activity</u>
1110 Cash and Cash Equivalents	\$ 676,499	\$ 30,039
1000 Total Assets	<u>676,499</u>	<u>30,039</u>
<u>LIABILITIES:</u>	<u> --</u>	<u> --</u>
2000 Total Liabilities	--	--
<u>NET POSITION:</u>	<u> --</u>	<u> --</u>
3800 Donor Restricted Corpus	\$ 600,000	\$ --
3800 Restricted for Student Scholarships	76,499	--
3800 Restricted for Student Activities	--	30,039
3000 Total Net Position	<u>\$ 676,499</u>	<u>\$ 30,039</u>

The accompanying notes are an integral part of this statement.

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

	Private Purpose Trust Fund	Custodial Funds
	Student Scholarship Trust Fund	Student Activity
ADDITIONS:		
Investment Income	\$ 3,380	\$ --
Contributions	3,600	--
Student Group Fundraising Activities	--	43,746
Total Additions	<u>6,980</u>	<u>43,746</u>
DEDUCTIONS:		
Scholarship Awards	11,350	--
Student Activities	--	45,506
Total Deductions	<u>11,350</u>	<u>45,506</u>
Change in Fiduciary Net Position	(4,370)	(1,760)
Net Position-Beginning of the Year	680,869	31,799
Net Position-End of the Year	<u>\$ 676,499</u>	<u>\$ 30,039</u>

The accompanying notes are an integral part of this statement.

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ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

ESSER III: This fund is used to account for money received to help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on students.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Debt Service Fund: This fund is used to account for the general long-term debt principal and interest for debt issues and other long-term debts for which tax has been dedicated.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodial capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	10
Office Equipment	7
Computer Equipment	7

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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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.

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

g. 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 consolidation. 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.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

k. 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 and proprietary 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.

l. 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.

4. 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 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.

At August 31, 2022, the District reported the following:

Net Pension Asset	\$	
Net Pension Liability	\$	1,455,338

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

In the current fiscal year, the District implemented GASB Statemetn No. 87, Leases. Management has determined that the District does not have any leases that meet the requirement to be recorded under the provisions of GASB 87, Leases.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
In the General Fund and the Food Service Fund, expenditures and transfers out exceeded appropriated amount.	In the future, the budget will be amended before overspending.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

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 \$580,775 and the bank balance was \$1,028,624. The District's cash deposits at August 31, 2022 and during the year ended August 31, 2022, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

Investment Maturities (In Years)

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Investments	Fair Values	Less than 1	1 to 2	2 to 3
Investment in Lone Star	\$ 2,675,276	\$ 2,675,276	--	--
Investment in TexPool	10	10	--	--
Certificate of Deposits	600,000	600,000	--	--
Total Fair Value	\$ 3,275,286	\$ 3,275,286	\$ --	\$ --

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. the District's investments in investment pools were rated AAA.

Concentration of Credit Risk -The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool is administered by First Public. The fair value of the funds in Lone Star is also the same fair value as Lone Star shares.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from Lone Star and TexPool are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from Lone Star or TexPool requires two signatures from authorized representatives in order to be processed.

D. Capital Assets

Capital asset activity for the year ended August 31, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 551,499	\$ --	\$ --	\$ 551,499
Construction in progress	3,430,346	--	3,430,346	--
Total capital assets not being depreciated	3,981,845	--	3,430,346	551,499
Capital assets being depreciated:				
Buildings and improvements	37,489,920	4,916,031	--	42,405,951

