

***Tatum Independent School
District***

Annual Financial Report

***For the Year Ended
August 31, 2021***

Malnory, McNeal & Company, PC

Certified Public Accountants

TATUM INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

Tatum Independent School District
Annual Financial Report
For The Year Ended August 31, 2021

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Introductory Section

CERTIFICATE OF BOARD

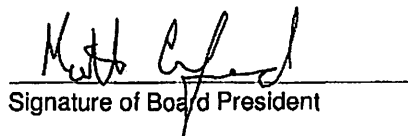
Tatum Independent School District
Name of School District

Panola and Rusk
County

201-910
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 10th day of January 2022.


Signature of Board Secretary


Signature of 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)

Financial Section

Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tatum 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing 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 Tatum Independent School District as of August 31, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note T to the financial statements, in 2021, the District adopted new accounting guidance, GASB Statement No. 84 for *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 5 through 11, Budgetary Comparison Schedules pages 47 and 48, and pension information and other post-employment benefits on pages 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information section, listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was 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 Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in exhibits identified in the Table of Contents as J-1, J-2, J-3, J-4, and L-1. 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 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.

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.

The Schedule of Required Responses to School First Indicators 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 January 10, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants

January 10, 2022
Paris, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Tatum 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 net position as of August 31, 2021 was \$28,193,834
- During the year, the district had general fund expenditures of \$16.72 million and revenues of \$14.96 million for a net deficit of \$1.77 million.
- The General Fund ended the year with a fund balance of \$8.52 million.

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 agent* for the benefit of others, to whom the resources in question belong.

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.

● Government-wide Statements

The government-wide statements report information about the district using accounting methods like those used by private-sector companies. The Statement of Net Position includes *all* the government's assets and liabilities. All 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 they have changed. Net position—the difference between the district's assets and liabilities—is one way to measure the district's financial health or *position*.

- Over time, increases or decreases in the district's net position are 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, state revenues, and federal 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 two 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, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Fiduciary funds**—The district 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 the district's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the district's government-wide financial statements because the district cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis of comparative balances and changes therein is inclusive of the current year's and prior year's operations. The analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District's governmental activities.

The district's total net position was \$28,193,834 on August 31, 2021. (See Table A-1) This is a decrease in Total Net Position of \$131,255 from the year ending August 31, 2020. The net position may, over time serve as an indicator of a district's changing financial position.

Table A-1
Tatum Independent School District's Net Position
Taken from Exhibit A-1, Statement of Net Position
(In thousands of dollars)

	Governmental Activities	
	2021	2020
Assets:		
Total Current Assets	\$ 11,121	\$ 13,761
Total Noncurrent Assets	45,066	45,042
Total Assets	56,187	58,803
Deferred Outflows of Resources:		
Deferred Outflow Related to Pensions	1,577	2,104
Deferred Outflow Related to OPEB	1,920	1,597
Total Deferred Outflows of Resources	3,497	3,701

Liabilities:		
Total Current Liabilities	786	1,482
Total Long-term Liabilities	14,669	16,467
Net Pension Liability	4,316	4,647
Net OPEB Liability	5,307	6,191
Total Liabilities	<u>25,078</u>	<u>28,787</u>
Deferred Inflows of Resources		
Deferred Gain on Bond Refunding	614	708
Deferred Inflow Related to Pensions	1,223	1,196
Deferred Inflow Related to OPEB	4,595	3,488
Total Deferred Outflows of Resources	<u>6,432</u>	<u>5,392</u>
Net Position:		
Invested in Capital Assets	29,783	27,866
Restricted	1,048	1,426
Unrestricted	(2,658)	(967)
Total Net Position	<u>\$ 28,173</u>	<u>\$ 28,325</u>

The district's annual revenue as reported on the Government-wide statements totaled \$20.5 million, a 3% increase from the preceding year. This is comparable to what is found on Exhibit C-2--the Statement of Revenues, Expenditures, and Changes where total revenue for the district for the year is reported as \$20.5 million. As is typical, the largest portion of the district's revenue comes from state-funded programs. Local property taxes and federal grants account for the remaining significant revenue sources. The total cost of all programs and services as reported on the Government-wide statements was \$21.05 million; 55% of these costs were for instruction and instructional-related services, and 18% were for student support services.

Table A-2
Changes in Tatum Independent
School District's Net Position
Taken from Exhibit B-1, Statement of
Activities
(In thousands of dollars)

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for Services	\$ 1,126	\$ 1,109
Operating Grants and Contributions	3,124	3,102
General Revenues		
Property Taxes	10,423	10,954
State Aid – Formula	5,556	3,932
Investment Earnings	53	152
Grants and Contributions Not	272	703
Restricted		
Other	333	164
Total Revenues	<u>20,887</u>	<u>20,116</u>

Instruction	10,198	10,867
Instructional Resources and Media Services	515	505
Curriculum Dev. And Instructional Staff Dev.	260	281
Instructional Leadership	271	339
School Leadership	1,125	998
Guidance, Counseling and Evaluation Services	942	978
Social Work Services		
Health Services	186	199
Student (Pupil) Transportation	534	595
Food Services	1,132	1,076
Curricular/Extracurricular Activities	1,406	1,467
General Administration	875	1,002
Plant Maintenance & Operations	2,201	2,017
Security & Monitoring Services	67	57
Data Processing Services	375	387
Community Services	30	24
Interest and Fees on Long-term Debt	413	393
Bond Issuance Costs and Fees	88	--
Capital Outlay		
Pmts Related to Shared Services Arrangement	221	161
Intergovernmental Charges	200	190
Total Expenses	<u>21,039</u>	<u>21,536</u>
Increase (Decrease) in Net Position	<u>(152)</u>	<u>(1,420)</u>
Net Position—Beginning	<u>28,325</u>	<u>29,622</u>
Prior Period Adjustment	<u>--</u>	<u>123</u>
Net Position – Beginning, as Restated	<u>28,325</u>	<u>29,745</u>
Net Position—Ending	<u>\$ 28,173</u>	<u>\$ 28,325</u>

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.

- The cost of all *governmental* activities this year was \$21.04 million.
- Comparatively, the amount that Tatum ISD taxpayers paid for these activities through property taxes was \$10.4 million.
- A portion of the cost was paid by those who directly benefited from the programs (\$1.2 million).
- Another portion was paid by grants and contributions (\$5.8 million).

Table A-3
Net Cost of Selected District Functions
 Taken from Exhibit B-1, Statement of Activities
(In thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Instruction	10,198	10,867	(8,425)	(9,185)
Plant Maintenance & Operations	2,201	2,017	(2,112)	(1,836)
Food Service	1,132	1,075	(242)	(261)
School Leadership	1,125	997	(1,070)	(946)
Cocurricular/Extracurricular Activities	1,406	1,467	(983)	(1,051)
Guidance, Counseling and Evaluation	942	978	(346)	(386)

● **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$20.5 million, an increase of \$900 thousand over the preceding year.. and total costs for the district increased to \$21.3 million from the preceding year. Total expenditures exceeded total revenues by \$829 thousand. During the year, the District purchased a new adaptive bus, two maintenance trucks, installed turf at the baseball and softball complex, replaced turf in the indoor facility, and upgraded food service software..

General Fund Budgetary Highlights

Over the course of the year, the district revised its original budget by presenting budget amendments at regularly scheduled board meetings. Amendments were made to purchase a bus, two maintenance trucks, and renovations for the baseball and softball fields as well as the indoor facility.

