

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2021

BOARD OF TRUSTEES

JON R. WHATLEY	PRESIDENT
ANTHONY MARTINEZ	VICE-PRESIDENT
MAX MORENO	SECRETARY
BENJAMIN BREWER	MEMBER
JANIE G. VARGAS	MEMBER
JACOB ROMERO	MEMBER
MARK MORENO	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, 2021

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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

205905
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, 2021, at a meeting of the board of trustees of such school district on the 14th day of February, 2022.

Max Moreno
Board Secretary

Anthony Martinez
Board 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

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District as of August 31, 2021, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note Q to the financial statements, in 2021, Odem-Edroy Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Odem-Edroy Independent School District's basic financial statements. The introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts 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 individual nonmajor fund financial statements and 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements and 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2022 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 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,

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, 2022

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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, 2021
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, 2021. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

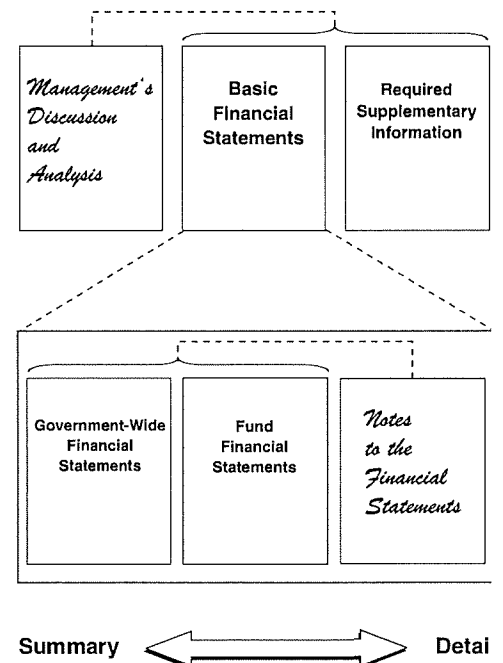
- The District’s total combined net position was \$3,392,545 at August 31, 2021.
- During the year, the District’s expenses were \$1,553,991 less than the \$15,292,835 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$2,526,225.

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 \$3,392,545 at August 31, 2021. (See Table A-1.)

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

	Governmental Activities		Total Percentage Change
	2021	2020	2021-2020
Assets			
Cash and Cash Equivalents	4.6	5.6	-17.9%
Property Taxes Receivable (Net)	0.5	0.4	25.0%
Due from Other Governments	0.9	0.7	28.6%
Other Current Assets	-	0.2	-100.0%
Capital Assets			
Land	0.6	0.6	0.0%
Construction in Progress	3.4	-	0.0%
Buildings, Net	28.6	29.4	-2.7%
Furniture and Equipment, Net	2.3	0.7	228.6%
Total Assets	40.9	37.6	8.8%
Deferred Outflows of Resources			
Deferred Charge for Refundings	-	-	0.0%
Deferred Outflow Related to Pensions	1.3	1.3	0.0%
Deferred Outflow Related to OPEB	1.1	0.5	120.0%
Total Deferred Outflows of Resources	2.4	1.8	33.3%
Liabilities			
Accounts Payable	0.6	0.2	200.0%
Accrued Liabilities	0.8	0.5	60.0%
Unearned Revenue	0.1	0.1	0.0%
Due to Other Governments	1.0	0.9	11.1%
Noncurrent Liabilities			
Due within One Year	0.9	0.7	21.6%
Due in More Than One Year	27.2	26.5	2.6%
Net Pension Liability	3.0	2.7	11.1%
Net OPEB Liability	3.2	3.5	-8.6%
Total Liabilities	36.8	35.1	4.7%
Deferred Inflows of Resources			
Deferred Inflow Related to Pensions	0.5	0.7	-28.6%
Deferred Inflow Related to OPEB	2.6	1.8	44.4%
Total Deferred Inflows of Resources	3.1	2.5	24.0%
Net Position			
Net Investment in Capital Assets	6.8	3.5	94.3%
Restricted	0.7	0.5	40.0%
Unrestricted	(4.1)	(2.2)	-86.4%
Total Net Position	3.4	1.8	88.9%

The (\$4,135,045) 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 \$15.3 million. A significant portion, 37 percent, of the District's revenue comes from taxes. 49 percent comes from state aid—formula grants, while only 10 percent from operating grants, and 4 percent other.

The total cost of all programs and services was \$13.7 million.

Governmental Activities

- The Maintenance and Operation tax rate was \$0.963. The Interest and Sinking property tax rate was \$0.445391.

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

	Governmental Activities		Total Percentage Change
	2021	2020	2021-2020
Program Revenues:			
Charges for Services	0.1	0.1	0.0%
Operating Grants and Contributions	1.5	2.4	-37.5%
General Revenues:			
Property Taxes	5.7	5.2	9.6%
State Aid – Formula	7.5	6.5	15.4%
Investment Earnings	-	0.1	-100.0%
Other	0.5	-	0.0%
Total Revenues	<u>15.3</u>	<u>14.3</u>	7.0%
Expenses:			
Instruction	6.3	6.8	-7.4%
Instructional Resources and Media Services	0.1	0.2	-50.0%
Curriculum Dev. and Instructional Staff Dev.	0.2	0.2	0.0%
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	0.4	25.0%
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	1.5	1.5	0.0%
Data Processing Services	0.2	0.3	-33.3%
Debt Service	1.0	1.0	0.0%
Capital Outlay	-	-	0.0%
Other Intergovernmental Charges	0.1	0.1	0.0%
Total Expenses	<u>13.7</u>	<u>14.3</u>	-4.2%
Increase (Decrease) in Net Position	<u>1.6</u>	<u>-</u>	0.0%

- The cost of all *governmental* activities this year was \$13.7 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$5.7 million. Some of the cost was paid by grants totaling \$1.5 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		
	2021	2020	% Change	2021	2020	% Change
Instruction	6.3	6.8	-7.4%	5.8	5.5	5.5%
School Administration	0.7	0.7	0.0%	0.7	0.6	16.7%
Plant Maintenance & Operations	1.5	1.5	0.0%	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 \$15.1 million, an increase of 7% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Actual expenditures were \$1,571,483 under final budget amounts. The most significant positive variance resulted from instruction expenditures. Revenues were over budget by \$578,301.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had invested \$47.2 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 \$4.2 million.