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Equipment	4,202,295	146,099	--	4,348,394
Vehicles	1,492,015	201,237	--	1,693,252
Total capital assets being depreciated	<u>43,184,230</u>	<u>5,263,367</u>	--	<u>48,447,597</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,847,482)	(749,798)	--	(9,597,280)
Equipment	(2,338,947)	(122,106)	--	(2,461,053)
Vehicles	(1,105,961)	(70,732)	--	(1,176,693)
Total accumulated depreciation	<u>(12,292,390)</u>	<u>(942,636)</u>	--	<u>(13,235,026)</u>
Total capital assets being depreciated, net	<u>30,891,840</u>	<u>4,320,731</u>	--	<u>35,212,571</u>
Governmental activities capital assets, net	<u>\$ 34,873,685</u>	<u>\$ 4,320,731</u>	<u>\$ 3,430,346</u>	<u>\$ 35,764,070</u>

Depreciation was charged to functions as follows:

Instruction	\$ 434,959
Instructional Resources and Media Services	9,411
Curriculum and Staff Development	16,676
Instructional Leadership	8,226
School Leadership	54,071
Guidance, Counseling, & Evaluation Services	27,581
Health Services	12,867
Student Transportation	70,732
Food Services	54,172
Extracurricular Activities	58,312
General Administration	50,273
Plant Maintenance and Operations	128,261
Security and Monitoring Services	1,828
Data Processing Services	15,267
	<u>\$ 942,636</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2022, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 56,084	Short-term loans
General Fund	ARP ESSER III	388,577	Short-term loans
Other Governmental Funds	General Fund	113,881	Short-term loans
	Total	<u>\$ 558,542</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2022, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	331,868	Supplement other funds sources
Other Governmental Funds	General Fund	1,101	To close fund.
	Total	<u>\$ 332,969</u>	

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2022, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/21	Issued	Retired	Amounts Outstanding 8/31/22	Amounts Due Within One Year
Unlimited Tax School Building Bonds Series 2015	4.00%	23,080,000	21,735,000	--	345,000	21,390,000	350,000
Unlimited Tax Refunding Bonds, Series 2016	2.00% to 4.00%	3,585,000	2,970,000	--	285,000	2,685,000	300,000
Public Property Finance Act Contract	2.35%	1,600,122	1,600,122	--	90,212	1,509,910	92,332
Sub-Totals			<u>26,305,122</u>	<u>--</u>	<u>720,212</u>	<u>25,584,910</u>	<u>742,332</u>
Loans Payable			81,273	--	39,719	41,554	41,554
Bond Premiums on Refunding			1,708,746	--	90,456	1,618,290	90,456
Net Pension Liability			3,012,012	(1,312,800)	243,874	1,455,338	--
Net OPEB Liability			3,206,380	(85,741)	61,946	3,058,693	--
Total Governmental Activities			<u>\$ 34,313,533</u>	<u>\$ (1,398,541)</u>	<u>\$ 1,156,207</u>	<u>\$ 31,758,785</u>	<u>\$ 874,342</u>

2. Debt Service Requirements

Governmental Activiy Debt service requirements on long-term debt at August 31, 2022, are as follows:

Year Ending August 31,	Governmental Activities					
	General Obligation Bonds			Public Property Finance Act Contract		
	Principal	Interest	Total	Principal	Interest	Total
2023	650,000	1,044,812	1,694,812	92,332	35,483	127,815
2024	670,000	1,025,312	1,695,312	94,501	33,313	127,814
2025	685,000	1,005,213	1,690,213	96,722	31,092	127,814
2026	705,000	984,663	1,689,663	98,995	28,819	127,814
2027	735,000	960,313	1,695,313	101,321	26,493	127,814
2028-2032	4,135,000	4,380,794	8,515,794	543,462	95,610	639,072
2033-2037	5,200,000	3,538,831	8,738,831	482,577	28,681	511,258
2038-2042	6,535,000	2,201,750	8,736,750	--	--	--
2043-2045	4,760,000	483,750	5,243,750	--	--	--
Totals	<u>\$ 24,075,000</u>	<u>\$ 15,625,438</u>	<u>\$ 39,700,438</u>	<u>1,509,910</u>	<u>\$ 279,491</u>	<u>\$ 1,789,401</u>

General Obligation Bonds are paid by the Debt Service Fund.

