

PROUD TRADITIONS, EXCITING FUTURES

DICKINSON

INDEPENDENT SCHOOL DISTRICT

2020

**ANNUAL FINANCIAL COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2020**

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**DICKINSON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2020**

PAGE EXHIBIT

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CERTIFICATE OF BOARD

Dickinson Independent School District

Name of School District

Galveston

County

084-901

County-District

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and X approved disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 12th day of January, 2021.


Signature of Board Secretary


Signature of Board President

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FINANCIAL SECTION

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Start, Garcia & Stanley, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
DICKINSON INDEPENDENT SCHOOL DISTRICT
Dickinson, 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 Dickinson Independent School District (the District), as of and for the year ended August 31, 2020, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 auditors' 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 the District, as of August 31, 2020, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and TRS pension and OPEB schedules on pages 7-14 and 61-69 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and schedules required by the Texas Education Agency 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 presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2021 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.


Start, Garcia & Stanley, LLC

Baytown, Texas
January 6, 2021

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2020

As administrators of the Dickinson Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2020.

Financial highlights

- The District's total liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$64,396,519 (*net position*).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$69,115,696, a decrease of \$3,185,375 in comparison with the prior year. The decrease in overall governmental fund balances was primarily due to the capital outlay expenditures associated with the HVAC Project. Fund balance in the debt service fund and capital projects fund decreased by \$79,369 and \$2,760,888, respectively. The general fund fund balance decreased by \$112,664 due to excess expenditures over revenues.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$22,349,865 or 21% of total general fund expenditures.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic *financial statements*. The District's basic *financial statements* are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

- 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. *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the District's self-insurance workers' compensation program. *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 basic financial statements are followed by a section of other *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of *management's discussion and analysis* explains the structure and contents of each of the statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net positions are indicators of whether financial health is improving or deteriorating, respectively. To fully assess the overall health of the District, however, non-financial factors need to be considered as well, such as changes in the District's average daily attendance, its property tax base and the condition of the District's facilities.

DICKINSON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

August 31, 2020

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial statements of the District reflect the governmental activities which are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Student (Pupil) Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Payments to Shared Services Arrangements, and Payments to Juvenile Justice Alternative Education Programs.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains individual governmental funds for general, special revenue, debt services, and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual funds data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service funds, and National School Breakfast and Lunch Program special revenue fund.

Proprietary Fund

The District maintains individual internal service funds for life insurance and workers' compensation insurance coverage. *Internal service funds*, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because this service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide information for the life and workers' compensation insurance funds.

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2020

Fiduciary Fund

The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate statements (Exhibits D-1 & D-2). We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board.
- *Assigned* – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information.

In addition, information related to the District's proportionate share of its net pension liability, net OPEB liability, and contributions to the Teacher Retirement System of Texas is also presented.

Other Information

The other supplementary information is presented immediately following the required supplementary information and includes schedules required by the Texas Education Agency.

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$64,396,519 at the close of the most recent fiscal year.

The District's net position includes amounts invested in capital assets (e.g., land, building and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COMPARATIVE SCHEDULE OF NET POSITION

August 31, 2020 and 2019

| | Governmental Activities | | Change |
|---------------------------------------|-------------------------|------------------------|-----------------------|
| | 2020 | 2019 | 2020-2019 |
| Current and other assets | \$ 82,021,944 | \$ 91,618,900 | \$ (9,596,956) |
| Capital assets | 253,162,478 | 262,014,583 | (8,852,105) |
| Total assets | 335,184,422 | 353,633,483 | (18,449,061) |
| Deferred outflows of resources | 29,894,670 | 30,056,383 | (161,713) |
| Other liabilities | 16,831,828 | 22,123,412 | (5,291,584) |
| Long-term liabilities | 388,640,150 | 400,382,043 | (11,741,893) |
| Total liabilities | 405,471,978 | 422,505,455 | (17,033,477) |
| Deferred inflows of resources | 24,003,633 | 15,690,102 | 8,313,531 |
| Net position: | | | |
| Net Investment in Capital Assets | (59,846,981) | (56,682,572) | (3,164,409) |
| Restricted | 12,025,676 | 13,308,472 | (1,282,796) |
| Unrestricted | (16,575,214) | (11,131,591) | (5,443,623) |
| Total net position | \$ (64,396,519) | \$ (54,505,691) | \$ (9,890,828) |

Net position is restricted for various purposes as follows:

| | |
|----------------------------|----------------------|
| Federal and state programs | \$ 944,287 |
| Debt service | 11,081,389 |
| | <u>\$ 12,025,676</u> |

Unrestricted net position, which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, amount to (\$16,575,214) at August 31, 2020. Unrestricted net position continues to reflect a deficit balance. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net pension and OPEB liabilities. The District's liability is reported in governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the pension and TRS-Care plans are funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2020

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
August 31, 2020 and 2019

| | Governmental Activities | | Change |
|---|-------------------------|------------------------|-----------------------|
| | 2020 | 2019 | 2020-2019 |
| Revenues | | | |
| Program revenues: | | | |
| Charge for services | \$ 3,186,230 | \$ 3,877,858 | \$ (691,628) |
| Operating grants & contributions | 18,870,179 | 17,640,506 | 1,229,673 |
| General revenues: | | | |
| Property Taxes | 60,541,697 | 57,421,821 | 3,119,876 |
| State Aid - formula grants | 54,300,760 | 52,429,161 | 1,871,599 |
| Grants and contributions not restricted | 6,722,365 | 6,450,353 | 272,012 |
| Investment earnings | 1,867,015 | 1,736,586 | 130,429 |
| Other | 1,525,333 | 560,322 | 965,011 |
| Total revenues | <u>147,013,579</u> | <u>140,116,607</u> | <u>6,896,972</u> |
| Expenses: | | | |
| Instruction and related services | 87,080,414 | 83,033,604 | 4,046,810 |
| Instructional and school leadership | 11,883,963 | 9,331,820 | 2,552,143 |
| Support services - student | 21,185,887 | 21,915,309 | (729,422) |
| Administrative support services | 3,783,711 | 3,886,211 | (102,500) |
| Support services - non-student based | 19,547,508 | 18,939,286 | 608,222 |
| Ancillary services | 588,710 | 616,132 | (27,422) |
| Debt service | 12,051,328 | 12,365,653 | (314,325) |
| Intergovernmental charges | 782,886 | 295,096 | 487,790 |
| Total expenses | <u>156,904,407</u> | <u>150,383,111</u> | <u>6,521,296</u> |
| Increase (decrease) in net position | (9,890,828) | (10,266,504) | 375,676 |
| Net position, beginning | (54,505,691) | (44,239,187) | (10,266,504) |
| Prior Period Adjustment | - | - | - |
| Net position, ending | <u>\$ (64,396,519)</u> | <u>\$ (54,505,691)</u> | <u>\$ (9,890,828)</u> |

Governmental Activities

The decrease in Net Position of \$9,890,828 results primarily from the recognition of pension and OPEB liabilities and components related to GASBs 68 and 75. The primary objective of these Statements was to improve accounting and financial reporting by state and local governments.

Governments providing defined benefit pension plans and other post-employment benefits were required to recognize their long-term obligation for pension and OPEB benefits as a liability on their accrual-based, government-wide statement of net position. This provides citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The implementation of these standards clearly depicts the government's financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed. Reporting the net pension liability and net OPEB liability on the face of the financial statements will more clearly portray the government's financial status because the pension and OPEB liabilities will be placed on an equal footing with other long-term obligations.

At August 31, 2020, the District reported a net pension liability of \$35,855,315 for its proportionate share of TRS's net pension liability and a net OPEB liability of \$41,980,199 for its proportionate share of the District's Other Post-Employment

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2020

benefits other than pensions. At August 31, 2019, the District's net pension liability and OPEB liability was \$36,824,499 and \$43,235,380, respectively.

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 85% of total revenues. The remaining 15% is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction and related services, which represents 56% of total expenses. Support services – student (such as guidance, counseling and evaluation services, student transportation, food services, and extracurricular activities, etc.) represents 14% of total expenses, support services – non-student based (such as facilities maintenance and operations, etc.) represents 12% of total expenses, and the remaining individual functional categories of expenses are each less than 10% of total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$69,115,696, a decrease of \$3,185,375 in comparison with prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$22,349,865, while total fund balance reached \$55,921,475. As a measure of the general fund's liquidity, it may be useful to compare unassigned, assigned, committed fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21% of total general fund expenditures, while assigned fund balance represents 23%, committed fund balance represents 8%, and total fund balance represents 52% of that same amount. The fund balance of the District's general fund decreased by \$112,664 during the current fiscal year. Decrease in fund balance resulted from expenditures exceeding operating revenues.

The debt service fund has total fund balance of \$10,706,816, all of which is restricted for the payment of debt service. During 2020, the District issued bonds to refund its 2010A series debt. As a result of the refunding, the District reduced its debt service requirements and realized a present value savings. Overall, the District's debt service fund balance increased by \$79,369.

The capital projects fund has a total fund balance of \$714,337, all of which is restricted for authorized construction and technology projects/enhancements. The decrease in fund balance during the current year of \$2,760,888 was due to completed and ongoing projects during the year.