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

	Governmental Activities		Total Percentage Change
	2021	2020	2021-2020
Land	0.6	0.6	0.0%
Construction in Progress	3.4	0.0	0.0%
Buildings and Improvements	37.5	37.5	0.0%
Vehicles	1.5	1.4	7.1%
Equipment	4.2	2.6	61.5%
Totals at Historical Cost	<u>47.2</u>	<u>42.1</u>	12.1%
Total Accumulated Depreciation	<u>12.3</u>	<u>11.4</u>	7.9%
Net Capital Assets	<u><u>34.9</u></u>	<u><u>30.7</u></u>	13.7%

Long Term Obligations

At year-end the District had \$26.3 million in bonds 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, 2021:

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

	Governmental Activities		Total Percentage Change
	2021	2020	2021-2020
Bonds Payable	26.3	25.3	4.0%
Plus Premiums	1.7	1.8	-5.6%
Capital Leases	0.1	0.1	0.0%
Total Debt - Bonds and Notes	<u>28.1</u>	<u>27.2</u>	3.3%
Net Pension Liability	3.0	2.7	11.1%
Net OPEB Liability	<u>3.2</u>	<u>3.5</u>	-8.6%
Total Long-Term Obligations	<u><u>34.3</u></u>	<u><u>33.4</u></u>	2.7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economic factors influencing the District's budget for the 2021-22 fiscal school year include:

- *Coronavirus Pandemic on enrollment and attendance*
- 86th Texas Legislative Session – House Bill 3 (HB3) School Finance Reform
- 87th Texas Legislative Session – Property Tax Relief
- Local Property Values – Tax Rate Compression
- ESSER II & ESSER III Federal Coronavirus Stimulus Funds

The Board of Trustees adopted a \$747,691 deficit budget for 2021-22, before utilizing fund balance and federal Coronavirus stimulus funds. The budget provided:

- Raises for all employees and substitute teachers
- Employee Insurance Incentives
- Teacher Retention Incentives
- Teacher – Reading Academy Incentives
- HB4545 – Accelerated Instruction – Learning Loss
- Technology Purchases & Upgrades
- Classroom Equipment Purchases
- Outdoor Learning Spaces – Playground – Library
- Vehicle Purchases – Bus, Suburban, Truck, & Van
- Facilities Repairs – HVAC – JHS Math/Science Roof – HS Gym Roof Replacement – Parking Lot
- Insurance Premium Increases
- General Maintenance and Operation Cost Increases
- Expenditures due to Coronavirus Pandemic

In August, the District opened the school year with a continuation of 100% face-to-face instruction. Student enrollment remains unchanged while the pandemic continues to affect student attendance. The District will work on addressing learning loss and improving refined daily attendance; however, the health and safety of students and staff remain at the forefront of all decisions. The District serves a large population of economically disadvantaged students needing much support with the lingering effects of the Coronavirus pandemic. This is the fourth year of the Community Eligibility Program (CEP) after Hurricane Harvey. The District and Board of Trustees adopted a conservative general operating budget and practices prudent spending.

With much community support, the District continues strong due to effective leadership offered by its Board of Trustees, administration, and staff members.

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, 2021

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 4,577,792
1225	<i>Property Taxes Receivable (Net)</i>	454,996
1240	<i>Due from Other Governments</i>	865,851
1290	<i>Other Receivables (Net)</i>	14,701
1300	<i>Inventories</i>	27,735
1410	<i>Unrealized Expenses</i>	129,813
Capital Assets:		
1510	<i>Land</i>	551,499
1520	<i>Buildings and Improvements, Net</i>	28,642,438
1530	<i>Furniture and Equipment, Net</i>	2,249,404
1580	<i>Construction in Progress</i>	3,430,346
1800	<i>Restricted Assets</i>	1,375
1000	Total Assets	<u>40,945,950</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1701	<i>Deferred Charge for Refunding</i>	28,879
1705	<i>Deferred Outflow Related to Pensions</i>	1,242,954
1706	<i>Deferred Outflow Related to OPEB</i>	1,076,709
1700	Total Deferred Outflows of Resources	<u>2,348,542</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	620,159
2140	<i>Interest Payable</i>	47,455
2165	<i>Accrued Liabilities</i>	709,992
2180	<i>Due to Other Governments</i>	1,016,732
2300	<i>Unearned Revenue</i>	61,828
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	850,387
2502	<i>Due in More Than One Year</i>	27,244,752
2540	<i>Net Pension Liability</i>	3,012,012
2545	<i>Net OPEB Liability</i>	3,206,380
2000	Total Liabilities	<u>36,769,697</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	<i>Deferred Inflow Related to Pensions</i>	534,991
2606	<i>Deferred Inflow Related to OPEB</i>	2,597,259
2600	Total Deferred Inflows of Resources	<u>3,132,250</u>
NET POSITION:		
3200	Net Investment in Capital Assets	6,823,612
Restricted For:		
3820	Federal and State Programs	236,494
3850	Debt Service	441,611
3890	Other	25,873
3900	Unrestricted	(4,135,045)
3000	Total Net Position	<u>\$ 3,392,545</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, 2021