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Defeased Bonds Outstanding -

The District had no defeased bonds outstanding as of August 31, 2022.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions

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

3. Loans Payable

During 2019, the District entered into a loan agreement for the acquisition of two school buses at a cost of \$199,000. Beginning in 2019, the annual loan payment is \$43,474, payable in five equal annual installments at 4.62%.

Commitments under loan agreements for facilities and equipment provide for minimum future loan payments from the General Fund as of August 31, 2022 as follows:

Year Ending August 31:

	Principal	Interest	Total
2023	41,554	1,920	43,474
Total	\$ 41,554	1,920	43,474

The effective interest rate on the loan is 4.62%

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month 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 Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct an independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Worker's Compensation

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The District has established the Worker's Compensation Internal Service Fund to account for and finance workers compensation claims. It is a modified self-insurance plan, known as SchoolComp. The Plan year began September 1, 2021 and ended September 1, 2022. The District's maximum financial exposure for the plan year is \$97,256. Any costs above \$97,256 or the 2020-2021 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is \$29,177.

Costs for any one claim above the self-insured retention are the shared responsibility of the remaining SchoolComp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy provides for specific stop-loss attachment at \$350,000 per occurrence and aggregate stop-loss attachment at \$9,862,369. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was \$32,140 at 8/31/22 and is reported as net assets in the Workers' Compensation Internal Service Fund. The claims liability of \$30,808 reported in the fund at 8/31/22, is based on the information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonable estimated.

Changes in the balances of claims liabilities during the past year are:

	Year Ended 08/31/22	Year Ended 08/31/21
Unpaid claims, beginning of year	\$ 30,397	\$ 31,991
Current year claims and changes in estimate	38,357	82,013
Claim payments	(37,946)	(83,607)
Unpaid claims, end of year	<u>\$ 30,808</u>	<u>\$ 30,397</u>

H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about%20publications.aspx> ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited

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service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

4. 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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

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

	<u>Contribution Rates</u>	
	2021	2022
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
District's 2022 Employer Contributions		\$ 311,096
District's 2022 Member Contributions		\$ 608,430
2021 NECE On-Behalf Contributions (State)		\$ 350,828

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

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

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- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2020 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 Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95% *
Last year ending August 31 in Projection Period	2120
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

* 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"

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

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021 are summarized below:

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0)%	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****	-		(0.95)%
Expected Return	100.0%		6.90%

* Absolute Return includes Credit Sensitive Investments.
 ** Target allocations are based on the FY2021 policy model.
 *** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021)
 **** The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$ 3,180,145	\$ 1,455,338	\$ 55,996

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FOR THE YEAR ENDED AUGUST 31, 2022

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

At August 31, 2022, the District reported a liability of \$1,455,338 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,455,338
State's proportionate share that is associated with District	<u>2,093,589</u>
Total	<u>\$ 3,548,927</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0057147257%, which was an increase (decrease) of 0.0000908899% from its proportion measured as of August 31, 2020.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$124,125 and revenue of \$8,370 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 2,435	\$ 102,457
Changes in Actuarial Assumptions	514,434	224,249
Difference Between Projected and Actual Investment Earnings	--	1,220,282
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	169,029	103,376
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	311,096	--
Total	<u>\$ 996,994</u>	<u>\$ 1,650,364</u>

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:

Year ended August 31,	Pension Expense Amount
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ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

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

2023	\$ (188,306)
2024	\$ (182,138)
2025	\$ (262,421)
2026	\$ (336,227)
2027	\$ 5,349
Thereafter	\$ (723)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at 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.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED AUGUST 31, 2022

upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates	
	<u>2022</u>
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%

District's 2022 Employer Contributions	\$	72,575
District's 2022 Member Contributions	\$	49,425
2021 NECE On-Behalf Contributions (state)	\$	82,994

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS Care OPEB Program*). 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 of Texas as the Non-Employer Contributing Entity 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.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

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The active mortality rates were based on 90 percent 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:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Health Care Trend Rates	8.5% to 4.25%
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an an ultimate trend rate of 4.25 percent over a period of 12 years.