● **CAPITAL ASSETS AND DEBT ADMINISTRATION**

● **Capital Assets**

At the end of FY 2021, the district had invested \$87.5 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 deletions) of \$2.2 million over last year.

Table A-4

District's Capital Assets
Taken from Footnote D
(In thousands of dollars)

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Land	\$ 1,018	\$ 1,018
Construction in Progress	1,747	--
Buildings and Improvements	80,991	80,295
Furniture and Equipment	5,994	6,156
Totals at Historical Cost	<u>89,750</u>	<u>87,469</u>
Total Accumulated Depreciation	<u>(44,684)</u>	<u>(42,428)</u>
Net Capital Assets	<u>\$ 45,066</u>	<u>\$ 45,041</u>

- **Long-Term Debt**

At year-end the district had long-term liabilities as shown in Table A-5. More detailed information about the district's long-term liabilities is presented in the notes to the financial statements.

Table A-5
District's Long-Term Liabilities
Taken from Footnote G and Exhibit A-1
(In thousands of dollars)

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Bonds Payable	\$ 13,435	\$ 15,940
Discount/Premium/Loss	1,234	1,207
	<u>14,669</u>	<u>16,467</u>
Net Pension Liability	4,316	4,647
Net OPEB Liability	5,307	6,191
Total Governmental Activities	<u>\$ 24,292</u>	<u>\$ 27,305</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The 2020-2021 tax rate resulting from tax compression as required by HB3 was \$1.207 per \$100 of valuation. The Board of Trustees adopted a 2020-2021 tax rate of \$1.207 as a result of the second year of required tax compression.
- The freeze adjusted taxable property value used for the 2021-2022 budget preparation was 800,752,497, which was based on 2020 certified values as well as the preliminary 2021 values provided by the Rusk County Appraisal District. This amount was 5.6% lower than the estimated amount used for the 2020-2021 budget. When 2021 certified values were received in late July, freeze adjusted taxable value was \$800,752,497. This was a 5.6% decrease over 2020 certified values of \$848,128,431.

- The district's 2020-2021 refined average daily attendance was 1,390.081, up from 1,368.871 for the previous year. The 2020-2021 average daily attendance is forecasted to be slightly lower.

These indicators were taken into account when preparing the budget for 2021-2022. The district adopted a budget of \$17.6 million for all board-approved funds. Amounts available for appropriation in the general fund budget were \$15.1 million, an increase of \$597 thousand from the prior year.

General fund expenditures are budgeted to be \$15.1 million for 2021-2022. The most significant expenditure, salaries, and benefits, makes up 60% of the total board-approved budget.

If the budgetary estimates for 2021-2022 are realized, the fund balance in the district's general fund is expected to remain constant by the close of fiscal year 2022.

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

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. Any questions about this report or requests for additional financial information should be directed to the district's business office.

Basic Financial Statements

TATUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 Cash and Cash Equivalents	\$ 9,931,560
1225 Property Taxes Receivable (Net)	753,814
1240 Due from Other Governments	434,967
Capital Assets:	
1510 Land	1,018,454
1520 Buildings and Improvements, Net	41,432,558
1530 Furniture and Equipment, Net	868,522
1580 Construction in Progress	1,746,948
1000 Total Assets	<u>56,186,823</u>
DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions 1,577,026
	Deferred Outflow Related to OPEB 1,919,914
1700 Total Deferred Outflows of Resources	<u>3,496,940</u>
LIABILITIES:	
2110 Accounts Payable	12,731
2140 Interest Payable	24,587
2165 Accrued Liabilities	74,454
2160 Accrued Wages Payable	617,348
2300 Unearned Revenue	57,053
Noncurrent Liabilities:	
2501 Due Within One Year	1,100,000
2502 Due in More Than One Year	13,569,011
2540 Net Pension Liability	4,316,255
2545 Net OPEB Liability	5,306,989
2000 Total Liabilities	<u>25,078,428</u>
DEFERRED INFLOWS OF RESOURCES:	
	Deferred Gain on Bond Refunding 614,000
	Deferred Inflow Related to Pensions 1,223,227
	Deferred Inflow Related to OPEB 4,595,211
2600 Total Deferred Inflows of Resources	<u>6,432,438</u>
NET POSITION:	
3200 Net Investment in Capital Assets	29,783,470
Restricted For:	
3820 Federal and State Programs	2,564
3850 Debt Service	1,045,084
3900 Unrestricted	(2,658,221)
3000 Total Net Position	<u>\$ 28,172,897</u>

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 10,197,671	\$ 316,348	\$ 1,456,326	\$ (8,424,997)
12	Instructional Resources and Media Services	514,789	--	43,018	(471,771)
13	Curriculum and Staff Development	259,838	5,193	26,562	(228,083)
21	Instructional Leadership	271,248	95,884	14,377	(160,987)
23	School Leadership	1,124,648	--	55,036	(1,069,612)
31	Guidance, Counseling, & Evaluation Services	941,806	145,222	450,537	(346,047)
33	Health Services	185,912	--	22,785	(163,127)
34	Student Transportation	533,855	--	15,322	(518,533)
35	Food Service	1,132,247	90,692	799,110	(242,445)
36	Cocurricular/Extracurricular Activities	1,406,167	386,621	36,428	(983,118)
41	General Administration	874,703	42,586	42,149	(789,968)
51	Facilities Maintenance and Operations	2,201,292	28,759	60,878	(2,111,655)
52	Security and Monitoring Services	67,444	325	--	(67,119)
53	Data Processing Services	375,312	14,866	83,561	(276,885)
61	Community Services	30,087	--	--	(30,087)
72	Interest on Long-term Debt	412,705	--	--	(412,705)
73	Bond Issuance Costs and Fees	88,400	--	--	(88,400)
93	Payments Related to Shared Services Arrangements	221,455	--	18,024	(203,431)
99	Other Intergovernmental Charges	199,750	--	--	(199,750)
TG	Total Governmental Activities	<u>21,039,329</u>	<u>1,126,496</u>	<u>3,124,113</u>	<u>(16,788,720)</u>
TP	Total Primary Government	<u>\$ 21,039,329</u>	<u>\$ 1,126,496</u>	<u>\$ 3,124,113</u>	<u>(16,788,720)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				8,337,246
DT	Property Taxes, Levied for Debt Service				2,085,711
IE	Investment Earnings				52,515
SF	State Aid- Formal Grants				5,555,629
GC	Grants and Contributions Not Restricted to Specific Programs				271,885
MI	Miscellaneous				130,114
	Special and Extraordinary Items:				
E2	Extraordinary Item Outflow				203,428
TR	Total General Revenues				<u>16,636,528</u>
CN	Change in Net Position				(152,192)
NB	Net Position - Beginning				<u>28,325,089</u>
NE	Net Position - Ending				<u>\$ 28,172,897</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 8,868,379	\$ 881,504	\$ 181,677	\$ 9,931,560
1225	Taxes Receivable, Net	590,234	163,580	--	753,814
1240	Due from Other Governments	281,409	--	153,558	434,967
1260	Due from Other Funds	3,637	--	22,712	26,349
1000	Total Assets	<u>9,743,659</u>	<u>1,045,084</u>	<u>357,947</u>	<u>11,146,690</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 12,731	\$ --	\$ --	\$ 12,731
2150	Payroll Deductions & Withholdings	1,127	--	--	1,127
2160	Accrued Wages Payable	495,481	--	121,867	617,348
2170	Due to Other Funds	20,595	--	5,754	26,349
2200	Accrued Expenditures	68,141	--	5,186	73,327
2300	Unearned Revenue	57,053	--	--	57,053
2000	Total Liabilities	<u>655,128</u>	<u>--</u>	<u>132,807</u>	<u>787,935</u>
DEFERRED INFLOWS OF RESOURCES:					
2600	Deferred Revenue - Property Tax	565,018	158,033	--	723,051
2600	Total Deferred Inflows of Resources	<u>565,018</u>	<u>158,033</u>	<u>--</u>	<u>723,051</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	4,311	4,311
3480	Retirement of Long-Term Debt	--	887,051	--	887,051
Committed Fund Balances:					
3510	Construction	6,000,000	--	--	6,000,000
3545	Other Committed Fund Balance	1,000,000	--	220,829	1,220,829
3600	Unassigned	1,523,513	--	--	1,523,513
3000	Total Fund Balances	<u>8,523,513</u>	<u>887,051</u>	<u>225,140</u>	<u>9,635,704</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 9,743,659</u>	<u>\$ 1,045,084</u>	<u>\$ 357,947</u>	<u>\$ 11,146,690</u>