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	\$ 6,297,732	\$ 2,195	\$ 465,666	\$ (5,829,871)	
12	Instructional Resources and Media Services	125,795	--	9,927	(115,868)	
13	Curriculum and Staff Development	240,097	--	52,821	(187,276)	
21	Instructional Leadership	54,235	--	502	(53,733)	
23	School Leadership	844,223	--	60,115	(784,108)	
31	Guidance, Counseling, and Evaluation Services	431,219	--	49,652	(381,567)	
33	Health Services	178,034	--	11,485	(166,549)	
34	Student Transportation	475,528	--	25,411	(450,117)	
35	Food Service	762,344	22,716	696,156	(43,472)	
36	Cocurricular/Extracurricular Activities	759,494	57,720	29,658	(672,116)	
41	General Administration	708,095	--	37,050	(671,045)	
51	Facilities Maintenance and Operations	1,512,175	--	56,202	(1,455,973)	
52	Security and Monitoring Services	17,729	--	787	(16,942)	
53	Data Processing Services	235,726	--	10,314	(225,412)	
72	Interest on Long-term Debt	1,002,473	--	51,217	(951,256)	
73	Bond Issuance Costs and Fees	21,255	--	--	(21,255)	
99	Other Intergovernmental Charges	72,690	--	--	(72,690)	
TG	Total Governmental Activities	13,738,844	82,631	1,556,963	(12,099,250)	
TP	Total Primary Government	\$ 13,738,844	\$ 82,631	\$ 1,556,963	(12,099,250)	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				3,879,106	
DT	Property Taxes, Levied for Debt Service				1,792,949	
IE	Investment Earnings				2,960	
GC	Grants and Contributions Not Restricted to Specific Programs				7,460,959	
MI	Miscellaneous				517,267	
TR	Total General Revenues				13,653,241	
CN	Change in Net Position				1,553,991	
NB	Net Position - Beginning				1,838,554	
NE	Net Position - Ending				\$ 3,392,545	

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110	\$ 3,811,853	\$ 324,319
1225	342,054	112,942
1240	409,842	--
1260	689,279	58,155
1290	12,277	2,390
1300	3,561	--
1410	129,813	--
1800	--	--
1000	<u>5,398,679</u>	<u>497,806</u>
LIABILITIES:		
Current Liabilities:		
2110	\$ 608,086	\$ --
2150	48,652	--
2160	386,753	--
2170	301,715	--
2180	1,007,845	8,740
2200	115,520	--
2300	61,828	--
2000	<u>2,530,399</u>	<u>8,740</u>
DEFERRED INFLOWS OF RESOURCES:		
2601	342,055	112,942
2600	<u>342,055</u>	<u>112,942</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410	3,561	--
3430	129,813	--
Restricted Fund Balances:		
3450	--	--
3480	--	376,124
3490	--	--
Committed Fund Balances:		
3545	--	--
3600	2,392,851	--
3000	<u>2,526,225</u>	<u>376,124</u>
4000	<u>\$ 5,398,679</u>	<u>\$ 497,806</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 299,614	\$ 134,621	\$ 4,570,407
--	--	454,996
--	456,009	865,851
134,355	--	881,789
--	33	14,700
--	24,174	27,735
--	--	129,813
--	1,375	1,375
<u>433,969</u>	<u>616,212</u>	<u>6,946,666</u>
\$ 8,119	\$ 3,954	\$ 620,159
--	--	48,652
--	22,296	409,049
303,846	301,144	906,705
--	147	1,016,732
105,817	557	221,894
--	--	61,828
<u>417,782</u>	<u>328,098</u>	<u>3,285,019</u>
--	--	454,997
--	--	454,997
--	24,174	27,735
--	--	129,813
--	212,320	212,320
--	--	376,124
16,187	25,873	42,060
--	25,747	25,747
--	--	2,392,851
<u>16,187</u>	<u>288,114</u>	<u>3,206,650</u>
<u>\$ 433,969</u>	<u>\$ 616,212</u>	<u>\$ 6,946,666</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, 2021

Total fund balances - governmental funds balance sheet	\$ 3,206,650
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.	34,873,687
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	454,998
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,904
Payables for bond principal which are not due in the current period are not reported in the funds.	(26,305,120)
Payables for capital leases which are not due in the current period are not reported in the funds.	(81,273)
Payables for bond interest which are not due in the current period are not reported in the funds.	(47,455)
Unamortized deferred charge for refunding is not reported in the funds.	28,879
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,012,012)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(534,991)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,242,954
Bond premiums are amortized in the SNA but not in the funds.	(1,708,746)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,206,380)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,597,259)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>1,076,709</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 3,392,545</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, 2021

Data Control Codes	10 <u>General Fund</u>	50 <u>Debt Service Fund</u>
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 4,266,685	\$ 1,774,706
5800 <i>State Program Revenues</i>	6,842,228	51,217
5900 <i>Federal Program Revenues</i>	155,048	--
5020 Total Revenues	<u>11,263,961</u>	<u>1,825,923</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	4,921,511	--
0012 <i>Instructional Resources and Media Services</i>	114,138	--
0013 <i>Curriculum and Staff Development</i>	72,756	--
0021 <i>Instructional Leadership</i>	50,440	--
0023 <i>School Leadership</i>	762,773	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	363,735	--
0033 <i>Health Services</i>	151,835	--
0034 <i>Student Transportation</i>	403,890	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	541,936	--
0041 <i>General Administration</i>	643,254	--
0051 <i>Facilities Maintenance and Operations</i>	1,453,522	--
0052 <i>Security and Monitoring Services</i>	14,652	--
0053 <i>Data Processing Services</i>	221,063	--
0071 <i>Principal on Long-term Debt</i>	37,965	615,000
0072 <i>Interest on Long-term Debt</i>	5,509	1,082,163
0073 <i>Bond Issuance Costs and Fees</i>	--	1,500
0081 <i>Capital Outlay</i>	3,307,287	--
0099 <i>Other Intergovernmental Charges</i>	72,690	--
6030 Total Expenditures	<u>13,138,956</u>	<u>1,698,663</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(1,874,995)</u>	<u>127,260</u>
Other Financing Sources and (Uses):		
7914 <i>Issuance of Non-Current Debt</i>	--	--
7080 Total Other Financing Sources and (Uses)	--	--
1200 Net Change in Fund Balances	<u>(1,874,995)</u>	<u>127,260</u>
0100 Fund Balances - Beginning	<u>4,401,220</u>	<u>248,864</u>
3000 Fund Balances - Ending	<u>\$ 2,526,225</u>	<u>\$ 376,124</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 29,468	\$ 148,438	\$ 6,219,297
--	64,275	6,957,720
--	1,790,329	1,945,377
<u>29,468</u>	<u>2,003,042</u>	<u>15,122,394</u>
--	856,019	5,777,530
--	--	114,138
--	146,493	219,249
--	--	50,440
--	1,029	763,802
--	25,883	389,618
--	9,327	161,162
--	36,603	440,493
--	694,259	694,259
--	160,050	701,986
--	10,752	654,006
--	16,595	1,470,117
--	22,458	37,110
--	--	221,063
--	--	652,965
--	--	1,087,672
19,755	--	21,255
1,606,187	--	4,913,474
--	--	72,690
<u>1,625,942</u>	<u>1,979,468</u>	<u>18,443,029</u>
<u>(1,596,474)</u>	<u>23,574</u>	<u>(3,320,635)</u>
1,600,122	--	1,600,122
<u>1,600,122</u>	<u>--</u>	<u>1,600,122</u>
3,648	23,574	(1,720,513)
12,539	264,540	4,927,163
<u>\$ 16,187</u>	<u>\$ 288,114</u>	<u>\$ 3,206,650</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, 2021*