6. Discount Rate

A single discount rate of 1.95 percent was used to measure the Total OPEB Liability. This was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to **not be able** to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	\$ 3,689,489	\$ 3,058,693	\$ 2,562,237

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2022

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

At August 31, 2022, the District reported a liability of \$3,058,693 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3,058,693
State's proportionate share that is associated with the District	\$ <u>4,097,967</u>
Total	\$ <u>7,156,660</u>

The Net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0079293203%, which was an increase (decrease) of -0.0005052990% from its proportion measured as of August 31, 2020.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 2,477,440	\$ 3,058,693	\$ 3,838,590

9. 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 (TOL) since the prior measurement period:

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

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

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 131,691	\$ 1,480,621
Changes in actuarial assumptions	338,786	646,857
Difference between projected and actual investment earnings	3,362	41

Changes in proportion and difference between the

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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District's contributions and the proportionate share of contributions	562,078	490,802
Contributions paid to TRS subsequent to the measurement date	72,575	
Total	<u>\$ 1,108,492</u>	<u>\$ 2,618,321</u>

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:

Year ended August 31:	OPEB Expense Amount
2023	\$ (308,713)
2024	\$ (308,790)
2025	\$ (308,770)
2026	\$ (228,256)
2027	\$ (119,254)
Thereafter	\$ (308,621)

For the year ended August 31, 2022, the District recognized OPEB expense of \$(237,079) and revenue of \$(151,246) for support provided by the State.

10. 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 the Texas Public School Retired Employee Group Insurance Program (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 year ended August 31, 2022, the subsidy payment received by TRS-Care on behalf of the District was \$31,945.

J. 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 \$266 per month per employee to the Plan. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2022, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended , have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

2. Litigation

No reportable litigation was pending against the District at August 31, 2022.

L. Subsequent Events

The District has evaluated subsequent events through February 8, 2023, which date these financials were available to be issued. There were no subsequent events that require disclosure.

M. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2022, are reported on the combined financial statements as Due from Other Governments and are summarized below:

Fund	State Entitlements	State Grants	Federal Grants	Total
General	\$ 386,872	\$ --	\$ --	\$ 386,872
ESSER III	--	--	418,586	418,586
Other Governmental	--	--	76,011	76,011
Total	\$ 386,872	\$ --	\$ 494,597	\$ 881,469

N. Unearned Revenue

Unearned revenue at year end consisted of the following:

Revenue Description	General Funds	Other Governmental Funds	Total
Grant Programs	\$ --	\$ 21,505	\$ 21,505
Other	61,828	--	61,828
Total Unearned Revenue	\$ 61,828	\$ 21,505	\$ 83,333

O. Tax Abatements

The Odem-Edroy ISD Board of Trustees has approved an agreement with one company for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2022

monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

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

Below is the abatement information that is required by GASB Statement No. 77 for M&O purposes. It includes the net benefit to the District but does not include any I&S impact.

	< A >	< B >	< C >	< D >	< E >	< F >	< G >
	Project Value 2021	Project's Value Limitation Amount 2021	Amount of Applicant's M&O Taxes Paid 2021	Amount of Applicant's M&O Taxes Reduced 2021	Company Revenue Loss Payment to School District 2021	Company Supplemental Payment to School District 2021	Net Benefit (Loss) to the School District 2021 (C+E+F)
1.	\$35,462,440	--	\$340,546	--	--	--	--

Project Description

1. EC & R Papalote Creek Wind Farm I (Application #139)
 First Year Value Limitation: 2011

P. Fund Balance

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2022:

General Fund

Nonspendable:	
Inventories	\$ 849
Prepaid Items	172,859
	<u>173,708</u>

Unassigned	<u>2,223,970</u>
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Total General Fund fund balance	<u>2,397,678</u>
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Debt Service Fund