The accompanying notes are an integral part of this statement.

TATUM 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	\$ 9,635,704
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	45,066,482
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	723,051
Payables for bond principal which are not due in the current period are not reported in the funds.	(13,435,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(24,586)
Payables for unamortized bond premium are not due in the current period are not reported in the funds	(1,234,012)
The deferred gain on refunding of debt is not reported in the funds.	(614,000)
Deferred Resource Inflows related to OPEB plan are not reported in the funds.	(4,595,211)
Recognition of the District's proportionate share of the net OPEB is not reported in the funds.	(5,306,989)
Deferred Resource Outflows related to OPEB plan are not reported in the funds.	1,919,914
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(4,316,255)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,223,227)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>1,577,026</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 28,172,897</u>

The accompanying notes are an integral part of this statement.

TATUM 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 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 8,515,520	\$ 2,092,412	\$ 1,085,559	\$ 11,693,491
5800 State Program Revenues	6,358,190	13,470	124,078	6,495,738
5900 Federal Program Revenues	82,053	--	2,215,594	2,297,647
5020 Total Revenues	<u>14,955,763</u>	<u>2,105,882</u>	<u>3,425,231</u>	<u>20,486,876</u>
EXPENDITURES:				
Current:				
0011 Instruction	7,320,893	--	1,271,775	8,592,668
0012 Instructional Resources and Media Services	411,394	--	16,248	427,642
0013 Curriculum and Staff Development	198,789	--	20,308	219,097
0021 Instructional Leadership	137,535	--	103,752	241,287
0023 School Leadership	916,041	--	--	916,041
0031 Guidance, Counseling, & Evaluation Services	245,534	--	627,212	872,746
0033 Health Services	141,705	--	12,181	153,886
0034 Student Transportation	474,586	--	--	474,586
0035 Food Service	--	--	1,012,079	1,012,079
0036 Cocurricular/Extracurricular Activities	972,967	--	296,746	1,269,713
0041 General Administration	719,800	--	46,064	765,864
0051 Facilities Maintenance and Operations	2,205,678	--	44,038	2,249,716
0052 Security and Monitoring Services	59,294	--	8,150	67,444
0053 Data Processing Services	239,835	--	82,195	322,030
0061 Community Services	25,456	--	--	25,456
0071 Principal on Long-term Debt	--	445,000	--	445,000
0072 Interest on Long-term Debt	--	502,468	--	502,468
0073 Bond Issuance Costs and Fees	--	88,400	--	88,400
0081 Capital Outlay	2,248,606	--	--	2,248,606
0093 Payments to Shared Service Arrangements	203,455	--	18,000	221,455
0099 Other Intergovernmental Charges	199,750	--	--	199,750
6030 Total Expenditures	<u>16,721,318</u>	<u>1,035,868</u>	<u>3,558,748</u>	<u>21,315,934</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(1,765,555)</u>	<u>1,070,014</u>	<u>(133,517)</u>	<u>(829,058)</u>
Other Financing Sources and (Uses):				
7901 Refunding Bonds Issued	--	1,510,000	--	1,510,000
7915 Transfers In	--	--	90,076	90,076
7916 Premium or Discount on Issuance of Bonds	--	242,868	--	242,868
8911 Transfers Out	(90,076)	--	--	(90,076)
8940 Payment to Bond Refunding Escrow Agent	--	(3,079,651)	--	(3,079,651)
7080 Total Other Financing Sources and (Uses)	<u>(90,076)</u>	<u>(1,326,783)</u>	<u>90,076</u>	<u>(1,326,783)</u>
EXTRAORDINARY ITEM:				
7919 Extraordinary Item (Resource)	203,428	--	--	203,428
1200 Net Change in Fund Balances	<u>(1,652,203)</u>	<u>(256,769)</u>	<u>(43,441)</u>	<u>(1,952,413)</u>
0100 Fund Balances - Beginning	10,175,716	1,143,820	268,581	11,588,117
3000 Fund Balances - Ending	<u>\$ 8,523,513</u>	<u>\$ 887,051</u>	<u>\$ 225,140</u>	<u>\$ 9,635,704</u>

The accompanying notes are an integral part of this statement.

TATUM 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	\$ (1,952,413)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,566,831
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,541,945)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	38,592
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	445,000
(Increase) decrease in accrued interest from beginning of period to end of period.	31,181
Unamortized gain on defeasance of debt amortized in the SOA.	58,582
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,510,000)
Bond premiums are reported in the funds but not in the SOA.	(242,868)
Payments to the escrow agent recorded in the funds but not in the SOA.	3,079,650
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase.	346,295
Pension contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability.	(348,302)
The District's proportionate share of the TRS pension decreased the change on the net pension.	(222,336)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to decrease.	104,224
OPEB contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability.	(106,537)
The District's proportionate share of the TRS OPEB expense on the plan decreased the change on net position.	101,854
Change in net position of governmental activities - Statement of Activities	<u>\$ (152,192)</u>

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

Data Control Codes	Private-purpose Trust Fund	Custodial Fund
<u>ASSETS:</u>	<u>Private-Purpose Trust Fund</u>	<u>Student Activity</u>
1110 Cash and Cash Equivalents	\$ --	\$ 25,865
1000 Total Assets	<u> --</u>	<u>25,865</u>
 LIABILITIES:		
2000 Total Liabilities	<u> --</u>	<u> --</u>
 NET POSITION:		
3800 Restricted for Other Purposes	\$ --	\$ 25,865
3000 Total Net Position	<u> --</u>	<u>25,865</u>

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Private Purpose Trust	Custodial Funds
ADDITIONS:		
	\$ 104	\$ --
Student Group Fundraising Activities	--	35,969
Student Group Fees / Dues	--	23,457
Contributions from Gifts and Bequests	--	5,303
Total Additions	<u>104</u>	<u>64,730</u>
DEDUCTIONS:		
Supplies	--	29,903
Events / Awards	--	25,733
Residual Transfer to Other Trust	26,432	--
Total Deductions	<u>26,432</u>	<u>55,636</u>
Change in Fiduciary Net Position	(26,328)	9,094
Net Position-Beginning of the Year	26,328	--
Prior Period Adjustment	--	16,772
Net Position-End of the Year	<u>\$ --</u>	<u>\$ 25,866</u>

The accompanying notes are an integral part of this statement.

TATUM 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 Tatum 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.

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.