Net change in fund balances - total governmental funds	\$ (1,720,513)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,127,333
The depreciation of capital assets used in governmental activities is not reported in the funds.	(933,880)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	55,614
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	615,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	37,965
(Increase) decrease in accrued interest from beginning of period to end of period.	(2,365)
The net revenue (expense) of internal service funds is reported with governmental activities.	25,625
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	87,564
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(1,600,122)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(200,166)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	<u>61,936</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,553,991</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, 2021

Data Control Codes	Nonmajor Internal Service Fund
<u>ASSETS:</u>	<u>Insurance Fund</u>
Current Assets:	
1110 <i>Cash and Cash Equivalents</i>	\$ 7,384
<i>Receivables:</i>	
1260 <i>Due from Other Funds</i>	109,205
	<u>116,589</u>
1000 Total Assets	<u>116,589</u>
 LIABILITIES:	
Current Liabilities:	
2170 <i>Due to Other Funds</i>	\$ 84,288
2200 <i>Accrued Expenses</i>	30,397
	<u>114,685</u>
2000 Total Liabilities	<u>114,685</u>
 NET POSITION:	
3900 <i>Unrestricted</i>	1,904
3000 Total Net Position	<u>\$ 1,904</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, 2021

Data Control Codes		Nonmajor Internal Service Fund
		<u>Insurance Fund</u>
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 109,232
5020	Total Revenues	<u>109,232</u>
	OPERATING EXPENSES:	
6200	<i>Professional and Contracted Services</i>	33,242
6400	<i>Other Operating Costs</i>	<u>50,365</u>
6030	Total Expenses	<u>83,607</u>
1300	Change in Net Position	25,625
0100	Total Net Position - Beginning	(23,721)
3300	Total Net Position - Ending	<u>\$ 1,904</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, 2021

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ --
<i>Cash Received from Grants</i>	--
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	24,031
<i>Cash Payments to Employees for Services</i>	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	--
<i>Cash Payments for Grants to Other Organizations</i>	--
<i>Other Operating Cash Receipts (Payments)</i>	--
Net Cash Provided (Used) by Operating Activities	<u>24,031</u>
Cash Flows from Non-capital Financing Activities:	
<i>Proceeds (Payments) from (for) Borrowings</i>	(96,175)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(96,175)</u>
Cash Flows from Investing Activities:	
<i>Purchase of Investment Securities</i>	--
<i>Proceeds from Sale and Maturities of Securities</i>	--
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(72,144)
Cash and Cash Equivalents at Beginning of Year	79,528
Cash and Cash Equivalents at End of Year	<u>\$ 7,384</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 25,625
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	--
<i>Increase (Decrease) in Accounts Payable</i>	--
<i>Increase (Decrease) in Accrued Expenses</i>	(1,594)
<i>Increase (Decrease) in Unearned Revenue</i>	--
Total Adjustments	<u>(1,594)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 24,031</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, 2021

Data Control Codes	Private-purpose Trust Fund <hr/> Student Scholarship Trust Fund	Custodial Fund <hr/> Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 680,869	\$ 31,799
1000 Total Assets	<hr/> 680,869	<hr/> 31,799
LIABILITIES:		
2000 Total Liabilities	<hr/> --	<hr/> --
NET POSITION:		
3800 <i>Donor Restricted - Corpus</i>	\$ 600,000	\$ --
3800 <i>Restricted for Student Scholarships</i>	80,869	--
3800 <i>Restricted for Student Activities</i>	--	31,799
3000 Total Net Position	<hr/> \$ 680,869	<hr/> \$ 31,799

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, 2021

	Private Purpose Trust Fund	Custodial Funds
	Student Scholarship Trust Fund	Student Activity
ADDITIONS:		
Investment Income	\$ 3,366	\$ --
Contributions	6,126	--
Student Group Fundraising Activities	--	26,193
Total Additions	<u>9,492</u>	<u>26,193</u>
DEDUCTIONS:		
Scholarship Awards	2,106	--
Student Activities	--	33,414
Total Deductions	<u>2,106</u>	<u>33,414</u>
Change in Fiduciary Net Position	7,385	(7,221)
Net Position-Beginning of the Year (Restated)	673,484	39,020
Net Position-End of the Year	<u>\$ 680,869</u>	<u>\$ 31,799</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, 2021

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.

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.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

Capital Projects Fund: This fund is used to account for construction activities.