Restricted For:	
Retirement of Long-Term Debt	<u>442,842</u>

Other Governmental Funds:

Nonspendable:	
Inventories	<u>28,454</u>

Restricted:	
Child Nutrition	227,828

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School Safety & Security	99,341
Donor Fund	<u>26,081</u>
	<u>353,250</u>
Committed:	
Campus Activity	<u>38,751</u>
Total Other Governmental Fund fund balances	<u>420,455</u>
Total Governmental Fund fund balances	<u>\$ 3,260,976</u>

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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.

ODEM-EDROY 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		
REVENUES:						
5700	Local and Intermediate Sources	\$ 4,276,963	\$ 4,276,963	\$ 4,319,017	\$ 42,054	
5800	State Program Revenues	5,956,355	6,185,055	6,718,652	533,597	
5900	Federal Program Revenues	134,455	134,455	167,118	32,663	
5020	Total Revenues	<u>10,367,773</u>	<u>10,596,473</u>	<u>11,204,787</u>	<u>608,314</u>	
EXPENDITURES:						
Current:						
Instruction and Instructional Related Services:						
0011	Instruction	5,124,109	5,198,531	5,101,452	97,079	
0012	Instructional Resources and Media Services	119,730	124,830	118,366	6,464	
0013	Curriculum and Staff Development	157,062	157,062	88,400	68,662	
	Total Instruction and Instr. Related Services	<u>5,400,901</u>	<u>5,480,423</u>	<u>5,308,218</u>	<u>172,205</u>	
Instructional and School Leadership:						
0021	Instructional Leadership	114,710	114,710	108,790	5,920	
0023	School Leadership	805,066	805,066	709,014	96,052	
	Total Instructional and School Leadership	<u>919,776</u>	<u>919,776</u>	<u>817,804</u>	<u>101,972</u>	
Support Services - Student (Pupil):						
0031	Guidance, Counseling and Evaluation Services	346,442	346,442	299,418	47,024	
0033	Health Services	217,416	217,416	158,017	59,399	
0034	Student (Pupil) Transportation	370,187	488,287	474,985	13,302	
0035	Food Services	3,006	3,006	845	2,161	
0036	Cocurricular/Extracurricular Activities	711,571	711,571	667,782	43,789	
	Total Support Services - Student (Pupil)	<u>1,648,622</u>	<u>1,766,722</u>	<u>1,601,047</u>	<u>165,675</u>	
Administrative Support Services:						
0041	General Administration	686,887	703,637	676,052	27,585	
	Total Administrative Support Services	<u>686,887</u>	<u>703,637</u>	<u>676,052</u>	<u>27,585</u>	
Support Services - Nonstudent Based:						
0051	Plant Maintenance and Operations	1,942,979	1,973,479	1,779,346	194,133	
0052	Security and Monitoring Services	34,729	44,729	25,974	18,755	
0053	Data Processing Services	235,280	239,030	221,361	17,669	
	Total Support Services - Nonstudent Based	<u>2,212,988</u>	<u>2,257,238</u>	<u>2,026,681</u>	<u>230,557</u>	
Debt Service:						
0071	Principal on Long-Term Debt	128,178	129,930	129,930	--	
0072	Interest on Long-Term Debt	43,112	41,360	41,358	2	
	Total Debt Service	<u>171,290</u>	<u>171,290</u>	<u>171,288</u>	<u>2</u>	
Capital Outlay:						
0081	Capital Outlay	--	330,658	330,658	--	
	Total Capital Outlay	<u>--</u>	<u>330,658</u>	<u>330,658</u>	<u>--</u>	
0099	Other Intergovernmental Charges	75,000	75,000	70,819	4,181	
	Total Intergovernmental Charges	<u>75,000</u>	<u>75,000</u>	<u>70,819</u>	<u>4,181</u>	
6030	Total Expenditures	<u>11,115,464</u>	<u>11,704,744</u>	<u>11,002,567</u>	<u>702,177</u>	
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures	<u>(747,691)</u>	<u>(1,108,271)</u>	<u>202,220</u>	<u>1,310,491</u>	