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

In addition, the District reports the following fund types:

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

Special Revenue Funds: These funds account for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service Fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures required in excess of NSLP and user fees, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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 does not consider revenues collected after its year-end to be available in the current period. 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

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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. Property Taxes

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

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

c. Capital Assets

Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life more than two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

d. 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.

e. 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.

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

f. Internal Service Fund

Internal Service Funds support the operations of governmental funds and are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole. The District has no Internal Service Funds.

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. Actual results could differ from those estimates.

i. Data Control Codes

Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide* and appears 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

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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.

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.

Fund Balance Policy - In an effort to provide adequate cash flow for operations, maintain a strong credit rating, and plan for unanticipated extraordinary costs, the District shall strive to maintain in the general fund an unassigned fund balance of at least two months operations.

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

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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.

The District does not have a policy to pay any amounts when employees separate from service with the district; therefore, there is no liability for unpaid accumulated sick leave.

4. Pensions

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

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' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

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 activities should report their fiduciary activities and clarifying whether and how business-type 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 financial accountable for the legally

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

separate organization and, therefore, the government should report that organization as a component unit.

Currently, the District does not expect the implementation of this standard to have an effect on the financial statements.

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) related 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 financial 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 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:

a.	<u>Violation</u> Exceeds the Budget in Function 93 by \$3,455 - Payments to Fiscal Agent/Member Dist. – SSA	<u>Action Taken</u> Under Consideration
----	---	--

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:

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

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

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 \$9,957,427 and the bank balance was \$10,271,635. 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.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Texas Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$ 20,597,029.05.
- c. The highest combined balances of cash, savings and time deposit accounts amount to \$16,451,150.96 and occurred during the month of March.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

2. Investments:

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

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guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2021 are shown below.

<u>Investments or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
None	N/A	\$ --
Total Investments		\$ --

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District did not have any investments at year end. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. The District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. The District did not have any securities at year end. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market prices losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District requires any internally created pool fund group of the District to have a maximum of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. At year end, the District was not exposed to interest rate risk.

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e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,018,454	\$ --	\$ --	\$ 1,018,454
Construction in Progress	--	1,746,948	--	1,746,948
Total Capital assets not being depreciated	1,018,454	1,746,948	--	2,765,402
<i>Capital assets being depreciated:</i>				
Buildings and improvements	80,294,965	695,834	--	80,990,799
Equipment & Furniture	6,155,758	124,049	(285,635)	5,994,172
Total Capital Assets being depreciated	86,450,723	819,883	(285,635)	86,984,971
Less accumulated depreciation for:				
Buildings and improvements	(37,200,872)	(2,357,369)	--	(39,558,241)
Equipment & Furniture	(5,226,709)	(184,576)	285,635	(5,125,650)
Total accumulated depreciation	(42,427,581)	(2,541,945)	285,635	(44,683,891)
Total capital assets being depreciated, net	44,023,142	(1,722,062)	--	42,301,080
Governmental activities capital assets, net	\$ 45,041,596	\$ 24,886	\$ --	\$ 45,066,482

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Depreciation was charged to functions as follows:

11	Instruction	\$	1,414,602
12	Instructional Resource/Media Serv		78,139
13	Curriculum and Staff Development		36,689
21	Instructional Leadership		24,889
23	School Leadership		188,266
31	Guidance, Counseling, & Evaluation Services		49,149
33	Health Services		28,500
34	Student Transportation		149,659
35	Food Services		118,000
36	Extracurricular Services		134,135
41	General Administration		107,858
51	Facilities Maintenance and Operations		161,244
53	Data Processing Services		46,184
61	Community Services		4,631
		\$	<u>2,541,945</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>
Special Revenue Fund	General Fund	\$ 23,495	Reimburse Expenditures
General Fund	Special Revenue Fund	2,410	Reimburse Expenditures
Special Revenue Fund	Special Revenue - IDEA Part B	138	Reimburse Expenditures
Special Education			
Special Revenue Fund	Special Revenue Fund	3,206	Reimburse Expenditures
IDEA Part B, Formula	Special Education		
	Total	<u>\$ 29,249</u>	

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

2. Transfer To and From Other Funds

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	National School Breakfast and Lunch Program	\$ 79,861
	Summer Food Service Program	10,215
	Total	<u>\$ 90,076</u>

F. Short-Term Debt Activity

In the event that the District would have any short-term debts for maintenance purposes they would be accounted for through the General Fund. The proceeds from loans would be shown in the financial statements as Other Resources. The District had no short-term loans.

G. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal

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Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
3%-5% Unlimited Tax School Building Bonds Series 2012 TEC 45.032	\$ 1,655,000	\$ --	\$ 1,655,000	\$ --	\$ --
2%-4% Unlimited Tax Refunding Bonds Series 2016 TEC 45.004	8,185,000	--	955,000	7,230,000	--
2%-4% Unlimited Tax Refunding Bonds Series 2019 TEC 45.004	5,420,000	--	725,000	4,695,000	1,100,000
2%-4% Unlimited Tax Refunding Bond Series 2021 TEC 45.004	--	1,510,000	--	1,510,000	--
Unamortized Premium					
Series 2016	915,052	--	184,756	730,296	
Series 2019	292,029	--	27,635	264,394	
Series 2021	--	242,868	3,546	239,322	
Net Pension Liability	4,646,820	--	330,565	4,316,255	
Net OPEB Liability	6,190,837	--	883,848	5,306,989	
Total Governmental Activities	\$ 27,304,738	\$ 1,752,868	\$ 4,765,350	\$ 24,292,256	\$ 1,100,000

2. Debt Services Requirements

Debt Service requirements at August 31, 2021, are as follows:

Year Ending August 31,	Governmental Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	1,100,000	420,150	--	--
2023	1,145,000	380,750	--	--
2024	1,070,000	336,450	--	--
2025	1,070,000	293,650	--	--
2026	1,035,000	251,550	--	--
2027 – 2031	6,500,000	567,375	--	--
2032 – 2036	1,515,000	100	--	--
Total	13,435,000	2,250,025	--	--

On June 15, 2021 the District issued \$1,500,000 (par value) of Unlimited Tax Refunding Bonds, Taxable Series 2021, with interest rates ranging from 2.00% to 4.00% for the purpose of refunding portions of the outstanding Unlimited Tax Refunding Bonds, Series 2012, Series 2016 and Series 2019. The debt was

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deceased to lower the tax impact and manage the tax rate. TISD has a potential volatile tax base and the District felt it was most prudent to strategically target certain years of debt service to lessen the overall impact of future AV fluctuations. The bonds consisted of current interest bonds. The bonds were issued at a premium. Proceeds totaling \$1,661,943 were placed in escrow with a refunding agent. The difference between the carrying value of the refunded debt and its reacquisition price was approximately \$218,498. The refunded bonds are considered defeased and are no longer included in the debt schedules of the District. The transaction resulted in a present value savings of \$253,463 (difference between the present value of debt payments on the old and new debt).

The District also has an outstanding line of credit in the amount of \$2,000,000. There was no outstanding borrowing against the line of credit as of August 31, 2021.

H. 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.

I. 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 Comprehensive Annual 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 provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less

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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.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for the 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% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

	<u>Contributions and Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.70%	7.70%
Non-Employer Contributing Entity (NECE – State)	7.50%	7.50%
Employers	7.50%	7.50%
District Employer Contributions	\$	346,295
District Member Contributions	\$	843,184
NECE On-Behalf Contributions to District	\$	616,335

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.