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: These 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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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 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.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

f. Receivable and Payable Balances

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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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's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At August 31, 2021, the District reported the following:

Net Pension Asset	\$	
Net Pension Liability	\$	3,012,012

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

GASB Statement No. 84, *Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type

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activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

GASB Statement No. 92, Omnibus 2020

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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, expenditures in function 81, capital outlay, exceeded the appropriated amount.	In the future, the budget will be amended before overspending.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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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, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$420,821 and the bank balance was \$647,391. The District's cash deposits at August 31, 2021 and during the year ended August 31, 2021, 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, 2021 the District had the following investments and maturities:

Investments	Investment Maturities (In Years)			
	Fair Values	Less than 1	1 to 2	2 to 3
Investment in Lone Star	\$ 4,269,628	\$ 4,269,628	--	--
Investment in TexPool	10	10	--	--
Certificate of Deposits	600,000	600,000	--	--
Total Fair Value	<u>\$ 4,869,638</u>	<u>\$ 4,869,638</u>	<u>\$ --</u>	<u>\$ --</u>

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

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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, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 551,499	\$ --	\$ --	\$ 551,499
Construction in progress	--	3,430,346	--	3,430,346
Total capital assets not being depreciated	<u>551,499</u>	<u>3,430,346</u>	<u>--</u>	<u>3,981,845</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	37,466,601	23,319	--	37,489,920
Equipment	2,593,145	1,609,151	--	4,202,296
Vehicles	1,427,498	64,517	--	1,492,015
Total capital assets being depreciated	<u>41,487,244</u>	<u>1,696,987</u>	<u>--</u>	<u>43,184,231</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,076,379)	(771,103)	--	(8,847,482)
Equipment	(2,240,449)	(98,497)	--	(2,338,946)
Vehicles	(1,041,681)	(64,280)	--	(1,105,961)
Total accumulated depreciation	<u>(11,358,509)</u>	<u>(933,880)</u>	<u>--</u>	<u>(12,292,389)</u>
Total capital assets being depreciated, net	<u>30,128,735</u>	<u>763,107</u>	<u>--</u>	<u>30,891,842</u>
Governmental activities capital assets, net	<u>\$ 30,680,234</u>	<u>\$ 4,193,453</u>	<u>\$ --</u>	<u>\$ 34,873,687</u>

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Depreciation was charged to functions as follows:

Instruction	\$ 447,245
Instructional Resources and Media Services	8,861
Curriculum and Staff Development	16,913
Instructional Leadership	3,820
School Leadership	59,469
Guidance, Counseling, & Evaluation Services	30,376
Health Services	12,541
Student Transportation	64,280
Food Services	53,701
Extracurricular Activities	53,996
General Administration	50,456
Plant Maintenance and Operations	112,345
Security and Monitoring Services	2,831
Data Processing Services	17,046
	<u>\$ 933,880</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2021, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 301,144	Short-term loans
General Fund	Construction Fund	303,847	Short-term loans
General Fund	Internal Service Fund	84,288	Short-term loans
Debt Service Fund	General Fund	58,155	Debt service payments
Construction Fund	General Fund	134,355	Capital projects expenditures
Internal Service Fund	General Fund	109,205	To cover claims
	Total	<u>\$ 990,994</u>	

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2021

F. Long-Term Obligations

1. Long-Term Obligation Activity

Public Property Finance Act Contract

On February 10, 2021, the District entered into a Public Property Finance Act Contract with Government Capital Corporation. The amount of the contract is \$1,600,122. The purpose of the contract is for an energy conservation retrofit project. The contract is secured by a pledge from its maintenance and operation taxes. The term of the financing agreement is 15 years with an interest rate of 2.35%. Required annual payments are \$127,814 with the first payment due February 10, 2022 and the final payment due February 10, 2036.

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Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2021, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/20	Issued	Retired	Amounts Outstanding 8/31/21	Amounts Due Within One Year
Unlimited Tax School Building Bonds Series 2015	4.00%	23,080,000	22,070,000	--	335,000	21,735,000	345,000
Unlimited Tax Refunding Bonds, Series 2016	2.00% to 4.00%	3,585,000	3,250,000	--	280,000	2,970,000	285,000
Public Property Finance Act Contract	2.35%	1,600,122	--	1,600,122	--	1,600,122	90,212
Sub-Totals			<u>25,320,000</u>	<u>1,600,122</u>	<u>615,000</u>	<u>26,305,122</u>	<u>720,212</u>
Capital Leases			119,238	--	37,965	81,273	39,719
Bond Premiums on Refunding			1,799,202	--	90,456	1,708,746	90,456
Net Pension Liability			2,711,718	532,335	232,041	3,012,012	--
Net OPEB Liability			3,515,977	(245,488)	64,109	3,206,380	--
Total Governmental Activities			<u>\$ 33,466,135</u>	<u>\$ 1,886,969</u>	<u>\$ 1,039,571</u>	<u>\$ 34,313,533</u>	<u>\$ 850,387</u>

2. Debt Service Requirements

Governmental Activiy Debt service requirements on long-term debt at August 31, 2021, are as follows:

Year Ending August 31,	Governmental Activities					
	General Obligation Bonds			Public Property Finance Act Contract		
	Principal	Interest	Total	Principal	Interest	Total
2022	630,000	1,063,712	1,693,712	90,212	37,603	127,815
2023	650,000	1,044,812	1,694,812	92,332	35,483	127,815
2024	670,000	1,025,313	1,695,313	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
2027-2031	3,940,000	4,526,262	8,466,262	530,984	108,088	639,072
2032-2036	5,005,000	3,732,675	8,737,675	596,376	42,696	639,072
2037-2041	6,225,000	2,513,000	8,738,000	--	--	--
2042-2045	6,195,000	793,500	6,988,500	--	--	--
Totals	<u>\$ 24,705,000</u>	<u>\$ 16,689,150</u>	<u>\$ 41,394,150</u>	<u>1,600,122</u>	<u>\$ 317,094</u>	<u>\$ 1,917,216</u>

General Obligation Bonds are paid by the Debt Service Fund.

Deceased Bonds Outstanding -

The District had no deceased bonds outstanding as of August 31, 2021.

There are a number of limitations and restrictions contained in the general obligation bond

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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. Capital Leases

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

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments from the General Fund as of August 31, 2021 as follows:

Year Ending August 31:	
2022	43,474
2023	43,474
Total	<u>86,948</u>
Less amount representing interest	(5,675)
Present value of future minimum lease payments	<u>\$ 81,273</u>

The effective interest rate on the capital lease 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 2021, 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, 2021, 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, 2021, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Worker's Compensation

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, 2020 and ended September 1, 2021. The District's maximum financial exposure for the plan year is

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\$97,281. Any costs above \$97,281 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 \$29,184.