ODEM-EDROY 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				
	Original	Final	Actual		
Other Financing Sources (Uses):					
7915 Transfers In	--	--	1,101		1,101
8911 Transfers Out	--	--	(331,868)		(331,868)
8949 Other Uses	--	(75,000)	--		75,000
7080 Total Other Financing Sources and (Uses)	--	(75,000)	(330,767)		(255,767)
1200 Net Change in Fund Balance	(747,691)	(1,183,271)	(128,547)		1,054,724
0100 Fund Balance - Beginning	2,526,225	2,526,225	2,526,226		1
3000 Fund Balance - Ending	\$ 1,778,534	\$ 1,342,954	\$ 2,397,679		\$ 1,054,725

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2022

	Measurement Year Ended August 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0057147257%	0.0056238358%	0.0052165347%	0.0054348100%	0.0053462233%	0.0059517448%	0.0062864000%	0.0046431000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,455,338	\$ 3,012,012	\$ 2,711,718	\$ 2,991,451	\$ 1,709,434	\$ 2,249,076	\$ 2,222,159	\$ 1,240,236
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,093,589	4,881,591	4,482,523	5,671,295	3,530,566	4,106,686	3,993,045	3,430,045
Total	<u>\$ 3,548,927</u>	<u>\$ 7,893,603</u>	<u>\$ 7,194,241</u>	<u>\$ 8,662,746</u>	<u>\$ 5,240,000</u>	<u>\$ 6,355,762</u>	<u>\$ 6,215,204</u>	<u>\$ 4,670,281</u>
District's Covered Payroll	\$ 7,036,486	\$ 6,899,275	\$ 6,110,947	\$ 6,648,831	\$ 6,302,594	\$ 6,302,594	\$ 6,426,118	\$ 6,351,725
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	20.68%	43.66%	44.37%	44.99%	27.12%	35.68%	34.58%	19.53%
Plan Fiduciary Net Position as a % of Total Pension Liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only eight years of data is presented in accordance with GASB #68, paragraph 138. The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2022

	Fiscal Year Ended August 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 311,096	\$ 254,343	\$ 232,041	\$ 187,247	\$ 188,835	\$ 175,218	\$ 189,102	\$ 186,572
Contribution in Relation to Contractually Required Contribution	(311,096)	(254,343)	(232,041)	(187,247)	(188,835)	(175,218)	(189,102)	(186,572)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,605,370	\$ 7,036,486	\$ 6,899,275	\$ 6,110,947	\$ 6,648,831	\$ 6,622,891	\$ 6,554,676	\$ 6,426,118
Contributions as a % of Covered Payroll	4.09%	3.61%	3.36%	3.06%	2.84%	2.65%	2.88%	2.90%

Note: Only eight years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	Measurement Year Ended August 31,				
	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0079293203%	0.0084346193%	0.0074347296%	0.0079493278%	0.0077393563%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 3,058,693	\$ 3,206,380	\$ 3,515,977	\$ 3,969,172	\$ 3,365,556
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	4,097,967	4,308,606	4,671,944	5,635,417	5,192,289
Total	<u>\$ 7,156,660</u>	<u>\$ 7,514,986</u>	<u>\$ 8,187,921</u>	<u>\$ 9,604,589</u>	<u>\$ 8,557,845</u>
District's Covered Payroll	\$ 7,036,486	\$ 6,899,275	\$ 6,110,947	\$ 6,648,831	\$ 6,302,594
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	43.47%	46.47%	57.54%	59.70%	53.40%
Plan Fiduciary Net Position as a % of Total OPEB Liability	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only five years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	Fiscal Year Ended August 31,				
	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 72,575	\$ 64,684	\$ 64,109	\$ 52,774	\$ 54,994
Contribution in Relation to Contractually Required Contribution	<u>(72,575)</u>	<u>(64,684)</u>	<u>(64,109)</u>	<u>(52,774)</u>	<u>(54,994)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,605,370	\$ 7,036,486	\$ (6,899,275)	\$ (6,110,947)	\$ (6,648,831)
Contributions as a % of Covered Payroll	0.95%	0.92%	-0.93%	-0.86%	-0.83%