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- 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 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% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2018 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 2019	2.33%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions 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% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the 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

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contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2019

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Geometric Real Rate of Return**</u>	<u>Expected Contribution To Long-Term Portfolio Returns</u>
Global Equity			
U.S.A.	18.00%	6.40%	18.00%
Non-U.S. Developed	13.00%	6.30%	13.00%
Emerging Markets	9.00%	7.30%	9.00%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
U.S. Treasuries	16.00%	(0.70%)	(0.05%)
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Absolute Return	0.00%	1.80%	0.00%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy & Natural Resources	6.00%	6.00%	0.42%
Commodities	0.00%	0.80%	0.00%
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	<u>100.00%</u>		<u>7.33%</u>

* 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.

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7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's Proportionate Share of the Net Pension Liability	\$ 6,655,588	\$ 4,316,255	\$ 2,415,598

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 \$4,316,255 for its proportionate share of the TRS's 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	\$ 4,316,255
State's Proportionate Share that is Associated with District	\$ <u>8,000,362</u>
Total	\$ <u><u>12,316,617</u></u>

The net pension liability was measured as of 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 0.0080590353%, which was a decrease of 0.0008800569% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation -

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

For the year ended August 31, 2021, the District recognized pension expense of \$1,532,904 and revenue of \$962,266 for support provided by the State.

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 pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 7,881	\$ 120,455
Changes in Actuarial Assumptions	1,001,525	425,841
Difference Between Projected and Actual Investment Earnings	87,379	--
Changes in Proportion and Difference Between The District's Contributions and the Proportionate Share of Contributions	<u>133,946</u>	<u>676,931</u>
Total as of August 31, 2020 Measurement Date	1,230,731	1,223,227
Contributions Paid to TRS Subsequent to the Measurement Date	<u>346,295</u>	<u>--</u>
Total	\$ <u><u>1,577,026</u></u>	\$ <u><u>1,223,227</u></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:

<u>Year Ended August 31</u>		<u>Pension Expense Amount</u>
2022	\$	59,345
2023	\$	92,575
2024	\$	72,404
2025	\$	(67,115)
2026	\$	(130,606)
Thereafter	\$	(19,099)

J. 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 that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, selecting About TRS then publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2019 are as follows:

<u>Net OPEB Liability</u>		<u>Total</u>
Total OPEB Liability	\$	40,010,833,815
Less: Plan Fiduciary Net Position		<u>1,996,317,932</u>
 Net OPEB Liability	 \$	 <u>38,014,515,883</u>
 Net Position as a Percentage of Total OPEB Liability		 <u>4.99%</u>

3. Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

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

TRS-Care Monthly Premium Rates

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree *	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
* or Surviving Spouse		

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% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public 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.

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

	Contribution Rates	
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) – State Employers	1.25%	1.25%
Federal/Private Funding Remitted by Employers	0.75%	0.75%
	1.25%	1.25%
Current Fiscal year District Contributions		\$ 104,224
Current Fiscal year Member Contributions		\$ 71,177
2020 Measurement year NECE Contributions		\$ 142,583

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, they are required to pay TRS-Care, a monthly surcharge of \$535 per retiree.

A supplemental appropriation was authorized by Senate Bill 1264 of the Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward 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 valuations 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 increase, 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 identical to the assumptions employed in the August 31, 2020 TRS annual pension actuarial valuation.

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

Additional Actuarial Methods and Assumptions:

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

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

Projected Salary Increases**	3.05% to 9.05%, including inflation *
Healthcare Trend Rates***	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65.***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.3%.

** 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

*** 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30% 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 contributions entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 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	\$ 6,368,374	\$ 5,306,989	\$ 4,468,646

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Trend Rate
District's Proportionate Share of Net OPEB Liability	\$ 4,335,130	\$ 5,306,989	\$ 6,601,367

9. 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 \$5,306,989 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:

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

District's Proportionate Share of the Collective Net OPEB Liability	\$ 5,306,989
State's Proportionate Share that is Associated with the District	<u>\$ 7,131,321</u>
Total	<u>\$ 12,438,310</u>

The net OPEB liability was measured as of August 31, 2019 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 through August 31, 2020.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0139604271% which was a increase of 0.0008695487% from its proportion measured as of August 31, 2019.

10. Changes Since the Prior Actuarial Valuation

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

- a. The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change lowered the TOL.
- b. The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the TOL.
- c. The ultimate healthcare trend assumptions were lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December of 2019. This change lowered the TOL.

For the year ended August 31, 2021, the District recognized OPEB expense of (\$44,834) and revenue of (\$49,517) for support by the states.

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:

	<u>Deferred Outflow Of Resources</u>	<u>Deferred Inflow Of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 277,872	\$ 2,428,749
Changes in Actuarial Assumptions	327,331	1,457,327
Differences between Projected and Actual Investment Earnings	1,725	--
Changes in Proportion and Difference Between the District's Contributions And the Proportionate Share of Contributions	<u>1,208,762</u>	<u>709,135</u>
Total as of August 31, 2020 Measurement Date	1,815,690	4,595,211
Contributions Paid to TRS Subsequent to the Measurement Date	<u>104,224</u>	<u>--</u>
Total	<u>\$ 1,919,914</u>	<u>\$ 4,595,211</u>

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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

<u>Year Ended August 31</u>		<u>Pension Expense Amount</u>
2022	\$	(467,653)
2023	\$	(467,883)
2024	\$	(468,015)
2025	\$	(467,982)
2026	\$	(326,229)
Thereafter	\$	(581,759)

11. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, 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 years ended August 31, 2021, 2020, and 2019, the subsidy payments received by TRS-Care on behalf of the District were \$48,695, \$45,948, and \$40,703, respectively.

K. 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 \$397 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable and terms of coverage and premium costs are included in the contractual provisions.

The latest financial statements are available for the year ended August 31, 2021, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Workers' Compensation Coverage

The District joined together with other districts in the East Texas area to form the Texas Educational Insurance Association, a public entity risk pool currently operating a workers' compensation risk management and insurance program for various member school districts. During the 2020-2021 school year, the District paid a fixed cost in the amount of \$24,311 for administration of claims, loss control, recordkeeping, and the cost of stop-loss insurance.

Total workers' compensation claims and loss funding sharing payments were \$17,425 for the year. The District may be required to pay and retains the risk of loss for workers' compensation claims up to its loss maximum. When and if schools in the Association exceed their loss fund maximum, the District will be required to pay a percentage share of the excess. A reconciliation of claims activity for the past fiscal year is provided below:

	<u>Beginning Balance</u>		<u>Claims Incurred</u>		<u>Claims Paid</u>		<u>Ending Balance</u>
Year ended August 31, 2021	\$ 54,743	\$	17,425	\$	(15,341)	\$	56,827

Unemployment Compensation

During the year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund as created and is

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued 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.

M. Rental & Operating Leases

The District has three leases for copiers with varying terms starting in September 2018 and some ending September 2024. The monthly lease expense for the copiers in the fiscal year were \$4,020 per month. The District also leases a postage meter for five years beginning September 2018 and ending September 2024 for \$672 per month. The RCSSA is renting a building for their office and are currently doing a month-to-month lease with the contingency of expanding the space and pricing upon completion of the new construction.

The future lease payments at August 2021 are as follows:

	<u>Copiers</u>	<u>Postage Meter</u>	<u>Total</u>
2022	\$ 47,018	8,064	\$ 55,082
2023	5,501	8,064	13,565
2024	5,501	8,064	13,565
Total	\$ <u>58,020</u>	\$ <u>24,192</u>	\$ <u>82,212</u>

Total lease expense (including operating leases noted above) amounted to \$87,581 in 2021.