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 \$9,805,124. 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 (\$1,905) at 8/31/21 and is reported as net assets in the Workers' Compensation Internal Service Fund. The claims liability of \$30,397 reported in the fund at 8/31/21, 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 08/31/21	Year Ended 08/31/20
Unpaid claims, beginning of year	\$ 31,991	\$ 30,505
Current year claims and changes in estimate	82,013	46,922
Claim payments	(83,607)	(45,436)
Unpaid claims, end of year	<u>\$ 30,397</u>	<u>\$ 31,991</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/TRS%20Documents/cafr_2020.pdf, selecting About TRS or 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 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

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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 are determined by the System's actuary.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for the gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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.

	Contribution Rates	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions	\$ 254,343	
District's 2021 Member Contributions	\$ 541,811	
2020 NECE On-Behalf Contributions (state)	\$ 376,070	

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 part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

non-educational and general, or local funds.

- 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 1.5 percent of the member's salary beginning in fiscal year 2020, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

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 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, 2020 are summarized below:

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Asset Class	Target Allocation *	Long-Term Expected Arithmetic Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	(0.70)%	(0.05)%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	1.50%	(0.03)%
Asset Allocation Leverage	(6.00%)	1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ***	-		(0.67)%
Total	100.0%		7.33%
<p>* Target allocations are based on the FY2020 policy model ** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020) *** The volatility drag results from the conversion between arithmetic and geometric mean returns.</p>			

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 1 percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 4,644,468	\$ 3,012,012	\$ 1,685,677

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

At August 31, 2021, the District reported a liability of \$3,012,012 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	\$ 3,012,012
State's proportionate share that is associated with District	<u>4,881,591</u>
Total	<u>\$ 7,893,603</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0056238358% which was an increase (decrease) of 0.0004073011% from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, the District recognized pension expense of \$1,041,656 and revenue of \$587,147 for support provided by the State.

At August 31, 2021, 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 economic experience	\$ 5,500	\$ 84,057
Changes in actuarial assumptions	698,894	297,165
Difference between projected and actual investment earnings	60,975	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	223,242	153,769
Contributions paid to TRS subsequent to the measurement date	<u>254,343</u>	<u>--</u>
Total	<u>\$ 1,242,954</u>	<u>\$ 534,991</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
2022	\$ 100,210
2023	\$ 139,191
2024	\$ 145,458
2025	\$ 66,803
2026	\$ (5,744)
Thereafter	\$ 7,702

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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/TRS%20Documents/cafr_2020.pdf, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

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 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	
	Rate
Active Employee	0.65%

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Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding *	1.25%
Total	
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.	

District's 2021 Employer Contributions	\$	64,684
District's 2021 Member Contributions	\$	45,735
2020 NECE On-Behalf Contributions (state)	\$	86,146

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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation 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. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.50% to 4.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65.
Ad Hoc Post-Employment Benefit Changes	None

6. Discount Rate

A single discount rate of 2.33 percent was used to measure the total OPEB liability. This was a decrease of .30 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, 2020 using the fixed-income 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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 3,847,648	\$ 3,206,380	\$ 2,699,870

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

At August 31, 2021, the District reported a liability of \$3,206,380 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	\$ 3,206,380
State's proportionate share that is associated with the District	\$ <u>4,308,606</u>
Total	\$ <u><u>7,514,986</u></u>

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0084346193% which was an increase (decrease) of 0.0009998897% from its proportion measured as of August 31, 2019.

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	\$ 2,619,201	\$ 3,206,380	\$ 3,988,418

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 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered 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, 2021, 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	\$ 167,885	\$ 1,467,403
Changes in actuarial assumptions	197,767	880,488
Differences between projected and actual investment earnings	1,042	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	645,331	249,368
Contributions paid to TRS subsequent to the measurement date	<u>64,684</u>	
Total	<u>\$ 1,076,709</u>	<u>\$ 2,597,259</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
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FOR THE YEAR ENDED AUGUST 31, 2021

2022	\$ (282,369)
2023	\$ (282,509)
2024	\$ (282,591)
2025	\$ (282,570)
2026	\$ (196,925)
Thereafter	\$ (258,270)

For the year ended August 31, 2021, the District recognized OPEB expense of \$(27,169) and revenue of \$(29,917) 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, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$31,341.

J. Employee Health Care Coverage

During the year ended August 31, 2021, 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, 2021, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross Blue Shield of Texas are available and 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.

2. Litigation

No reportable litigation was pending against the District at August 31, 2021.

L. Subsequent Events

The District has evaluated subsequent events through February 8, 2022, which date these financial statements were available to be issued. There were no subsequent events that require disclosure.

M. Due from Other Governments

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021, 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	\$ 409,842	\$ --	\$ --	\$ 409,842
Other Governmental	--	23,360	432,649	456,009
Total	\$ 409,842	\$ 23,360	\$ 432,649	\$ 865,851

N. Unearned Revenue

Unearned revenue at year end consisted of the following:

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

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 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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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	Project's Value Limitation Amount	Amount of Applicant's M&O Taxes Paid 2020	Amount of Applicant's M&O Taxes Reduced 2020	Company Revenue Loss Payment to School District 2020	Company Supplemental Payment to School District 2020	Net Benefit (Loss) to the School District 2020 (C+E+F)
Project	2020	2020	2020	2020	2020	2020	2020
1.	\$35,361,560	--	\$340,532	--	--	--	\$340,532

Project Description

- 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, 2021:

General Fund

Nonspendable:	
Inventories	\$ 3,561
Prepaid Items	129,813
	<u>133,374</u>

Unassigned	<u>2,392,851</u>
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Total General Fund fund balance	<u>2,526,225</u>
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Debt Service Fund

Restricted For:	
Retirement of Long-Term Debt	<u>376,124</u>

Capital Projects Fund

Restricted For:	
Capital Acquisition	<u>16,187</u>

Other Governmental Funds:

Nonspendable:	
Inventories	<u>24,174</u>

Restricted:	
Child Nutrition	112,979
School Safety & Security	99,341
Donor Fund	24,772
Monsanto Fund	1,101
	<u>238,193</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

Committed:	
Campus Activity	<u>25,747</u>
Total Other Governmental Fund fund balances	<u>288,114</u>
Total Governmental Fund fund balances	<u>\$ 3,206,650</u>