Note: Only five years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2022

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2013 and Prior Years	\$	Various	\$	Various	\$	Various
2014		1.17		.1173		336,993,059
2015		1.17		.1283		366,415,540
2016		1.17		.4572		367,275,626
2017		1.17		.4789		292,875,068
2018		1.17		.50		271,448,562
2019		1.17		.50		288,536,686
2020		1.0684		.50		331,681,959
2021		.963		.4454		388,255,818
2022 (School Year Under Audit)		.9603		.3979		403,838,015

1000 Totals

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

EXHIBIT J-1

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
\$ 207,310	\$ --	\$ 146	\$ 18	\$ (33,720)	\$ 173,426
35,231	--	573	57	(130)	34,471
51,086	--	479	52	(140)	50,415
90,581	--	4,415	1,725	(321)	84,120
108,080	--	10,832	4,434	529	93,343
98,043	--	16,315	6,972	6,876	81,632
108,052	--	16,270	6,953	7,247	92,076
152,701	--	19,646	9,195	5,589	129,449
232,243	--	50,746	23,470	(4,258)	153,769
--	5,484,831	3,915,214	1,622,172	295,616	243,061
<u>\$ 1,083,327</u>	<u>\$ 5,484,831</u>	<u>\$ 4,034,636</u>	<u>\$ 1,675,048</u>	<u>\$ 277,288</u>	<u>\$ 1,135,762</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
 AS OF AUGUST 31, 2022

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 903,595
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 906,946
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 12,029
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 76,275

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

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

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 19,826	\$ 19,826	\$ 37,375	\$ 17,549
5800	State Program Revenues	24,061	24,061	36,945	12,884
5900	Federal Program Revenues	698,211	725,415	833,869	108,454
5020	Total Revenues	<u>742,098</u>	<u>769,302</u>	<u>908,189</u>	<u>138,887</u>
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	745,104	772,308	789,061	(16,753)
	Total Support Services - Student (Pupil)	<u>745,104</u>	<u>772,308</u>	<u>789,061</u>	<u>(16,753)</u>
6030	Total Expenditures	<u>745,104</u>	<u>772,308</u>	<u>789,061</u>	<u>(16,753)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(3,006)	(3,006)	119,128	122,134
1200	Net Change in Fund Balance	<u>(3,006)</u>	<u>(3,006)</u>	<u>119,128</u>	<u>122,134</u>
0100	Fund Balance - Beginning	137,153	137,153	137,154	1
3000	Fund Balance - Ending	<u>\$ 134,147</u>	<u>\$ 134,147</u>	<u>\$ 256,282</u>	<u>\$ 122,135</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

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			Actual	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,643,299	\$ 1,643,299	\$ 1,714,498	\$ 71,199
5800	State Program Revenues	44,972	44,972	47,434	2,462
5020	Total Revenues	<u>1,688,271</u>	<u>1,688,271</u>	<u>1,761,932</u>	<u>73,661</u>
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	630,000	630,000	630,000	--
0072	Interest on Long-Term Debt	1,063,713	1,063,713	1,063,713	--
0073	Bond Issuance Costs and Fees	1,500	1,500	1,500	--
	Total Debt Service	<u>1,695,213</u>	<u>1,695,213</u>	<u>1,695,213</u>	<u>--</u>
6030	Total Expenditures	<u>1,695,213</u>	<u>1,695,213</u>	<u>1,695,213</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(6,942)	(6,942)	66,719	73,661
1200	Net Change in Fund Balance	<u>(6,942)</u>	<u>(6,942)</u>	<u>66,719</u>	<u>73,661</u>
0100	Fund Balance - Beginning	376,124	376,124	376,123	(1)
3000	Fund Balance - Ending	<u>\$ 369,182</u>	<u>\$ 369,182</u>	<u>\$ 442,842</u>	<u>\$ 73,660</u>