N. Unavailable Revenue

Unavailable revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Unavailable Revenue – Property Taxes	\$ 590,234	\$ 163,580

O. Due from other Governments

The District participates in a variety of federal and state programs from which it receives grants to finance certain activities partially or fully. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from TEA as of August 31, 2021, are summarized below.

<u>Fund</u>	<u>Grants and Entitlements</u>
General Fund	\$ 281,409
Special Revenue Fund	159,644
Total	\$ <u>441,053</u>

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

P. Shared Service Arrangement

The district is the fiscal agent for a Shared Service Arrangement ("SSA") which provides services for the special education students of the District and member districts: Mt. Enterprise ISD, Carlisle ISD, Leverett's Chapel ISD, Lanesville ISD, Overton ISD, and West Rusk CCISD. All services are provided by the fiscal agent and funds are received by the fiscal agent from the granting agency. According to guidance provided in the TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the appropriate Special Revenue Funds and has accounted for these funds using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts	Distribution Percentage	Allocated Expenditures
Carlisle ISD	13.1%	\$81,553
Lanesville ISD	3.2%	20,019
Leverett's Chapel ISD	6.3%	39,198
Mt. Enterprise ISD	6.0%	37,435
Overton ISD	12.5%	78,327
Tatum ISD	31.3%	196,157
West Rusk CCISD	27.6%	172,952
Total	100%	625,641

Shared Service Arrangement-Membership

The District participates in a shared services arrangement ("SSA") for which the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent. The District neither has a joint ownership interest in capital assets purchases by the fiscal agent nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Q. Commitments and Contingencies

1. Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability 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

From time to time, the District is involved in litigation that arises in the ordinary course of business. There are other claims and lawsuits arising principally in the normal course of operations. In the opinion of the District's management, the potential losses, after insurance coverage, on all allegations, claims, and lawsuits will not have a material effect of the District's financial position results of operations or liquidity.

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

R. Prior Period Adjustment

During the fiscal year 2021, the District adopted GASB Statement No.84 for Fiduciary Activities to provide consistency and comparability across all governmental units by establishing specific criteria to identify and report fiduciary activities. In prior years, the fiduciary funds, previously referred to as agency funds, resulted in a balance sheet in which assets always equaled liabilities. However, GASB 84 requires the addition of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, establishing a net position for the fiduciary funds instead of a due to student groups.

The amount of the prior period adjustment for fiduciary activity is reflected on the Statement of Changes in Fiduciary Net Position as \$16,772. The restated beginning net position is \$16,772. These funds are known to the District as student activity funds.

S. Subsequent Events

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. In response to the impact that COVID-19 has had on educational agencies, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA), was signed into law and provided addition funds for the Elementary and Secondary School Emergency Relief Fund (ESSER II Fund). In March of 2021, the American Rescue Plan Act was signed into law and included funds for the Elementary and Secondary School Emergency Relief (ESSER III) Fund. At June 30, 2021, while not yet received, the District was aware of their combined total allotment of \$3,227,324 for the ESSER II and ESSR III grants. The District has received a Notice of Grant Award (NOGA) for \$1,488,689 for the first portion of these funds.

Subsequent to year end,

Management has evaluated subsequent events through January 10, 2022, the date the financials were available to be distributed and had the following to disclose.

During the month of September, the District completed the work on a digital scoreboard for the football stadium. The total cost was \$587,905. In addition, new locks were purchased to be used throughout the District costing approximately \$792,000. Work is continuing to be completed on the locks.

T. Accounting Standards Applicable to Subsequent Year

The GASB issued statement No. 87, Leases, in June 2017. This Statement establishes standards of accounting and financial reporting for lease by lessees and lessors. This standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

The GASB issued statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, in June 2018. This Statement's objective is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

The GASB issued statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, in March of 2020. This Statement establishes definitions of Public-Private and Public-Public Partnerships and Availability Payment Arrangements in order to improve financial

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

reporting. This standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

The GASB issued statement No. 96, *Subscription-Based Information Technology Arrangements*, in May of 2020. This Statement establishes standards of accounting and financial reporting for intangible assets, such as cloud computing arrangements and services. This standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

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.

TATUM INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1
Page 1 of 2

Data Control Codes		1		2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual		
		Original	Final			
REVENUES:						
5700	Local and Intermediate Sources	\$ 8,420,987	\$ 8,420,987	\$ 8,515,520	\$ 94,533	
5800	State Program Revenues	6,062,423	6,062,423	6,358,190	295,767	
5900	Federal Program Revenues	58,000	58,000	82,053	24,053	
5020	Total Revenues	<u>14,541,410</u>	<u>14,541,410</u>	<u>14,955,763</u>	<u>414,353</u>	
EXPENDITURES:						
Current:						
Instruction & Instructional Related Services:						
0011	Instruction	7,408,342	7,408,342	7,320,893	87,449	
0012	Instructional Resources and Media Services	441,890	441,890	411,394	30,496	
0013	Curriculum and Staff Development	222,826	222,826	198,789	24,037	
	Total Instruction & Instr. Related Services	<u>8,073,058</u>	<u>8,073,058</u>	<u>7,931,076</u>	<u>141,982</u>	
Instructional and School Leadership:						
0021	Instructional Leadership	138,137	138,137	137,535	602	
0023	School Leadership	916,464	916,464	916,041	423	
	Total Instructional & School Leadership	<u>1,054,601</u>	<u>1,054,601</u>	<u>1,053,576</u>	<u>1,025</u>	
Support Services - Student (Pupil):						
0031	Guidance, Counseling and Evaluation Services	251,227	251,227	245,534	5,693	
0033	Health Services	158,081	158,081	141,705	16,376	
0034	Student (Pupil) Transportation	408,806	499,206	474,586	24,620	
0036	Cocurricular/Extracurricular Activities	755,293	1,026,763	972,967	53,796	
	Total Support Services - Student (Pupil)	<u>1,573,407</u>	<u>1,935,277</u>	<u>1,834,792</u>	<u>100,485</u>	
Administrative Support Services:						
0041	General Administration	806,689	806,689	719,800	86,889	
	Total Administrative Support Services	<u>806,689</u>	<u>806,689</u>	<u>719,800</u>	<u>86,889</u>	
Support Services - Nonstudent Based:						
0051	Plant Maintenance and Operations	1,964,466	2,312,466	2,205,678	106,788	
0052	Security and Monitoring Services	63,500	63,500	59,294	4,206	
0053	Data Processing Services	249,208	249,208	239,835	9,373	
	Total Support Services - Nonstudent Based	<u>2,277,174</u>	<u>2,625,174</u>	<u>2,504,807</u>	<u>120,367</u>	
Ancillary Services:						
0061	Community Services	31,684	31,684	25,456	6,228	
	Total Ancillary Services	<u>31,684</u>	<u>31,684</u>	<u>25,456</u>	<u>6,228</u>	
Capital Outlay:						
0081	Capital Outlay	--	3,095,471	2,248,606	846,865	
	Total Capital Outlay	<u>--</u>	<u>3,095,471</u>	<u>2,248,606</u>	<u>846,865</u>	
Intergovernmental Charges:						
0093	Payments to Fiscal Agent/Member Dist.-SSA	200,000	200,000	203,455	(3,455)	
0099	Other Intergovernmental Charges	210,000	210,000	199,750	10,250	
	Total Intergovernmental Charges	<u>410,000</u>	<u>410,000</u>	<u>403,205</u>	<u>6,795</u>	
6030	Total Expenditures	<u>14,226,613</u>	<u>18,031,954</u>	<u>16,721,318</u>	<u>1,310,636</u>	
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures	<u>314,797</u>	<u>(3,490,544)</u>	<u>(1,765,555)</u>	<u>1,724,989</u>	