Q. Restatement of Beginning Net Position

Effective September 1, 2020, the District implemented GASB Statement No. 84, Fiduciary Activities, which was effective for reporting periods beginning after December 15, 2019. The statement changes the definition of fiduciary activities, providing more defined guidance on how to determine if activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating Agency Funds and replacing them with Custodial Funds. Under this guidance, all fiduciary funds will now report a net position and a statement of changes in net position. The District has Private-Purpose Trust Funds and custodial fund type fiduciary activities. Because this statement was implemented retroactively, it resulted in a restatement of the prior period net position balances of Custodial Funds. The restatement is as follows:

Fiduciary Funds - Custodial Funds
Statement of Net Position

	Student Activity
Net Position at August 31, 2020, as previously reported	\$ --
Addition of Net Position as calculated pursuant to GASB 84	<u>39,020</u>
Net Position August 31, 2020, as restated	<u><u>\$ 39,020</u></u>

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, 2021

EXHIBIT G-1

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Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,772,284	\$ 3,774,160	\$ 4,266,685	\$ 492,525
5800	State Program Revenues	6,755,318	6,755,318	6,842,228	86,910
5900	Federal Program Revenues	155,182	156,182	155,048	(1,134)
5020	Total Revenues	<u>10,682,784</u>	<u>10,685,660</u>	<u>11,263,961</u>	<u>578,301</u>
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	5,357,289	5,526,139	4,921,511	604,628
0012	Instructional Resources and Media Services	140,819	140,819	114,138	26,681
0013	Curriculum and Staff Development	218,624	218,624	72,756	145,868
	Total Instruction and Instr. Related Services	<u>5,716,732</u>	<u>5,885,582</u>	<u>5,108,405</u>	<u>777,177</u>
Instructional and School Leadership:					
0021	Instructional Leadership	103,497	103,497	50,440	53,057
0023	School Leadership	1,073,623	1,073,623	762,773	310,850
	Total Instructional and School Leadership	<u>1,177,120</u>	<u>1,177,120</u>	<u>813,213</u>	<u>363,907</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	396,280	396,280	363,735	32,545
0033	Health Services	173,670	173,670	151,835	21,835
0034	Student (Pupil) Transportation	548,277	548,277	403,890	144,387
0035	Food Services	14,441	14,441	--	14,441
0036	Cocurricular/Extracurricular Activities	665,304	674,219	541,936	132,283
	Total Support Services - Student (Pupil)	<u>1,797,972</u>	<u>1,806,887</u>	<u>1,461,396</u>	<u>345,491</u>
Administrative Support Services:					
0041	General Administration	690,013	708,313	643,254	65,059
	Total Administrative Support Services	<u>690,013</u>	<u>708,313</u>	<u>643,254</u>	<u>65,059</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,934,730	1,852,841	1,453,522	399,319
0052	Security and Monitoring Services	16,802	22,802	14,652	8,150
0053	Data Processing Services	220,533	250,533	221,063	29,470
	Total Support Services - Nonstudent Based	<u>2,172,065</u>	<u>2,126,176</u>	<u>1,689,237</u>	<u>436,939</u>
Debt Service:					
0071	Principal on Long-Term Debt	37,966	37,966	37,965	1
0072	Interest on Long-Term Debt	5,509	5,509	5,509	--
	Total Debt Service	<u>43,475</u>	<u>43,475</u>	<u>43,474</u>	<u>1</u>
Capital Outlay:					
0081	Capital Outlay	--	2,877,886	3,307,287	(429,401)
	Total Capital Outlay	<u>--</u>	<u>2,877,886</u>	<u>3,307,287</u>	<u>(429,401)</u>
0099	Other Intergovernmental Charges	85,000	85,000	72,690	12,310
	Total Intergovernmental Charges	<u>85,000</u>	<u>85,000</u>	<u>72,690</u>	<u>12,310</u>
6030	Total Expenditures	<u>11,682,377</u>	<u>14,710,439</u>	<u>13,138,956</u>	<u>1,571,483</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(999,593)</u>	<u>(4,024,779)</u>	<u>(1,874,995)</u>	<u>2,149,784</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1200	Net Change in Fund Balance	(999,593)	(4,024,779)	(1,874,995)	2,149,784
0100	Fund Balance - Beginning	4,401,220	4,401,220	4,401,220	--
3000	Fund Balance - Ending	<u>\$ 3,401,627</u>	<u>\$ 376,441</u>	<u>\$ 2,526,225</u>	<u>\$ 2,149,784</u>

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, 2021

	Measurement Year Ended August 31,						
	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0056238358%	0.0052165347%	0.0054348100%	0.0053462233%	0.0059517448%	0.0062864000%	0.0046431000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,012,012	\$ 2,711,718	\$ 2,991,451	\$ 1,709,434	\$ 2,249,076	\$ 2,222,159	\$ 1,240,236
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	4,881,591	4,482,523	5,671,295	3,530,566	4,106,686	3,993,045	3,430,045
Total	<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	\$ 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	43.66%	44.37%	44.99%	27.12%	35.68%	34.58%	19.53%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only seven 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, 2021

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

Note: Only seven 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, 2021

	Measurement Year Ended August 31,			
	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0084346193%	0.0074347296%	0.0079493278%	0.0077393563%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 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	<u>4,308,606</u>	<u>4,671,944</u>	<u>5,635,417</u>	<u>5,192,289</u>
Total	<u>\$ 7,514,986</u>	<u>\$ 8,187,921</u>	<u>\$ 9,604,589</u>	<u>\$ 8,557,845</u>
District's Covered Payroll	\$ 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	46.47%	57.54%	59.70%	53.40%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: Only four 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, 2021

	Fiscal Year Ended August 31,			
	2021	2020	2019	2018
Contractually Required Contribution	\$ 64,684	\$ 64,109	\$ 52,774	\$ 54,994
Contribution in Relation to the Contractually Required Contribution	<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>
District's Covered Payroll	\$ 7,036,486	\$ 6,899,275	\$ 6,110,947	\$ 6,648,831
Contributions as a percentage of Covered Payroll	0.92%	0.93%	0.86%	0.83%