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Members of the Board of Trustees:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Odem-Edroy Independent School District's basic financial statements, and have issued our report thereon dated February 8, 2023.

Report on Internal Control Over Financial Reporting

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

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

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 Odem-Edroy Independent School 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Lovvorn & Kieschnick, LLP". The signature is written in a cursive, flowing style.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
February 8, 2023

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Odem-Edroy Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Odem-Edroy Independent School District's major federal programs for the year ended August 31, 2022. Odem-Edroy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Odem-Edroy Independent School District complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the

compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Odem-Edroy Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 Odem-Edroy Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Odem-Edroy Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Odem-Edroy Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Odem-Edroy Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Lovvorn & Kieschnick, LLP". The signature is written in a cursive, flowing style.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX

February 8, 2023

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

A. Summary of Auditor's Results

1. Financial Statements

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

Version of compliance supplement used in audit: April 2022

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	CRRSA ESSER II
84.425U	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

ODEM-EDROY 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>
N/A - No prior findings		

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

Program

Corrective Action Plan

N/A

No corrective action required

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal AL Number	(2A) Pass- Through Entity Identifying Number	Passed Through to Subre- cipients	(3) Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
Passed Through Texas Department of Health & Human Services:				
Medicaid Administrative Claiming	93.778	HH5000537900254	\$ --	\$ 5,226
ELC Reopening Schools	93.323	HHS001114100001	--	11,087
Total U. S. Department of Health and Human Services			--	16,314
<u>U. S. Department of Agriculture</u>				
Passed Through Texas Department of Agriculture:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	078491214	--	157,185
State Pandemic Electronic Benefit Transfer	10.555	078491214	--	614
National School Lunch Program	10.555	078491214	--	463,106
Supply Chain Assistance	10.555	078491214	--	27,204
Total Child Nutrition Cluster			--	648,109
Commodity Supplemental Food Program	10.565	078491214	--	62,654
Child and Adult Care Food Program	10.558	078491214	--	98,328
Fresh Fruit & Vegetable Program	10.582	078491214	--	24,778
Total Passed Through Texas Department of Agriculture			--	833,869
Total U. S. Department of Agriculture			--	833,869
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	22610101205905	--	409,683
IDEA-B Cluster:				
IDEA-Part B, Formula	84.027A	226600012059056000	--	175,901
IDEA - Part B, Formula - American Rescue Plan (ARP) Act of 2021	84.027X	225350012059055000	--	21,634
IDEA-Part B, Preschool	84.173A	226610012059056000	--	700
IDEA - Part B, Preschool - American Rescue Plan (ARP) Act of 2021	84.173X	225360012059055000	--	412
Total IDEA-B Cluster			--	198,647
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	22694501205905	--	38,518
Title IV, Part A, Subpart 1	84.424A	22680101205905	--	29,799
ESSER Fund II of the CRRSA Act	84.425D	21521001205905	--	376,365
ESSER Fund III of the American Rescue Plan Act of 2021	84.425U	21528001205905	--	1,782,940
Total Passed Through State Department of Education			--	2,835,952
Total U. S. Department of Education			--	2,835,952
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 3,686,134

The accompanying notes are an integral part of this schedule.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	3,848,026
Less: School Health & Related Services (SHARS) reported in General Fund	<u>(161,892)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>3,686,134</u></u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Odem-Edroy Independent School District. The information in the Schedule 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 Schedule 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 Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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