General Fund Budgetary Highlights

The District adopted a deficit budget for fiscal year 2020. Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

| | BUDGET | |
|----------------------------|-----------------------|------------------------|
| | Original | Final |
| Total revenues | \$ 103,848,365 | \$ 104,480,365 |
| Total expenditures | (112,507,960) | (117,668,418) |
| Other sources and (uses) | 5,000 | 5,000 |
| Net change in fund balance | <u>\$ (8,654,595)</u> | <u>\$ (13,183,053)</u> |

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2020

There were no significant budget amendments affecting total budgeted revenues. The increase in final budgeted expenditures resulted primarily from budget amendments to increase facilities acquisition and construction (\$3.8 million). For fiscal year 2020, local and intermediate revenue sources (i.e., insurance recovery revenue) exceeded estimates by approximately \$1 million while other local revenues exceeded estimates by approximately \$900 thousand. State program revenues exceeded District's estimates by approximately \$1.3 million. Federal revenues accounted for in the General Fund (FEMA reimbursement revenues) exceeded the District's estimates by approximately \$336 thousand. Expenditures were less than budgetary estimates by approximately \$9.9 million as instruction and related services, facilities maintenances and operations, and other expenses were less than budgeted amounts. Overall, the general fund exceeded its final budget estimate by approximately \$13 million, resulting in an decrease in general fund balance of approximately \$113 thousand for the year.

Capital Assets

The District's investment in capital assets for its governmental type activities, as of August 31, 2020, amounts to \$253,162,478 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total amount invested in capital assets for the current fiscal year was:

| Capital Assets | 2020 |
|----------------------------|----------------|
| Land | \$ 11,621,431 |
| Construction in progress | - |
| Buildings and improvements | 393,979,062 |
| Furniture and equipment | 23,354,302 |
| Library books and media | 32,389 |
| Total | 428,987,184 |
| Accumulated depreciation | (175,824,706) |
| Net capital assets | \$ 253,162,478 |

Additional information of the District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities

At the end of the current fiscal year, the District had \$295,390,000 in bonded debt outstanding, a decrease of \$9,770,000 over the prior year. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "A" and from Moody's Investors Service is "Aa3" for general obligation debt.

Changes in all long-term debt, for the year ended August 31, 2020, are as follows:

| Outstanding 9/1/2019 | Additions | Reductions | Outstanding 8/31/2020 |
|-------------------------|---------------|-----------------|--------------------------|
| \$ 305,160,000 | \$ 12,965,000 | \$ (22,735,000) | \$ 295,390,000 |

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2020, the current debt limitation for the District is \$417,805,048. The District's outstanding debt of \$295,390,000 less the reserve for the retirement of the debt of \$10,706,816 totals \$284,683,184 leaving a legal debt margin of \$133,121,864. Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Appraised value used for the 2020-2021 budget preparation was increased by \$520 million, or 12.56% from the previous year. This increase was due to re-appraisal after Hurricane Harvey and an increase in construction of new homes.
- The Tax Rate for 2020-2021 is \$1.344 (\$.874 for M&O; \$.47 for I&S), the total tax rate was decreased \$.106 due to the TX Legislature House Bill 3.

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2020

- The 2020-2021 general fund operating budget projects spending \$10,627 per student.
- The District's 2020-2021 refined average daily attendance is expected to be 11,000.

The Board will amend the budget as necessary to meet compensation increases/calculations as a result of House Bill 3, which has yet to be fully determined at the time of the budget adoption.

Dickinson ISD is classified as a 6A district and has grown consistently for the past several years. The District received a 'Superior' rating under the Financial Integrity Rating System of Texas for the seventeenth consecutive year.

The District passed a \$94.2 million bond in November 2020. The 2020 bond proceeds will be used to build a Junior High, transportation, technology and agricultural expansion and parking expansion at Hughes Rd. Elementary.

The tax rate did not increase due to the bond election.

The District is growing and several residential projects are being developed. Lago Mar, a subdivision with 5,000 to 7,500 residential units has recently begun developing.

The Bay Colony subdivision continues to grow. Other subdivisions, on the west side of the District, include plans for approximately 550 new residential homes within the next five to seven years.

Restaurants, banks, department stores and businesses within the District continue to be constructed as the business community grows.

The Tuscan Lakes subdivision construction projects of new homes and additional apartments are adding to the growth of the District. More commercial building is in the planning stages for this area.

The COVID-19 pandemic has affected all educational institutions in the nation and the District had to suddenly adjust its delivery of instruction, implementing an online learning environment so that students could continue their learning remotely. At the time the District's budget was adopted, neither the nature of the COVID-19 pandemic impact nor the costs to address the related needs could be identified; hence, the budget assumed normal operations. The budget will need to be amended throughout the year to direct resources where appropriate to respond to the COVID-19 pandemic. The District is closely monitoring the financial implications of the downturn in the economy and will pursue all opportunities for federal reimbursement related to the COVID-19 pandemic.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at Dickinson Independent School District, 2218 FM 517, Dickinson, Texas 77539.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT A-1

| Data Control Codes | Primary Government |
|--|----------------------------|
| | Governmental Activities |
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 24,248,006 |
| 1120 Current Investments | 47,049,251 |
| 1220 Property Taxes - Delinquent | 5,537,108 |
| 1230 Allowance for Uncollectible Taxes | (2,408,449) |
| 1240 Due from Other Governments | 6,261,556 |
| 1250 Accrued Interest | 264,108 |
| 1290 Other Receivables, Net | 68,081 |
| 1300 Inventories | 915,613 |
| 1410 Prepayments | 86,670 |
| Capital Assets: | |
| 1510 Land | 11,621,431 |
| 1520 Buildings, Net | 235,251,212 |
| 1530 Furniture and Equipment, Net | 6,280,082 |
| 1560 Library Books and Media, Net | 9,753 |
| 1000 Total Assets | 335,184,422 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1701 Deferred Charge for Refunding | 3,158,425 |
| 1705 Deferred Outflow Related to TRS Pension | 18,563,194 |
| 1706 Deferred Outflow Related to TRS OPEB | 8,173,051 |
| 1700 Total Deferred Outflows of Resources | 29,894,670 |
| LIABILITIES | |
| 2110 Accounts Payable | 2,073,033 |
| 2160 Accrued Wages Payable | 3,982,651 |
| 2200 Accrued Expenses | 852,366 |
| 2300 Unearned Revenue | 930,692 |
| Noncurrent Liabilities: | |
| 2501 Due Within One Year | 8,993,086 |
| 2502 Due in More Than One Year | 310,804,636 |
| 2540 Net Pension Liability (District's Share) | 35,855,315 |
| 2545 Net OPEB Liability (District's Share) | 41,980,199 |
| 2000 Total Liabilities | 405,471,978 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflow Related to TRS Pension | 5,842,374 |
| 2606 Deferred Inflow Related to TRS OPEB | 18,161,259 |
| 2600 Total Deferred Inflows of Resources | 24,003,633 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | (59,846,981) |
| 3820 Restricted for Federal and State Programs | 944,287 |
| 3850 Restricted for Debt Service | 11,081,389 |
| 3900 Unrestricted | (16,575,214) |
| 3000 Total Net Position | \$ (64,396,519) |

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

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DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT B-1

| Data Control Codes | 1 | Program Revenues | | 6 Primary Gov. Governmental Activities |
|--|--|------------------------------|---|--|
| | | 3 Charges for Services | 4 Operating Grants and Contributions | |
| | Expenses | | | Net (Expense) Revenue and Changes in Net Position |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 85,534,103 | \$ 928,062 | \$ 10,814,676 | \$ (73,791,365) |
| 12 Instructional Resources and Media Services | 1,546,311 | - | 76,821 | (1,469,490) |
| 13 Curriculum and Instructional Staff Development | 1,604,448 | - | 501,200 | (1,103,248) |
| 21 Instructional Leadership | 1,850,419 | - | 126,995 | (1,723,424) |
| 23 School Leadership | 8,429,096 | - | 530,886 | (7,898,210) |
| 31 Guidance, Counseling, and Evaluation Services | 4,450,100 | - | 624,332 | (3,825,768) |
| 32 Social Work Services | 207,687 | - | 12,438 | (195,249) |
| 33 Health Services | 1,353,588 | - | 97,614 | (1,255,974) |
| 34 Student (Pupil) Transportation | 5,970,351 | - | 871,918 | (5,098,433) |
| 35 Food Services | 6,144,453 | 887,441 | 4,083,248 | (1,173,764) |
| 36 Extracurricular Activities | 3,059,708 | 1,298,710 | 97,441 | (1,663,557) |
| 41 General Administration | 3,783,711 | - | 171,240 | (3,612,471) |
| 51 Facilities Maintenance and Operations | 16,514,175 | 72,011 | 370,593 | (16,071,571) |
| 52 Security and Monitoring Services | 1,204,273 | - | 251,062 | (953,211) |
| 53 Data Processing Services | 1,829,060 | - | 88,547 | (1,740,513) |
| 61 Community Services | 588,710 | - | 51,564 | (537,146) |
| 72 Debt Service - Interest on Long-Term Debt | 12,051,328 | - | - | (12,051,328) |
| 93 Payments Related to Shared Services Arrangements | 204,053 | - | 99,604 | (104,449) |
| 95 Payments to Juvenile Justice Alternative Ed. Prg. | 116,084 | - | - | (116,084) |
| 99 Other Intergovernmental Charges | 462,749 | - | - | (462,749) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 156,904,407 | \$ 3,186,224 | \$ 18,870,179 | (134,848,004) |
| | | | | |
| Data Control Codes | General Revenues: | | | |
| | Taxes: | | | |
| MT | Property Taxes, Levied for General Purposes | | | 40,497,674 |
| DT | Property Taxes, Levied for Debt Service | | | 20,044,023 |
| SF | State Aid - Formula Grants | | | 54,300,760 |
| GC | Grants and Contributions not Restricted | | | 6,722,365 |
| IE | Investment Earnings | | | 1,867,015 |
| MI | Miscellaneous Local and Intermediate Revenue | | | 1,525,339 |
| TR | Total General Revenues | | | 124,957,176 |
| CN | Change in Net Position | | | (9,890,828) |
| NB | Net Position - Beginning | | | (54,505,691) |
| NE | Net Position - Ending | | | \$ (64,396,519) |