TATUM 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	Actual	
	Original	Final			
Other Financing Sources (Uses):					
7915	Transfers In	--	247,370	--	(247,370)
8911	Transfers Out	(247,370)	(247,370)	(90,076)	157,294
7080	Total Other Financing Sources and (Uses)	(247,370)	--	(90,076)	(90,076)
EXTRAORDINARY ITEM:					
7919	Extraordinary Item (Resource)	--	--	203,428	203,428
1200	Net Change in Fund Balance	67,427	(3,490,544)	(1,652,203)	1,838,341
0100	Fund Balance - Beginning	10,175,716	10,175,716	10,175,716	--
3000	Fund Balance - Ending	<u>\$ 10,243,143</u>	<u>\$ 6,685,172</u>	<u>\$ 8,523,513</u>	<u>\$ 1,838,341</u>

TATUM 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)	0.0080590353%	0.0089390922%	0.0102291742%	0.0101989176%	0.0103307159%	0.0103622000%	0.0075251000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,316,255	\$ 4,646,820	\$ 5,630,386	\$ 3,261,064	\$ 3,903,824	\$ 3,662,900	\$ 2,010,058
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,000,362	6,889,604	8,161,124	3,740,718	5,351,097	5,008,879	4,171,021
Total	<u>\$ 12,316,617</u>	<u>\$ 11,536,424</u>	<u>\$ 13,791,510</u>	<u>\$ 7,001,782</u>	<u>\$ 9,254,921</u>	<u>\$ 8,671,779</u>	<u>\$ 6,181,079</u>
District's Covered Payroll	\$ 10,638,387	\$ 9,819,243	\$ 9,738,989	\$ 9,614,336	\$ 9,718,033	\$ 9,087,106	\$ 8,554,194
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	40.57%	47.32%	57.81%	33.92%	40.17%	40.31%	23.50%
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."

TATUM 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	\$ 346,295	\$ 334,302	\$ 319,178	\$ 320,688	\$ 334,261	\$ 328,233	\$ 306,811
Contribution in Relation to the Contractually Required Contribution	(346,295)	(334,302)	(319,178)	(320,688)	(334,261)	(328,233)	(306,811)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 10,950,342	\$ 10,638,837	\$ 9,819,243	\$ 9,738,989	\$ 9,604,987	\$ 9,718,033	\$ 9,078,106
Contributions as a percentage of Covered Payroll	3.16%	3.14%	3.25%	3.29%	3.48%	3.38%	3.38%

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."

TATUM 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)	0.0139604271%	0.0130908784%	0.0145543192%	0.0127997417%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 5,306,989	\$ 6,190,837	\$ 7,267,105	\$ 5,566,128
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	7,131,321	8,226,237	8,630,878	6,379,512
Total	<u>\$ 12,438,310</u>	<u>\$ 14,417,074</u>	<u>\$ 15,897,983</u>	<u>\$ 11,945,640</u>
District's Covered Payroll	\$ 10,638,387	\$ 9,819,243	\$ 9,738,989	\$ 9,614,336
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	49.89%	63.05%	74.62%	57.89%
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."

TATUM 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	\$ 104,224	\$ 106,537	\$ 87,574	\$ 95,860
Contribution in Relation to the Contractually Required Contribution	(104,224)	(106,537)	(87,574)	(95,860)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 10,950,342	\$ 10,638,387	\$ 9,813,243	\$ 9,738,989
Contributions as a percentage of Covered Payroll	0.95%	1.00%	0.89%	0.98%

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."

**TATUM 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 20 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. At year end the District had \$587,905 in outstanding encumbrances that were provide for in the subsequent year's budget.

Excess of Expenditures over Appropriations

The district expenditures exceeded appropriations in the following funds in the noted function:

Fund	Function	Final Budget	Actual	Variance
General	93	\$200,000	\$203,455	\$ (3,455)

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 in the actuarial assumptions and methods since the prior valuation.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables 2D 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 projection scale ("U-MP").

**TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2021**

Valuation Date	August 31, 2019 rolled to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate	N/A*
Inflation	2.30%
Salary Increases*	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

* If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (Le. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax- exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

Defined Other Post-Employment Benefits

Assumption changes include a discount rate change from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowering participation rate assumptions for employees who retire after the age of 65, and lowering the ultimate healthcare trend assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	2.33%
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%
Healthcare Trend Rates ***	8.50% ***
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

***Initial medical trend rates of 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. Initial prescription drug trend rate of 9.00% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years. The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates 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 projection scale ("U-MP").

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.

TATUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2021

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service			
2012 and Prior Years	\$ Various	\$ Various			\$ Various
2013	.855	.315			1,561,913,750
2014	.88	.29			1,432,057,094
2015	.9467	.2233			1,320,638,718
2016	.9467	.2233			1,227,404,530
2017	1.0107	.1839			1,211,500,513
2018	1.04	.167			1,056,222,000
2019	.97	.237			944,810,936
2020	.97	.237			809,813,340
2021 (School Year Under Audit)	.9664	.2406			836,879,690
1000 Totals					

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

EXHIBIT J-1

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 269,755	\$ --	\$ 22,601	\$ 5,581	\$ (1,804)	\$ 239,769
39,321	--	3,999	1,510	(480)	33,332
37,613	--	5,316	1,752	(421)	30,124
44,134	--	6,102	1,462	(1,415)	35,155
47,239	--	8,120	1,935	9	37,193
56,444	--	15,182	2,844	2,717	41,135
67,238	--	18,588	2,988	2,813	48,475
102,149	--	23,467	3,796	3,370	78,256
181,435	--	60,810	14,577	(2,141)	103,907
--	10,101,138	8,049,216	2,030,099	133,265	155,088
<u>\$ 845,328</u>	<u>\$ 10,101,138</u>	<u>\$ 8,213,401</u>	<u>\$ 2,066,544</u>	<u>\$ 135,913</u>	<u>\$ 802,434</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

TATUM 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	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 273,000	\$ 90,367	\$ (182,633)
5800 State Program Revenues	15,000	4,118	(10,882)
5900 Federal Program Revenues	660,846	828,940	168,094
5020 Total Revenues	<u>948,846</u>	<u>923,425</u>	<u>(25,421)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	968,846	1,001,539	(32,693)
Total Support Services - Student (Pupil)	<u>968,846</u>	<u>1,001,539</u>	<u>(32,693)</u>
6030 Total Expenditures	<u>968,846</u>	<u>1,001,539</u>	<u>(32,693)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(20,000)</u>	<u>(78,114)</u>	<u>(58,114)</u>
Other Financing Sources (Uses):			
7915 Transfers In	--	79,861	79,861
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>79,861</u>	<u>79,861</u>
1200 Net Change in Fund Balance	<u>(20,000)</u>	<u>1,747</u>	<u>21,747</u>
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ (20,000)</u>	<u>\$ 1,747</u>	<u>\$ 21,747</u>