Note: Only four 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, 2021*

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, 2021*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2012 and Prior Years	\$ Various	\$ Various	\$ Various
2013	1.04	.1267	283,259,110
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 (School Year Under Audit)	.963	.445391	388,255,818

1000 Totals

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

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 183,697	\$ --	\$ 284	\$ 28	\$ --	\$ 183,385
24,447	--	465	57	--	23,925
36,138	--	813	82	(12)	35,231
51,459	--	1,185	130	942	51,086
92,887	--	4,487	1,754	3,935	90,581
108,891	--	3,263	1,336	3,788	108,080
101,052	--	6,592	2,817	6,400	98,043
119,485	--	10,409	4,448	3,424	108,052
232,857	--	52,693	24,661	(2,802)	152,701
--	5,468,160	3,693,128	1,708,085	165,296	232,243
<u>\$ 950,913</u>	<u>\$ 5,468,160</u>	<u>\$ 3,773,319</u>	<u>\$ 1,743,398</u>	<u>\$ 180,971</u>	<u>\$ 1,083,327</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 15,500	\$ 15,500	\$ 22,716	\$ 7,216
5800	State Program Revenues	19,792	19,792	26,591	6,799
5900	Federal Program Revenues	647,389	661,389	669,565	8,176
5020	Total Revenues	<u>682,681</u>	<u>696,681</u>	<u>718,872</u>	<u>22,191</u>
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	697,122	711,122	694,259	16,863
	Total Support Services - Student (Pupil)	<u>697,122</u>	<u>711,122</u>	<u>694,259</u>	<u>16,863</u>
6030	Total Expenditures	<u>697,122</u>	<u>711,122</u>	<u>694,259</u>	<u>16,863</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(14,441)	(14,441)	24,613	39,054
1200	Net Change in Fund Balance	<u>(14,441)</u>	<u>(14,441)</u>	<u>24,613</u>	<u>39,054</u>
0100	Fund Balance - Beginning	112,540	112,540	112,540	--
3000	Fund Balance - Ending	<u>\$ 98,099</u>	<u>\$ 98,099</u>	<u>\$ 137,153</u>	<u>\$ 39,054</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
REVENUES:					
5700	<i>Local and Intermediate Sources</i>	\$ 1,777,191	\$ 1,777,191	\$ 1,774,706	\$ (2,485)
5800	<i>State Program Revenues</i>	54,161	54,161	51,217	(2,944)
5020	Total Revenues	<u>1,831,352</u>	<u>1,831,352</u>	<u>1,825,923</u>	<u>(5,429)</u>
EXPENDITURES:					
Debt Service:					
0071	<i>Principal on Long-Term Debt</i>	615,000	615,000	615,000	--
0072	<i>Interest on Long-Term Debt</i>	1,082,163	1,082,163	1,082,163	--
0073	<i>Bond Issuance Costs and Fees</i>	1,500	1,500	1,500	--
	Total Debt Service	<u>1,698,663</u>	<u>1,698,663</u>	<u>1,698,663</u>	<u>--</u>
6030	Total Expenditures	<u>1,698,663</u>	<u>1,698,663</u>	<u>1,698,663</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	132,689	132,689	127,260	(5,429)
1200	Net Change in Fund Balance	<u>132,689</u>	<u>132,689</u>	<u>127,260</u>	<u>(5,429)</u>
0100	Fund Balance - Beginning	248,864	248,864	248,864	--
3000	Fund Balance - Ending	<u>\$ 381,553</u>	<u>\$ 381,553</u>	<u>\$ 376,124</u>	<u>\$ (5,429)</u>

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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, 2021, 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, 2022.

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.

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, 2022

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

We have audited the Odem-Edroy Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Odem-Edroy Independent School District's major federal programs for the year ended August 31, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Odem-Edroy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
February 8, 2022

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

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 X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Version of compliance supplement used in audit: August 2019

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	ESSER Grant
84.425D	CRRSA ESSER II

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

Auditee qualified as low-risk auditee? X 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, 2021

<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, 2021

Program

Corrective Action Plan

N/A

No corrective action required

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	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	HHS000537 -900254	\$ --	\$ 4,851
Total U. S. Department of Health and Human Services			--	4,851
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	2161010120590	--	383,453
IDEA-B Cluster:				
<i>IDEA-B Formula</i>	84.027A	2166000120590	--	116,803
<i>IDEA-Part B, Preschool</i>	84.173A	2166100120590	--	783
Total IDEA-B Cluster			--	117,586
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	2169450120590	--	47,081
<i>ESSER Grant</i>	84.425D	2052100120590	--	170,148
<i>CRRSA ESSER II</i>	84.425D	2152100120590	--	374,936
Total CFDA Number 84.425D			--	545,084
<i>Title IV, Part A, Subpart 1</i>	84.424A	2068010120590	--	1,890
<i>Title IV, Part A, Subpart 1</i>	84.424A	2168010120590	--	25,670
Total CFDA Number 84.424A			--	27,560
Total Passed Through State Department of Education			--	1,120,764
Total U. S. Department of Education			--	1,120,764
<u>U. S. Department of the Treasury</u>				
Passed Through Region 4 Education Service Center:				
Operation Connectivity	21.019	205-905	--	41,255
Total U. S. Department of the Treasury			--	41,255
<u>U. S. Department of Agriculture</u>				
Passed Through Texas Department of Agriculture:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	078491214	--	138,031
National School Lunch Program	10.555	078491214	--	337,611
Emergency Operational Cost Reimbursement Program	10.555	078491214	--	20,532
Total Child Nutrition Cluster			--	496,174
Commodity Supplemental Food Program	10.565	078491214	--	58,413
Child and Adult Care Food Program	10.558	078491214	--	94,281
Fresh Fruit & Vegetable Program	10.582	078491214	--	20,697
Total Passed Through Texas Department of Agriculture			--	669,564
Total U. S. Department of Agriculture			--	669,564
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 1,836,434

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, 2021

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	1,945,376
Less: School Health & Related Services (SHARS) revenues reported in General Fund	<u>(108,942)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>1,836,434</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.