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 19,431,446 | \$ 788,752 | \$ 867,853 |
| 1120 Investments - Current | 34,569,295 | 10,435,454 | - |
| 1220 Property Taxes - Delinquent | 3,957,275 | 1,579,833 | - |
| 1230 Allowance for Uncollectible Taxes | (1,721,276) | (687,173) | - |
| 1240 Due from Other Governments | 2,885,455 | 20,847 | - |
| 1250 Accrued Interest | 191,974 | 68,863 | - |
| 1260 Due from Other Funds | 3,150,417 | - | - |
| 1290 Other Receivables | 63,462 | - | - |
| 1300 Inventories | 544,940 | - | - |
| 1410 Prepayments | 86,670 | - | - |
| 1000 Total Assets | <u>\$ 63,159,658</u> | <u>\$ 12,206,576</u> | <u>\$ 867,853</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ 1,055,113 | \$ - | \$ 153,516 |
| 2160 Accrued Wages Payable | 3,918,541 | - | - |
| 2170 Due to Other Funds | 28,530 | - | - |
| 2300 Unearned Revenue | - | 607,100 | - |
| 2000 Total Liabilities | <u>5,002,184</u> | <u>607,100</u> | <u>153,516</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 Unavailable Revenue - Property Taxes | <u>2,235,999</u> | <u>892,660</u> | <u>-</u> |
| 2600 Total Deferred Inflows of Resources | <u>2,235,999</u> | <u>892,660</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance: | | | |
| 3410 Inventories | 544,940 | - | - |
| 3430 Prepaid Items | 86,670 | - | - |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | - |
| 3470 Capital Acquisition and Contractual Obligation | - | - | 714,337 |
| 3480 Retirement of Long-Term Debt | - | 10,706,816 | - |
| Committed Fund Balance: | | | |
| 3510 Construction | 6,000,000 | - | - |
| 3530 Capital Expenditures for Equipment | 500,000 | - | - |
| 3545 Other Committed Fund Balance | 1,800,000 | - | - |
| Assigned Fund Balance: | | | |
| 3550 Construction | 20,000,000 | - | - |
| 3570 Capital Expenditures for Equipment | 340,000 | - | - |
| 3580 Self-Insurance | 300,000 | - | - |
| 3590 Other Assigned Fund Balance | 4,541,965 | - | - |
| 3600 Unassigned Fund Balance | 21,807,900 | - | - |
| 3000 Total Fund Balances | <u>55,921,475</u> | <u>10,706,816</u> | <u>714,337</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 63,159,658</u> | <u>\$ 12,206,576</u> | <u>\$ 867,853</u> |

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

| Nonmajor Governmental Funds | | Total Governmental Funds | |
|-----------------------------------|------------------|--------------------------------|-------------------|
| \$ | 2,386,543 | \$ | 23,474,594 |
| | - | | 45,004,749 |
| | - | | 5,537,108 |
| | - | | (2,408,449) |
| | 3,355,254 | | 6,261,556 |
| | - | | 260,837 |
| | 31,401 | | 3,181,818 |
| | 4,619 | | 68,081 |
| | 370,673 | | 915,613 |
| | - | | 86,670 |
| <u>\$</u> | <u>6,148,490</u> | <u>\$</u> | <u>82,382,577</u> |
| | | | |
| \$ | 834,432 | \$ | 2,043,061 |
| | 64,110 | | 3,982,651 |
| | 3,153,288 | | 3,181,818 |
| | 323,592 | | 930,692 |
| <u> </u> | <u>4,375,422</u> | <u> </u> | <u>10,138,222</u> |
| | | | |
| <u> </u> | <u>-</u> | <u> </u> | <u>3,128,659</u> |
| | | | |
| <u> </u> | <u>-</u> | <u> </u> | <u>3,128,659</u> |
| | | | |
| | 195,760 | | 740,700 |
| | - | | 86,670 |
| | 748,527 | | 748,527 |
| | - | | 714,337 |
| | - | | 10,706,816 |
| | - | | 6,000,000 |
| | - | | 500,000 |
| | 828,781 | | 2,628,781 |
| | - | | 20,000,000 |
| | - | | 340,000 |
| | - | | 300,000 |
| | - | | 4,541,965 |
| | - | | 21,807,900 |
| <u> </u> | <u>1,773,068</u> | <u> </u> | <u>69,115,696</u> |
| <u>\$</u> | <u>6,148,490</u> | <u>\$</u> | <u>82,382,577</u> |

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DICKINSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT C-2

| | |
|---|------------------------|
| Total Fund Balances - Governmental Funds | \$ 69,115,696 |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$428,987,184 and the accumulated depreciation is \$175,824,706. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase net position. (See Note 6.) | 253,162,478 |
| 2 Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds. The effect of these long-term liabilities is a decrease to net position. (See Note 7.) | (319,797,722) |
| 3 Recognizing unearned revenue (property taxes) as revenue in the government-wide statements to convert from modified accrual basis of accounting to the accrual basis of accounting. The net effect is an increase to net position. | 3,128,659 |
| 4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$35,855,315, a deferred resource inflow related to TRS in the amount of \$5,842,374 and a deferred resource outflow related to TRS in the amount of \$18,563,194. The net effect of these pension related items is a decrease to net position. (See Note 10.) | (23,134,495) |
| 5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$41,980,199, a deferred inflow related to TRS OPEB in the amount of \$18,161,259, and a deferred resource outflow related to TRS OPEB in the amount of \$8,173,051. The net effect of these OPEB related items is a decrease to net position. (See Note 9.) | (51,968,407) |
| 6 The District uses internal service funds to charge the costs of self-insurance activities to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position. | 1,938,847 |
| 7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions and recognizing the bond components associated with outstanding debt. Deferred charges on refundings are not financial resources and therefore, are not reported in governmental funds. Deferred charges are amortized over the life of the debt. The net effect is an increase to net position. | 3,158,425 |
| 19 Net Position of Governmental Activities | \$ (64,396,519) |

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 44,474,110 | \$ 20,444,676 | \$ 51,222 |
| 5800 State Program Revenues | 60,150,983 | - | - |
| 5900 Federal Program Revenues | 3,020,812 | - | - |
| 5020 Total Revenues | 107,645,905 | 20,444,676 | 51,222 |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 63,129,607 | - | - |
| 0012 Instructional Resources and Media Services | 1,260,980 | - | - |
| 0013 Curriculum and Instructional Staff Development | 872,980 | - | - |
| 0021 Instructional Leadership | 1,452,272 | - | - |
| 0023 School Leadership | 6,590,500 | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | 2,959,445 | - | - |
| 0032 Social Work Services | 185,459 | - | - |
| 0033 Health Services | 1,085,300 | - | - |
| 0034 Student (Pupil) Transportation | 5,731,839 | - | - |
| 0035 Food Services | 56,240 | - | - |
| 0036 Extracurricular Activities | 2,195,641 | - | - |
| 0041 General Administration | 3,187,805 | - | - |
| 0051 Facilities Maintenance and Operations | 11,702,973 | - | 2,606,649 |
| 0052 Security and Monitoring Services | 976,430 | - | - |
| 0053 Data Processing Services | 1,565,153 | - | - |
| 0061 Community Services | 481,494 | - | - |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | - | 7,635,000 | - |
| 0072 Interest on Long-Term Debt | - | 12,484,539 | - |
| 0073 Bond Issuance Cost and Fees | - | 186,167 | - |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | 3,643,388 | - | 205,461 |
| Intergovernmental: | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 104,449 | - | - |
| 0095 Payments to Juvenile Justice Alternative Ed. Prg. | 116,084 | - | - |
| 0099 Other Intergovernmental Charges | 462,749 | - | - |
| 6030 Total Expenditures | 107,760,788 | 20,305,706 | 2,812,110 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (114,883) | 138,970 | (2,760,888) |
| OTHER FINANCING SOURCES (USES): | | | |
| 7901 Refunding Bonds Issued | - | 12,965,000 | - |
| 7912 Sale of Real and Personal Property | 2,219 | - | - |
| 7916 Premium or Discount on Issuance of Bonds | - | 2,324,726 | - |
| 8940 Payment to Bond Refunding Escrow Agent (Use) | - | (15,349,327) | - |
| 7080 Total Other Financing Sources (Uses) | 2,219 | (59,601) | - |
| 1200 Net Change in Fund Balances | (112,664) | 79,369 | (2,760,888) |
| 0100 Fund Balance - September 1 (Beginning) | 56,034,139 | 10,627,447 | 3,475,225 |
| 3000 Fund Balance - August 31 (Ending) | \$ 55,921,475 | \$ 10,706,816 | \$ 714,337 |