TATUM INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 2,027,785	\$ 2,092,412	\$ 64,627
5800 State Program Revenues	--	13,470	13,470
5020 Total Revenues	<u>2,027,785</u>	<u>2,105,882</u>	<u>78,097</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	445,000	445,000	--
0072 Interest on Long-Term Debt	546,513	502,468	44,045
0073 Bond Issuance Costs and Fees	10,986	88,400	(77,414)
Total Debt Service	<u>1,002,499</u>	<u>1,035,868</u>	<u>(33,369)</u>
6030 Total Expenditures	<u>1,002,499</u>	<u>1,035,868</u>	<u>(33,369)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>1,025,286</u>	<u>1,070,014</u>	<u>44,728</u>
Other Financing Sources (Uses):			
7901 Refunding Bonds Issued	--	1,510,000	1,510,000
7916 Premium or Discount on Issuance of Bonds	--	242,868	242,868
8949 Other Uses - Payments to Escrow Agent	(1,406,722)	(3,079,651)	(1,672,929)
7080 Total Other Financing Sources and (Uses)	<u>(1,406,722)</u>	<u>(1,326,783)</u>	<u>79,939</u>
1200 Net Change in Fund Balance	(381,436)	(256,769)	124,667
0100 Fund Balance - Beginning	1,143,820	1,143,820	--
3000 Fund Balance - Ending	<u>\$ 762,384</u>	<u>\$ 887,051</u>	<u>\$ 124,667</u>

TATUM INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2021

<u>Data Control Codes</u>	<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>	
AP1 Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2 Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3 List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 1,283,092
AP4 List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 726,971
<u>Section B: Bilingual Education Programs</u>	
AP5 Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6 Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7 List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 115,707
AP8 List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 148,621

Malnory, McNeal & Company, PC

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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
Tatum Independent School District
Tatum, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tatum 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, and have issued our report thereon dated January 10, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-1, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Tatum Independent School District's Response to Findings

Tatum Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tatum Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

January 10, 2022
Paris, Texas

Melnyk McNeal & Company PC

Certified Public Accountants

Malnory, McNeal & Company, PC

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

Board of Trustees
Tatum Independent School District
Tatum, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Tatum Independent School District's ("the District") 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 District's major federal programs for the year ended August 31, 2021. The 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 the 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 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 District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the 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 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 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

January 10, 2022
Paris, Texas


Certified Public Accountants

TATUM 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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

Version of compliance supplement used in audit: July 2021 Addendum

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 No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	Child Nutrition Cluster
84.010A	ESEA Title I Part A

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

Auditee qualified as low-risk auditee? Yes No

**TATUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

B. Financial Statement Findings

Finding: 2021-1

Criteria:

Ongoing monitoring of the general ledger, its adjustments, balances, and the relationships between the many funds and District offices are crucial to proper financial reporting as well as to prevent, detect, deter, and correct errors in the financial reporting.

Condition:

We noted a deficiency in internal controls related to errors in the bank reconciliation process at the High School.

Cause:

The cause of the deficiency appears to have been a lack of understanding of the software being used and a general lack of understanding all the components of performing a bank reconciliation.

Effect:

Bank reconciliations were not completed in a timely manner for the months of May - August, thus causing a delay in the year-end close out for the Student Activity and Campus Activity Accounts.

Recommendation:

We recommend the following:

1. All Campus and Activity Fund general ledger activity be backed up nightly.
2. All Campus bank reconciliations be forwarded to the Business Office no later than the 10th of the month.
3. Provide statement of individual group activity detail to all organizations and clubs at least quarterly for their review.

C. Federal Award Findings and Questioned Costs

NONE

**TATUM 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>
<p>Finding 2020-001</p> <p><u>Condition</u></p> <p>We noted a deficiency in internal control procedures related to financial processes as well as month end and year-end financial close. Controls over several key processes are the sole responsibility of one individual with little to no oversight or review. The Assistant Superintendent of Finance makes journal entries, post all journal entries, approves and performs bank transfers, performs all bank reconciliations and has unrestricted access to the general ledger with little to no review.</p>	Corrected	
<p>Finding 2020-002</p> <p><u>Condition</u></p> <p>Campus Activity and Agency accounts were not recorded in the District's general ledger.</p>	Partially Corrected	Assistant Superintendent of Finance monitored monthly activity and reviewed as recorded in Quicken.
<p>Finding 2020-003</p> <p><u>Condition</u></p> <p>Accounts Payable in the general fund was not properly recorded.</p>	Corrected	



TATUM INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021

This corrective action plan is the responsibility of the District's Assistant Superintendent of Finance, Brandon Milam.

2021-001: Finding – Errors in Bank reconciliation at the High School.

Person(s) Responsible: Brandon Milam, Assistant Superintendent of Finance

Corrective Action: The District will track Campus and Student Activity accounts through ASCENDER, which is the district financial software.

Anticipated Completion Date: August 2022

Brandon Milam
Assistant Superintendent of Finance
Tatum ISD
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TATUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	202121N109946	\$ 163,534
National School Lunch Program	10.555	202120N119946	566,431
Total Passed Through State Department of Education			<u>729,965</u>
Total U. S. Department of Agriculture			<u>729,965</u>
Total Child Nutrition Cluster			<u>729,965</u>
FOOD DISTRIBUTION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash)	10.565	201-910	69,144
Total U. S. Department of Agriculture			<u>69,144</u>
Total Food Distribution Cluster			<u>69,144</u>
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
SSA IDEA - Part B, Formula	84.027A	216600012019106600	905,721
SSA IDEA - Part B, Preschool	84.173	216610012019106610	17,363
Total Passed Through State Department of Education			<u>923,084</u>
Total U. S. Department of Education			<u>923,084</u>
Total Special Education (IDEA) Cluster			<u>923,084</u>
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
<u>Passed Through Union Grove ISD</u>			
Career and Technical Education - Basic Grant	84.048	201-910	3,984
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	21610101201910	283,536
ESEA, Title V, Part B, Subpart 2-Rural and Low Income School Grant Program	84.358B	21696001201910	28,890
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	21671001201910	21,806
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	21694501201910	45,742
Federally Funded Special Revenue Funds	84.424A	21680101201910	19,405
ESSER Fund II of the CRRSA Act	84.425D	21521001201910	41,428
ESSER Fund III of the American Rescue Plan Act of 2021	84.425U	21528001201910	\$ 18,779
Total Passed Through State Department of Education			<u>\$ 459,586</u>
Total U. S. Department of Education			<u>463,570</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>2,185,763</u></u>

The accompanying notes are an integral part of this schedule.

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tatum Independent School District and is presented on the modified accrual basis of accounting. The information in this 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal grants funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly when such funds are received, they are recorded as deferred revenues until earned.

The Commodity Supplemental Food Program (CFDA 10.565) received like-kind goods. The monetary value of these goods was \$69,144 for the year ended August 31, 2021. This monetary value was reported on the schedule.

USDA Emergency Cost Reimbursement passed through the Texas Department of Agriculture related to cost incurred by the District during the previous year.

The District participates in numerous state and federal grant programs governed by various rules and regulations of the grantor agencies. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021, may be impaired. Negative amounts shown, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. 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 contingency.

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

Reconciliation of Federal Awards

The following reconciles federal expenditures per the Schedule of Expenditures of Federal Awards (SEFA) to the federal revenue reported on Exhibit C-2:

Federal expenditures per SEFA	\$	2,185,763
SHARS		82,054
USDA Emergency Cost Reimbursement		29,830
Federal revenue per Exhibit C-2	\$	<u>2,297,647</u>

TATUM INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2021**

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