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

| Nonmajor Governmental Funds | | Total Governmental Funds | |
|-----------------------------------|------------|--------------------------------|--------------|
| \$ | 2,697,957 | \$ | 67,667,965 |
| | 2,320,918 | | 62,471,901 |
| | 10,632,618 | | 13,653,430 |
| | 15,651,493 | | 143,793,296 |
| | 7,615,025 | | 70,744,632 |
| | 38,531 | | 1,299,511 |
| | 473,722 | | 1,346,702 |
| | 99,682 | | 1,551,954 |
| | 334,274 | | 6,924,774 |
| | 684,664 | | 3,644,109 |
| | - | | 185,459 |
| | 37,391 | | 1,122,691 |
| | 623,874 | | 6,355,713 |
| | 5,143,891 | | 5,200,131 |
| | 364,544 | | 2,560,185 |
| | 4,500 | | 3,192,305 |
| | 35,541 | | 14,345,163 |
| | 247,340 | | 1,223,770 |
| | - | | 1,565,153 |
| | 44,208 | | 525,702 |
| | - | | 7,635,000 |
| | - | | 12,484,539 |
| | - | | 186,167 |
| | 195,894 | | 4,044,743 |
| | 99,604 | | 204,053 |
| | - | | 116,084 |
| | - | | 462,749 |
| | 16,042,685 | | 146,921,289 |
| | (391,192) | | (3,127,993) |
| | - | | 12,965,000 |
| | - | | 2,219 |
| | - | | 2,324,726 |
| | - | | (15,349,327) |
| | - | | (57,382) |
| | (391,192) | | (3,185,375) |
| | 2,164,260 | | 72,301,071 |
| \$ | 1,773,068 | \$ | 69,115,696 |

DICKINSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT C-4

| | |
|---|-----------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (3,185,375) |
| The District uses an internal service fund to charge the costs of the certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position. | 287,643 |
| Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2020 capital outlays is an increase to net position. (See Note 6.) | 5,849,651 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (See Note 6.) | (14,596,888) |
| The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. The net effect is to increase net position. (See Note 7.) | 8,697,385 |
| Changes in the District's proportionate share of the net pension liability, deferred outflows or resources, and deferred inflows of resources related to the Teacher Retirement System of Texas for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is a decrease to net position. | (4,993,302) |
| Changes in the District's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the Texas Public Retired Employees Group Insurance Program (TRS-Care) for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is a decrease to net position. | (872,344) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating inter-fund transactions, recognizing the net effect of retirement of capital assets, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position. | (1,077,598) |
| Change in Net Position of Governmental Activities | \$ (9,890,828) |

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2020

| | Governmental Activities - |
|---------------------------|------------------------------------|
| | Total Internal Service Funds |
| <hr/> | |
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 773,412 |
| Investments - Current | 2,044,502 |
| Accrued Interest | <u>3,271</u> |
| Total Assets | <u>2,821,185</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 29,972 |
| Accrued Expenses | <u>852,366</u> |
| Total Liabilities | <u>882,338</u> |
| NET POSITION | |
| Unrestricted Net Position | <u>1,938,847</u> |
| Total Net Position | <u><u>\$ 1,938,847</u></u> |

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| | Governmental Activities - |
|--|------------------------------------|
| | Total Internal Service Funds |
| OPERATING REVENUES: | |
| Local and Intermediate Sources | \$ 661,581 |
| Total Operating Revenues | <u>661,581</u> |
| OPERATING EXPENSES: | |
| Professional and Contracted Services | 338,611 |
| Other Operating Costs | 75,134 |
| Total Operating Expenses | <u>413,745</u> |
| Operating Income | <u>247,836</u> |
| NONOPERATING REVENUES (EXPENSES): | |
| Earnings from Temporary Deposits & Investments | <u>39,807</u> |
| Total Nonoperating Revenues (Expenses) | <u>39,807</u> |
| Change in Net Position | 287,643 |
| Total Net Position - September 1 (Beginning) | <u>1,651,204</u> |
| Total Net Position - August 31 (Ending) | <u><u>\$ 1,938,847</u></u> |

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| | Governmental Activities - |
|---|------------------------------------|
| | Total Internal Service Funds |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from User Charges | \$ 661,581 |
| Cash Payments for Other Operating Expenses | (483,163) |
| Net Cash Provided by Operating Activities | 178,418 |
| <u>Cash Flows from Investing Activities:</u> | |
| Purchase of Investment Securities | (731,502) |
| Interest and Dividends on Investments | 36,536 |
| Net Cash Provided by (Used for) Investing Activities | (694,966) |
| Net Decrease in Cash and Cash Equivalents | (516,548) |
| Cash and Cash Equivalents at Beginning of Year | 1,289,960 |
| Cash and Cash Equivalents at End of Year | \$ 773,412 |
| <u>Reconciliation of Operating Income to Net Cash</u> | |
| <u>Provided by Operating Activities:</u> | |
| Operating Income: | \$ 247,836 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | |
| Increase (decrease) in Accounts Payable | 12,967 |
| Increase (decrease) in Accrued Expenses | (82,385) |
| Net Cash Provided by Operating Activities | \$ 178,418 |

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

| | Total Custodial Funds |
|-------------------------------|-----------------------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 959,802 |
| Other Receivables | 3,403 |
| Total Assets | <u>963,205</u> |
| LIABILITIES | |
| Accounts Payable | 32,837 |
| Total Liabilities | <u>32,837</u> |
| NET POSITION | |
| Restricted for Student Groups | 380,887 |
| Restricted for Others | 549,481 |
| Total Net Position | <u>\$ 930,368</u> |

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| | Total Custodial Funds |
|--|-----------------------------|
| ADDITIONS: | |
| Received from Student Groups | \$ 332,864 |
| Earnings from Temporary Deposits | 2,294 |
| Contributions, Gifts and Donations | 240,510 |
| Miscellaneous Additions | 55,214 |
| Total Additions | <u>630,882</u> |
| DEDUCTIONS: | |
| Payroll Costs | 4,125 |
| Professional and Contracted Services | 1,835 |
| Supplies and Materials | 1,672 |
| Other Deductions | 490,476 |
| Total Deductions | <u>498,108</u> |
| Change in Fiduciary Net Position | 132,774 |
| Total Net Position - September 1 (Beginning) | - |
| Prior Period Adjustment | <u>797,594</u> |
| Total Net Position - August 31 (Ending) | <u><u>\$ 930,368</u></u> |

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Dickinson Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69, as amended by Statement on Auditing Standards No.'s 91 and 93* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting entity – The Board of Trustees (the “Board”), a seven member group, has fiscal responsibility over all activities related to public elementary and secondary education within the jurisdiction of the District. The public elects the Board that corporately 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 Texas State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, *“The Financial Reporting Entity”: Omnibus – an amendment by GASB Statements No. 14 and 34*. There are no component units or entities for which the District is considered financially accountable included within the reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

New GASB Pronouncements - GASB has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

GASB Statement No. 84, *Fiduciary Activities*, is effective for periods beginning after December 15, 2018. This statement establishes criteria for identifying fiduciary activities for accounting and reporting purposes. The implementation of this statement has resulted in a presentation change of the financial statement by requiring custodial funds to report the difference of assets and liabilities as net position on the statement of fiduciary net position and additions and deductions on the statement of changes in fiduciary net position. For prior period adjustment, see Note 18.

The District's basic financial statements consist of government-wide statements and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements – The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District as a whole. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements – During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds, which are presented in separate columns.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Nonmajor governmental funds are aggregated and presented in a single column. Separate financial statements are provided for proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental fund types:

- The *general fund* is the District's primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in another fund are included here.
- The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and equipment purchases.
- The nonmajor governmental funds of the District account for grants and other resources of the District whose uses are restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.

Proprietary Fund

The District utilizes internal service fund accounts for workers' compensation services provided to other funds and/or employees of the District on a cost reimbursement basis. Proprietary funds distinguish operating revenue and expense from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds for self-funded workers' compensation services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The general fund is contingently liable for liabilities of the internal service fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District. See Note 13 for additional discussion of the District's self-insurance plan.

Fiduciary Funds

The District utilizes *custodial funds* to account for activities of student groups and other organizational activities. The District also accounts for activities of a non-profit organization in a fiduciary capacity.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the District are included in the statement of net position.

Fund Financial Statements - Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, and fund balances are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized. Tax revenues are considered available when collected.

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to finance fiscal year 2020 operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements.

In governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Data

The Board adopts an “appropriated budget” for the General Fund, Debt Service Fund, and the Child Nutrition Program (which is included in the Nonmajor Governmental Funds). The District compares the final amended budget to actual revenues and expenditures. The Budgetary Comparison Schedules appear in Exhibits F-1, H-2, and H-3.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) Prior to August 20, the District prepares an operating budget for the next succeeding fiscal year beginning September 1. The 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. At least ten day’s public notice of the meeting must be given.
- c) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.
- d) Each budget 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.
- e) 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 canceled or appropriately provided for in the subsequent year’s budget.

Deposits and Investments

Under Texas state law, a bank serving as the school depository must have a bond, or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, in an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

Investments consist of balances in privately managed public funds investment pools and certificates of deposit. Investments in local government investment pools are valued and recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. Investments with maturities of 12 months or less at the date of purchase are held at amortized cost and net asset value (NAV). Investments with maturities exceeding 12 months at the date of purchase are stated at fair value based on quoted market prices at year-end date.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

The District categorizes fair value measurements of its investments based on the hierarchy established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology are quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. At August 31, 2020, the District had no investments subject to fair value measurement.

Inter-fund Assets/Liabilities

In the fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "Due from/(to) other funds". Inter-fund balances within governmental activities are eliminated on the government-wide statement of net assets. See Note 5 for additional discussion of inter-fund receivables and payables.

Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated cost if purchased or self-constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives: (See Note 6.)

| Assets | Years |
|----------------------------|-------|
| Buildings and improvements | 5-45 |
| Building equipment | 5-20 |
| Buses and vehicles | 5-10 |
| Office equipment | 5-10 |
| Library books and media | 10 |

Prepayments (i.e., Deferred Expenditures/Expenses)

Certain payments to vendors reflect costs applicable to the next fiscal period and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are accounted for using the consumption method and are recognized as expenditures/expenses proportionately over the periods in which the services are provided.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Inventories

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Governmental fund inventories are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations.

Long-Term Obligations

The District's long-term obligations consist of bonded indebtedness and compensated absences. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences are accounted for in the general fund.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In addition to the State sick leave program, certain employees are entitled to sick leave benefits under the District's local sick leave program. Individuals whose date of employment is prior to September 1, 1989 are eligible for sick leave upon resignation, retirement, death or termination. Under the local sick leave policy, eligible employees may earn up to 6.5 local days per year. (See Note 7.)

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported as long-term liabilities on the statement of net position.

Pensions

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

Other Post-Employment Benefits

The fiduciary net position of the 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

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of net position and balance sheet as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred outflow of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflow of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life of all members.

Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

- *Net position invested in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- *Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. The government fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds’ fund balance.
- *Assigned* – includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Superintendent or Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Administration to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation and available school revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of August 31 will change and those changes could be material.

Data Control Codes

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

3. DEPOSITS AND INVESTMENTS

A summary of the District's cash and investments at August 31, 2020 is shown below:

| | Cash and Deposits | Investment Pools | Total Cash & Cash Equivalents | Investments | Total Cash & Investments |
|-----------------------------|----------------------|---------------------|-------------------------------------|---------------|--------------------------------|
| Governmental funds: | | | | | |
| General fund | \$ 6,132,621 | \$ 13,298,825 | \$ 19,431,446 | \$ 34,569,295 | \$ 54,000,741 |
| Debt service fund | 403,366 | 385,386 | 788,752 | 10,435,454 | 11,224,206 |
| Capital projects fund | 16,402 | 851,451 | 867,853 | - | 867,853 |
| Nonmajor governmental funds | 1,531,018 | 855,525 | 2,386,543 | - | 2,386,543 |
| Total governmental funds | 8,083,407 | 15,391,187 | 23,474,594 | 45,004,749 | 68,479,343 |
| Proprietary funds | 470,610 | 302,802 | 773,412 | 2,044,502 | 2,817,914 |
| Fiduciary funds | 868,890 | 90,912 | 959,802 | - | 959,802 |
| Total cash and investments | \$ 9,422,907 | \$ 15,784,901 | \$ 25,207,808 | \$ 47,049,251 | \$ 72,257,059 |

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and depository bank's agent bank. The pledged securities are approved by the TEA and shall be 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.

At August 31, 2020, the carrying amount of the District's deposits (cash and certificate of deposits) was \$14,480,202 and the bank balance was \$14,636,914. The District's cash deposits at August 31, 2020 were entirely covered by FDIC insurance, by pledged collateral held by the depository bank's agent bank in the District's name or irrevocable letters of credit.

The Public Funds Investment Act (Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio, (7) maximum average dollar-weighted maturity allowed based on

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the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) securities lending programs, (6) repurchase agreements, (7) bankers acceptances, (8) mutual funds, (9) investment pools, and (10) guaranteed investment contracts.

As of August 31, 2020, the District had the following investments:

| Investment Type: | Rating | Value at August 31, 2020 | Fair Value Measurements Using: | | | Percent of Portfolio | WAM (Days/Years) |
|---|---------|-----------------------------|--------------------------------|-----------|-----------|-------------------------|---------------------|
| | | | (Level 1) | (Level 2) | (Level 3) | | |
| Cash in Bank | | \$ 9,422,907 | | | | 13% | |
| <i>Cash equivalents measured at amortized costs:</i> | | | | | | | |
| TexSTAR | AAAm | 300,326 | | | | 0% | < 365 days |
| TexPool | AAAm | 392,938 | | | | | |
| LOGIC | AAA | 4,309,360 | | | | 6% | < 365 days |
| TexasTERM (daily) | AAAm | 4,215,550 | | | | 6% | < 365 days |
| TexasCLASS | AAA | 1,743,350 | | | | 2% | < 365 days |
| TX-FIT | AAAf/S1 | 4,823,377 | | | | 7% | < 365 days |
| Cash and cash equivalents - subtotal | | 25,207,808 | | | | | |
| <i>Investments measured at cost not subject to level reporting:</i> | | | | | | | |
| Certificates of depositis | Unrated | 5,057,295 | | | | 7% | < 365 days |
| TexasTERM (fixed) | AAAf | 41,991,956 | | | | 58% | < 365 days |
| Investments - subtotal | | 47,049,251 | - | - | - | | |
| Total cash & investments | | \$ 72,257,059 | \$ - | \$ - | \$ - | 99% | |

Texas Local Government Investment Pool (TexPool), Texas Cooperative Liquid Assets Securities System (TexasCLASS), Texas Fixed Income Trust (TX-FIT), Texas Short Term Asset Reserve Program (TexSTAR), Local Government Investment Pool (TexasDAILY), and Local Government Investment Cooperative (LOGIC) are local government investment “pools” organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investments in, TexPool, TexasCLASS, TX-FIT, TexSTAR, TexasDAILY and LOGIC are reported at amortized cost. Deposits and withdrawals can be made on any business day of the week. The pools have a redemption notice of one day, which may be redeemed daily. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the pools liquidity. There are no limits on the number of accounts a participant can have or the number of transactions. The District has no unfunded commitments related to the pools.

The District’s investment in TexasTERM is a fixed-rate, fixed-term portfolio rated AAAf by Fitch, that enables investors to lock in a fixed rate for a term of 60 days to 365 days.

The District’s management believes that it has complied with the requirements of the Act and with local policies.

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

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1) Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2020, the District's investments in TexPool, TexSTAR, and TexasDAILY are rated AAAM, TX-FIT is rated AAAF, and LOGIC and TexasCLASS are rated AAA by Standard and Poor's.

2) 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 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. At year end, the District was not exposed to credit risk.

3) Concentration of Credit Risk

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. At year end, the District was not exposed to concentration of credit risk.

4) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within the legal limits. The weighted average maturity for the District's investment in external investment pools is less than 60 days. In addition, the District shall not directly invest in an individual security maturing more than twelve months from the time of purchase.

4. RECEIVABLES

Receivables as of year end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Debt Service Fund | Non-major Governmental Funds | Total |
|---------------------------------------|-------------------------|----------------------------------|---|---------------------|
| Property taxes | \$ 2,332,125 | \$ 1,013,492 | \$ - | \$ 3,345,617 |
| Property taxes - penalty & interest | 1,625,150 | 566,341 | - | 2,191,491 |
| Subtotal - property taxes | 3,957,275 | 1,579,833 | - | 5,537,108 |
| Due from other governments-state | 2,760,941 | - | 786,733 | 3,547,674 |
| Due from other governments-federal | 81,016 | - | 2,324,233 | 2,405,249 |
| Due from other governments-other | 43,498 | 20,847 | 244,288 | 308,633 |
| Subtotal - due from other governments | 2,885,455 | 20,847 | 3,355,254 | 6,261,556 |
| Other receivables | 63,462 | - | 4,619 | 68,081 |
| Gross receivables | 6,906,192 | 1,600,680 | 3,359,873 | 11,866,745 |
| Less: allowance for uncollectibles | (1,721,276) | (687,173) | - | (2,408,449) |
| Net total receivables | <u>\$ 5,184,916</u> | <u>\$ 913,507</u> | <u>\$ 3,359,873</u> | <u>\$ 9,458,296</u> |

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation

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and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020, are summarized above. All federal grants shown above are passed through the TEA and are reported in the financial statements as Due from Other Governments.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenues reported in the governmental funds were as follows:

| | Unavailable | Unearned | Total |
|---|---------------------|-------------------|---------------------|
| Delinquent property taxes (General Fund) | \$ 2,235,999 | \$ - | \$ 2,235,999 |
| Delinquent property taxes (Debt Service Fund) | 892,660 | - | 892,660 |
| Funds received prior to meeting all eligibility requirements: | | | |
| (Debt Service Fund) | - | 607,100 | 607,100 |
| (Nonmajor Governmental Funds) | - | 323,592 | 323,592 |
| Total unearned revenue | <u>\$ 3,128,659</u> | <u>\$ 930,692</u> | <u>\$ 4,059,351</u> |

Property Taxes

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll, upon which the levy for the 2019-2020 fiscal year was based, was \$4 billion.

The tax rates assessed for the year ended August 31, 2020, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt, were \$.97 and \$.48 per \$100 valuation, respectively, for a total of \$1.450 per \$100 valuation.

Current tax collections for the year ended August 31, 2020 were 98% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. The property taxes receivable allowance is equal to approximately 43% of outstanding property taxes receivable at August 31, 2020. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Uncollectible personal property taxes are periodically reviewed and written off. Under Sec. 3305 of the Texas Property Code, the District can cancel and remove from the delinquent tax roll, tax on real property that has been delinquent for more than 20 years or tax on personal property that has been delinquent for more than 10 years if there is no pending litigation concerning the delinquent taxes at the time of cancellation and removal.

5. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Inter-fund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. The composition of inter-fund balances as of August 31, 2020, is as follows:

| Fund | Receivable | Payable |
|------------------------------|---------------------|---------------------|
| General Fund: | | |
| Nonmajor Governmental Funds | \$ 3,150,417 | \$ 28,530 |
| Nonmajor Governmental Funds: | | |
| General Fund | 28,530 | 3,150,417 |
| Nonmajor Governmental Funds | <u>2,871</u> | <u>2,871</u> |
| | <u>\$ 3,181,818</u> | <u>\$ 3,181,818</u> |

District activities in the Nonmajor Governmental Funds (Special Revenue Funds) include expenditures paid from a centralized-pooled operating bank account maintained in the General Fund. Since all cash transactions flow through

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this account, each fund carries a receivable/payable balance with the General Fund. All balances will be repaid within one year.

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2020 is as follows:

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|---|-----------------------|-----------------------|---------------------|-------------|-----------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 8,032,316 | \$ 3,589,115 | \$ - | \$ - | \$ 11,621,431 |
| Construction in progress | - | - | - | - | - |
| Total Capital Assets, not depreciated | 8,032,316 | 3,589,115 | - | - | 11,621,431 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 394,525,545 | 258,243 | (804,726) | - | 393,979,062 |
| Furniture and equipment | 23,305,288 | 2,002,293 | (1,953,279) | - | 23,354,302 |
| Library books and media | 32,389 | - | - | - | 32,389 |
| Total Capital Assets, being depreciated | 417,863,222 | 2,260,536 | (2,758,005) | - | 417,365,753 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (145,778,010) | (13,754,566) | 804,726 | - | (158,727,850) |
| Furniture and equipment | (18,083,557) | (839,074) | 1,848,411 | - | (17,074,220) |
| Library books and media | (19,388) | (3,248) | - | - | (22,636) |
| Total accumulated depreciation | (163,880,955) | (14,596,888) | 2,653,137 | - | (175,824,706) |
| Capital assets, net | <u>\$ 262,014,583</u> | <u>\$ (8,747,237)</u> | <u>\$ (104,868)</u> | <u>\$ -</u> | <u>\$ 253,162,478</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|----------------------|
| 11 Instruction | \$ 8,479,094 |
| 12 Instructional resources and media services | 155,753 |
| 13 Curriculum and instructional staff development | 161,409 |
| 21 Instructional leadership | 186,009 |
| 23 School leadership | 829,968 |
| 31 Guidance, counseling, & evaluation services | 436,764 |
| 32 Social work services | 22,228 |
| 33 Health services | 134,560 |
| 34 Student (pupil) transportation | 761,764 |
| 35 Food services | 623,261 |
| 36 Extracurricular activities | 306,851 |
| 41 General administration | 382,614 |
| 51 Facilities maintenance and operations | 1,719,339 |
| 52 Security and monitoring services | 146,675 |
| 53 Data processing services | 187,591 |
| 61 Community services | 63,008 |
| Total depreciation expense - governmental activities | <u>\$ 14,596,888</u> |

**DICKINSON INDEPENDENT SCHOOL DISTRICT
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7. LONG-TERM LIABILITIES

General Obligation Bonds

The District issues general obligation bonds for governmental activities to provide resources for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Principal and interest requirements are payable solely from future revenues of the debt service fund which consists primarily of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term liabilities include current interest bonds, term bonds, variable bonds, and capital appreciation bonds (CAB). State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2020, the current debt limitation for the District is \$417,805,048. The District's outstanding debt of \$295,390,000 less the reserve for the retirement of the debt of \$10,706,816 totals \$284,683,184 leaving a legal debt margin of \$133,121,864.

There are a number of limitations and restrictions contained in the general obligation debt indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2020.

Bonded debt as of August 31, 2020 is as follows:

| Description | Interest Rate Payable | Maturity Date | Original Issue | Outstanding |
|--|--------------------------|------------------|-----------------------|-----------------------|
| Unlimited tax schoolhouse & refunding bonds, series 2000 | 5.40-6.05% | 02/15/28 | \$ 26,297,916 | \$ 13,370,000 |
| Unlimited tax schoolhouse bonds, series 2008 | 4.625-4.75% | 02/15/33 | 30,000,000 | 690,000 |
| Unlimited tax schoolhouse bonds, taxable series 2010B | 5.941-6.011% | 02/15/38 | 30,000,000 | 30,000,000 |
| Variable rate unlimited tax refunding bonds, series 2013 | Variable | 08/01/37 | 27,940,000 | 27,940,000 |
| Unlimited tax refunding bonds, series 2013 | 1.875-5.00% | 02/15/30 | 23,360,000 | 13,635,000 |
| Unlimited tax schoolhouse bonds, series 2014 | 4.00-5.00% | 02/15/44 | 54,755,000 | 52,405,000 |
| Unlimited tax refunding bonds, series 2014 | 5.00% | 02/15/32 | 63,505,000 | 52,190,000 |
| Unlimited tax schoolhouse bonds, series 2016A | 2.00%-5.00% | 02/15/49 | 64,475,000 | 64,475,000 |
| Unlimited tax refunding bonds, series 2016B | 3.00%-5.00% | 02/15/33 | 27,720,000 | 27,720,000 |
| Unlimited tax refunding bonds, series 2019 | 4.00% | 02/15/33 | 12,965,000 | 12,965,000 |
| | | | <u>\$ 361,017,916</u> | <u>\$ 295,390,000</u> |

Variable Rate Terms – In July 2019, outstanding bonds totaling \$27,940,000 were remarketed to a term rate (1.35%) for a period of two years through July 31, 2021. Thereafter, the bonds will bear interest in a mode and at a rate determined by the remarketing agent (JP Morgan Securities LLC) and may change at the District's option from time to time to (a) a weekly or term rate of a different duration or (b) a flexible rate not to exceed the lesser of (i) 7% per annum, or (ii) the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended. In addition, at the option of the District, the bonds bearing interest at a variable rate or flexible rate may be converted in whole or in part to a fixed rate to their maturity.

In November 2019, the District issued \$12,965,000 in Unlimited Tax Refunding Bonds, Series 2019 to refund \$15,100,000 of the outstanding Unlimited Tax Schoolhouse & Refunding Bonds, Series 2010A. The bonds were issued at a net premium of \$2,324,726 and issuance costs of \$180,606. The Series 2019 bonds bear interest from 3.0% to 4.25% and are due in annual installments ranging from \$455,000 to \$6,690,000 through February 15, 2034. As a result of this refunding, the District reduced its total debt service requirements by \$3,051,972 and realized a present value savings of \$2,566,501.

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The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2020:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due within one year |
|---|-----------------------|----------------------|------------------------|-----------------------|------------------------|
| Bonds payable: | | | | | |
| Unlimited tax schoolhouse & refunding bonds, series 2000 | \$ 13,370,000 | \$ - | \$ - | \$ 13,370,000 | \$ - |
| Unlimited tax schoolhouse bonds, series 2008 | 690,000 | - | - | 690,000 | - |
| Unlimited tax schoolhouse & refunding bonds, series 2010A | 15,600,000 | - | (15,600,000) | - | - |
| Unlimited tax schoolhouse bonds, taxable series 2010B | 30,000,000 | - | - | 30,000,000 | - |
| Variable rate unlimited tax refunding bonds, series 2013 | 27,940,000 | - | - | 27,940,000 | - |
| Unlimited tax refunding bonds, series 2013 | 15,905,000 | - | (2,270,000) | 13,635,000 | 2,390,000 |
| Unlimited tax schoolhouse bonds, series 2014 | 53,010,000 | - | (605,000) | 52,405,000 | 635,000 |
| Unlimited tax refunding bonds, series 2014 | 56,450,000 | - | (4,260,000) | 52,190,000 | 4,485,000 |
| Unlimited tax schoolhouse bonds, series 2016A | 64,475,000 | - | - | 64,475,000 | 965,000 |
| Unlimited tax refunding bonds, series 2016B | 27,720,000 | - | - | 27,720,000 | - |
| Unlimited tax refunding bonds, series 2019 | - | 12,965,000 | - | 12,965,000 | - |
| | <u>305,160,000</u> | <u>12,965,000</u> | <u>(22,735,000)</u> | <u>295,390,000</u> | <u>8,475,000</u> |
| Deferred amounts: | | | | | |
| Accrued interest | 537,943 | - | (19,857) | 518,086 | 518,086 |
| Accumulated accretion on capital appreciation bonds | 2,238,691 | 154,461 | - | 2,393,152 | - |
| Premium on issuance of bonds | 20,885,349 | 2,324,726 | (1,486,273) | 21,723,802 | - |
| Discount on issuance of bonds | (329,311) | - | 97,731 | (231,580) | - |
| Total bonds payable | <u>328,492,672</u> | <u>15,444,187</u> | <u>(24,143,399)</u> | <u>319,793,460</u> | <u>8,993,086</u> |
| Other liabilities: | | | | | |
| Compensated absences | 2,435 | - | 1,827 | 4,262 | - |
| Total other liabilities | <u>2,435</u> | <u>-</u> | <u>1,827</u> | <u>4,262</u> | <u>-</u> |
| Governmental activities long-term liabilities | <u>\$ 328,495,107</u> | <u>\$ 15,444,187</u> | <u>\$ (24,141,572)</u> | <u>\$ 319,797,722</u> | <u>\$ 8,993,086</u> |

Debt service requirements to maturity are as follows:

| Year Ended June 30 | General Obligation Bonds | | Total |
|-----------------------|--------------------------|-----------------------|-----------------------|
| | Principal | Interest | Requirements |
| 2021 | \$ 8,475,000 | \$ 12,236,677 | \$ 20,711,677 |
| 2022 | 8,955,000 | 12,839,228 | 21,794,228 |
| 2023 | 9,075,000 | 13,184,887 | 22,259,887 |
| 2024 | 9,505,000 | 12,757,261 | 22,262,261 |
| 2025 | 9,290,000 | 12,970,912 | 22,260,912 |
| 2026-2030 | 61,495,000 | 49,076,282 | 110,571,282 |
| 2031-2035 | 76,020,000 | 34,573,767 | 110,593,767 |
| 2036-2040 | 61,695,000 | 16,167,619 | 77,862,619 |
| 2041-2045 | 35,135,000 | 6,378,500 | 41,513,500 |
| 2046-2049 | 15,745,000 | 1,290,900 | 17,035,900 |
| | <u>\$ 295,390,000</u> | <u>\$ 171,476,033</u> | <u>\$ 466,866,033</u> |

Build America Bonds

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986, which permit state and local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such obligations are referred to as Build America Bonds.

In April 2010, the District issued Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B Bonds in the amount of \$30,000,000 under the Build America Bonds program. Under this program, the District receives semi-annual subsidies equal to 35% of the interest it pays on the bonds. The subsidy payments received by the District will not be pledged as security for the payment of the Series 2010B Bonds and no holder of the Series 2010B Bonds will be entitled to a tax credit or any subsidy payment with respect to the Series 2010B Bonds. The District intends to use the subsidy payments for any lawful purpose, which may include payment of principal and interest on the Series 2010B Bonds. For fiscal year ended August 31, 2020, the District received \$295,828 in such subsidies. This includes a reduction of the 2019-20 subsidy payments by 5.9% due to federal sequestration. The amount received was recorded as federal revenue in the General Fund.

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Accreted Interest on Capital Appreciation Bonds

With capital appreciation bonds, the interest is paid upon maturity of the bonds. In order to properly reflect the amounts payable on these bonds, the annual interest is added to the long-term liabilities as accretion of interest on capital appreciation bonds.

The interest on these obligations will be paid upon maturity in the fiscal years ending 2023-2025. The values associated with these bonds are reflected in the following table:

| | Maturity Value of Bonds | Stated Bond Principal Amount | Accreted Interest on Bonds | Accreted Value of Bond at Year-End |
|--|----------------------------|------------------------------------|----------------------------------|--|
| Unlimited tax schoolhouse bonds, series 2008 | \$ 3,730,000 | \$ 690,000 | \$ 2,393,152 | \$ 3,083,152 |
| Total | \$ 3,730,000 | \$ 690,000 | \$ 2,393,152 | \$ 3,083,152 |

Defeased Debt

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2020, no previously refunded debt outstanding was considered defeased.

Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it has no arbitrage liability as of August 31, 2020.

8. OPERATING LEASE

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of August 31, 2020. Rental expenditures for the year ended August 31, 2020 approximated \$468,000.

9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (OPEB)

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 benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by the TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

| Net OPEB Liability | |
|--|--------------------------|
| Total OPEB Liability | \$ 48,583,247,239 |
| Less: Plan Fiduciary Net Position | (1,292,022,349) |
| Net OPEB Liability | <u>\$ 47,291,224,890</u> |
| Net Position as percentage of Total OPEB Liability | 2.66% |

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. 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 | | |
|---------------------------------------|-----------------|---------------------|
| | Medicare | Non-Medicare |
| Retiree* | \$ 135 | \$ 200 |
| Retiree and Spouse | 529 | 689 |
| Retiree* and Children | 468 | 408 |
| Retiree and Family | 1,020 | 999 |

*or surviving spouse

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

| | | Contribution Rates | |
|---|----|---|--|
| | | 2019 | 2020 |
| Active Employee | | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | | 1.25% | 1.25% |
| Employers | | 0.75% | 0.75% |
| Federal/Private Funding remitted by Employers | | 1.25% | 1.25% |
| | | Measurement Year August 31, 2019 | Fiscal Year August 31, 2020 |
| Employer Contributions | \$ | 630,470 | \$ 682,735 |
| Member Contributions | \$ | 498,321 | \$ 545,961 |
| NECE On-Behalf Contributions | \$ | 837,103 | \$ 1,607,113 |

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

House Bill 1 passed and provided TRS care supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230,756,971. For the fiscal year 2020, the District's proportionate share of \$204,842 is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and determined using GASB 75 TRS-Care proportionate share allocation.

The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2018, rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% as of August 31, 2019 |
| 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. |
| Salary Increases * | 3.05% to 9.05%* |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65. |
| Ad hoc Post-Employment Benefit Changes | None |

*Includes inflation at 2.30%

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% 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

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rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability:

| | 1 % Decrease in Discount Rate (1.63%) | Discount Rate (2.63%) | 1% Increase in Discount Rate (3.63%) |
|--|---|--------------------------|--|
| District's proportionate share of the net OPEB liability | \$ 50,683,570 | \$ 41,980,199 | \$ 35,171,544 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, the District reported a liability of \$41,980,199 for its proportionate share of the TRS' Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|----------------------|
| District's proportionate share of the collective net OPEB liability | \$ 41,980,199 |
| State's proportionate share that is associated with the District | 55,782,298 |
| Total | <u>\$ 97,762,497</u> |

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

For the fiscal years ended August 31, 2020 and 2019, the District's proportion of the collective Net OPEB Liability was as follows:

| 2020 | 2019 | |
|-------------------------------|-------------------------------|---------------------|
| Measurement Year 8/31/2019 | Measurement Year 8/31/2018 | Increase/(Decrease) |
| 0.0887695384% | 0.0865904008% | 0.0021791376% |

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 8.5% rate is used.

| 1% Decrease in Healthcare Trend Rate (7.5%) | Current Single Healthcare Trend Rate (8.5%) | 1% Increase in Healthcare Trend Rate (9.5%) |
|--|--|--|
| \$ 34,245,974 | \$ 41,980,199 | \$ 52,340,509 |

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The healthcare trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.

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- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- There were no changes in benefit terms since the prior measurement date

For the year ended August 31, 2020, the District recognized OPEB expense of \$1,470,192 and revenue of \$1,470,192 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 2,059,486 | \$ 6,869,615 |
| Changes in Actuarial Assumptions | 2,331,673 | 11,291,644 |
| Net Difference Between Projected and Actual Investment Earnings | 4,529 | - |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | 3,094,628 | - |
| District Contributions Paid to TRS Subsequent to the Measurement Date | 682,735 | - |
| Total | <u>\$ 8,173,051</u> | <u>\$ 18,161,259</u> |

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

| Year Ended June 30: | OPEB Expense Amount |
|---------------------|------------------------|
| 2021 | \$ (1,897,855) |
| 2022 | (1,897,855) |
| 2023 | (1,899,321) |
| 2024 | (1,900,159) |
| 2025 | (1,899,930) |
| Thereafter | (1,175,823) |
| | <u>\$ (10,670,943)</u> |

10. MEDICARE PART D – ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Subsidy payments made on behalf of the District for fiscal years 2020, 2019, and 2018 were \$399,717, \$282,162, and \$218,306 respectively.

11. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in the TRS, a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The pension plan is administered by TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension plan 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

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Texas Constitution. The pension plan's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about the TRS' 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://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

Components of the net pension liability of the pension plan are as of August 31, 2019 are as follows:

| Net Pension Liability | Total |
|---|--------------------------|
| Total Pension Liability | \$ 209,961,325,288 |
| Less: Plan Fiduciary Net Position | <u>(157,978,199,075)</u> |
| Net Pension Liability | <u>\$ 51,983,126,213</u> |
| Net Position as percentage of Total Pension Liability | 75.24% |

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% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity. (Members who are grandfathered use the three highest annual salaries). 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 or exceeds 80 years. Early retirement is at age 55 with 5 years of service credit or any age below 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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 a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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 pension plan during the fiscal year.

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

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| | | Contribution Rates | |
|--|----|---|--|
| | | 2019 | 2020 |
| Member | | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | | 6.8% | 6.8% |
| Employers | | 6.8% | 6.8% |
| | | Measurement Year August 31, 2019 | Fiscal Year August 31, 2020 |
| Employer Contributions | \$ | 2,416,127 | \$ 2,820,650 |
| Member Contributions | \$ | 5,903,520 | \$ 6,467,570 |
| NECE On-Behalf Contributions | \$ | 3,576,416 | \$ 4,442,362 |

Contributors to the pension 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). The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the pension plan an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension plan during that fiscal year reduced by the amounts described below which are paid by the employers. Employers, including public schools, are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from 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.

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

- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district 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.

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Actuarial Assumptions. The total pension plan liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term Expected Rate | 7.25% |
| Municipal Bond Rate* as of August 2019 | 2.63* |
| Last year ending August 31 in Projection Period (100 years) | 2116 |
| Inflation | 2.30% |
| Salary Increases | 3.05% to 9.05% including inflation |
| Ad hoc Post-employment Benefit Changes | None |
| *Source: Fixed Income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index". | |

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate. The 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 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 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.

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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:

| Asset Class | FY 2019 Target Allocation ¹ | New Target Allocation ² | Long-Term Expected Geometric Real Rate of Return ³ |
|--|--|------------------------------------|---|
| Global Equity | | | |
| USA | 18.0% | 18.0% | 6.4% |
| Non-U.S. Developed | 13.0% | 13.0% | 6.3% |
| Emerging Markets | 9.0% | 9.0% | 7.3% |
| Directional Hedge Funds | 4.0% | - | - |
| Private Equity | 13.0% | 14.0% | 8.4% |
| Stable Value | | | |
| U.S. Treasuries ⁴ | 11.0% | 16.0% | 3.1% |
| Stable Value Hedge Funds | 4.0% | 5.0% | 4.5% |
| Absolute Return | 0.0% | 0.0% | 0.0% |
| Real Return | | | |
| Global Inflation-Linked Bonds ⁴ | 3.0% | - | - |
| Real Estate | 14.0% | 15.0% | 8.5% |
| Energy, Natural Resources and Infrastructure | 5.0% | 6.0% | 7.3% |
| Commodities | 0.0% | 0.0% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5.0% | 8.0% | 5.8%/6.5% ⁵ |
| Leverage | | | |
| Cash | 1.0% | 2.0% | 2.5% |
| Asset Allocation Leverage | - | -6.0% | 2.7% |
| Expected Return | 100% | 100% | 7.23% |

¹ Target allocations are based on the Strategic Asset Allocation as of FY2019

² New allocations are based on the Strategic Asset Allocation to be implemented FY2020

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

⁴ New target allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

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 | \$ 55,114,828 | \$ 35,855,315 | \$ 20,251,392 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, the District reported a net pension liability of \$35,855,315 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|----------------------|
| District's proportionate share of the collective net pension liability | \$ 35,855,315 |
| State's proportionate share that is associated with the District | 53,118,503 |
| Total | <u>\$ 88,973,818</u> |

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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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, 2018 through August 31, 2019.

For the fiscal years ended August 31, 2020 and 2019, the District's proportion of the collective net pension liability was as follows:

| 2020 | 2019 | |
|------------------|------------------|---------------------|
| Measurement Year | Measurement Year | |
| 8/31/2019 | 8/31/2018 | Increase/(Decrease) |
| 0.0689749106% | 0.0669020260% | 0.0020728846% |

Changes Since the Prior Actuarial Valuation.

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of \$8,344,168 and revenue of \$8,344,168 for support provided by the State in the government-wide financial statements.

At August 31, 2020, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 150,624 | \$ 1,244,953 |
| Changes in Actuarial Assumptions | 11,124,080 | 4,596,996 |
| Difference Between Projected and Actual Investment Earnings | 360,028 | - |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | 4,107,812 | 425 |
| District Contributions Paid to TRS Subsequent to the Measurement Date | 2,820,650 | - |
| Total | <u>\$ 18,563,194</u> | <u>\$ 5,842,374</u> |

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

| Year Ended August 31: | Pension Expense Amount |
|-----------------------|---------------------------|
| 2021 | \$ 2,526,214 |
| 2022 | 2,117,267 |
| 2023 | 2,551,874 |
| 2024 | 2,256,502 |
| 2025 | 733,837 |
| Thereafter | (285,524) |
| | <u>\$ 9,900,170</u> |

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12. OTHER POST EMPLOYMENT BENEFITS

The District does not provide post employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA) and TRS Care described above (Note 9). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the District.

13. RISK MANAGEMENT

General

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance.

In addition, the District participated in the following TASB Risk Management Fund (the Fund) programs:

- Auto Liability
- Auto Physical Damage
- Legal Liability
- Privacy & Information Security

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2020, the Fund anticipates that Dickinson ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year (August 31). The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the year ended August 31, 2020, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2020, the Fund anticipates that Dickinson ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year (August 31). The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Health Insurance

The District participates in the Teacher Retirement System of Texas Active Care health care coverage program. This program is a statewide program for public education employees established by the 77th Texas Legislature.

Workers' Compensation

The District participates in the Texas Educational Insurance Association, a public entity risk pool operating as a common risk management and insurance program for member school districts. However, the District is a reimbursing member whereby it does not pay premiums but pays for claims and the cost of handling claims. As such, the District self-insures its worker's compensation claims which are administered by a third party, Claims Administrative Services, Inc.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$225,000 up to the statutory limits for any given claim. The following is a summary of the change in the balance of claims liabilities for workers' compensation for the years ended August 31, 2019, and 2020, respectively:

| Fiscal Year | Beginning Balance | Claims Incurred | Claims Payments | Ending Balance |
|----------------|----------------------|--------------------|--------------------|-------------------|
| 2019 | \$ 766,599 | \$ 508,746 | \$ 340,594 | \$ 934,751 |
| 2020 | 934,751 | 175,768 | 258,153 | 852,366 |

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At August 31, 2020, the District had commitments under construction contracts totaling approximately \$265,000.

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means when a purchase order is prepared, the appropriate accounts are checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes.

Prior to the end of the year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at year end, the District likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, outstanding encumbrances are not considered expenditures for the fiscal year, only a commitment to expend resources. If the District allows encumbrances to lapse, even though it plans to honor encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually reappropriated in the following year's budget. Open encumbrances at fiscal year end are included in restricted, committed, or assigned fund balance, as appropriate.

At August 31, 2020, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020**

Encumbrances Included in the Following Fund Balance:

| Fund | Restricted | Committed | Assigned | Total |
|-----------------------------|-------------------|------------------|-------------------|---------------------|
| General | \$ - | \$ - | \$ 541,965 | \$ 541,965 |
| Capital Projects | 462,998 | - | - | 462,998 |
| Nonmajor Governmental Funds | 161,488 | 11,168 | - | 172,656 |
| Total | <u>\$ 624,486</u> | <u>\$ 11,168</u> | <u>\$ 541,965</u> | <u>\$ 1,177,619</u> |

15. CONTINGENT LIABILITIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

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

16. SHARED SERVICE ARRANGEMENTS / JOINT VENTURES

The District is the fiscal agent for a Shared Service Arrangement ("SSA"), which provides educational services to students of member districts. In addition to the District, other member districts include Texas City ISD, Hitchcock ISD, Galveston ISD, and Clear Creek ISD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. The District also receives funding from Galveston County for the program. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 446, Shared Services Arrangements – Transforming Lives Cooper using Model 3 in SSA section of the FASRG. Expenditures of the SSA are summarized below:

| | |
|--|-------------------|
| Dickinson Independent School District | \$ 10,519 |
| Texas City Independent School District | <u>3,506</u> |
| | 14,025 |
| Galveston County (mandatory placement by judicial system) | 77,294 |
| Dickinson Independent School District (Per Capita Apportionment) | <u>41,264</u> |
| | <u>\$ 132,583</u> |

The District is the fiscal agent for a Shared Service Arrangement ("SSA"), which provides educational services for students of member districts. In addition to the District, other member districts include Texas City ISD, Santa Fe ISD, Galveston ISD, Friendswood ISD, and Hitchcock ISD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 447, Shared Services Arrangements – Coastal Alternative Program using Model 3 in SSA section of the FASRG. Expenditures of the SSA are summarized below:

| | |
|--|-------------------|
| Dickinson Independent School District | \$ 107,290 |
| Texas City Independent School District | 114,581 |
| Santa Fe Independent School District | 65,235 |
| Galveston Independent School District | 150,213 |
| Hitchcock Independent School District | <u>36,680</u> |
| | <u>\$ 473,999</u> |

The District is the fiscal agent for a Shared Service Arrangement ("SSA"), which provides disciplinary alternative education services for students within Galveston County. All services are provided by the fiscal agent. Galveston County provides the funds to the fiscal agent. The District also receives funding from the State of Texas based on student attendance data. The District accounts for the program in Fund No. 448, Shared Services Arrangements –

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Galveston County Detention Boot C. using Model 3 in SSA section of the FASRG. Expenditures of the SSA are summarized below:

| | |
|--|-------------------|
| Galveston County (mandatory placement by judicial system) | \$ 120,940 |
| Dickinson Independent School District (Per Capita Apportionment) | <u>112,252</u> |
| | <u>\$ 233,192</u> |

The District is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides an educational environment for all students that ensures academic growth, emotional well-being, and positive social behaviors. All services are provided by the fiscal agent. Galveston County provides the funds to the fiscal agent. The District also receives funding from the State of Texas based on student attendance data. The District accounts for the program in Fund No. 449, Shared Services Arrangements – JJAEP Juvenile Justice AEP using Model 3 in SSA section of the FASRG. Expenditures of the SSA are summarized below:

| | |
|---|-------------------|
| Galveston County (mandatory placement by judicial system) | \$ 136,604 |
| | <u>\$ 136,604</u> |

17. RELATED ORGANIZATIONS

The Dickinson ISD Education Foundation (“Foundation”), a non-profit entity which was organized in 2007 to provide funds for District teaching and education programs, is a “related organization” as defined by GASB Statement No. 61. The members of the Board of Directors of the Foundation serve without financial compensation. The operations of the Foundation are not financially significant to the overall operations of the District, and therefore are not reported in the District’s financial statements.

18. PRIOR PERIOD ADJUSTMENT

In fiscal year 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As such, a prior period adjustment was necessary to restate net position for custodial funds as follows:

| | <u>Custodial Funds</u> |
|--|------------------------|
| Beginning Net Position - As Originally Stated | \$ - |
| Restatement due to : | |
| Change in accounting principle | <u>797,594</u> |
| Beginning Net Position - As Restated | <u>\$ 797,594</u> |

19. COVID-19 PANDEMIC IMPACTS

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees, and vendors all of which are uncertain and cannot be predicted.

While this school year has created unique challenges, the financial position of the District has remained stable. As of the date of these financial statements, COVID-19 had not materially affected results of operations in 2020. However, the impact of response efforts on future operations are unknown and cannot be predicted.

20. SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated subsequent events through January 6, 2021, the date the financials were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|---------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 42,656,827 | \$ 42,988,827 | \$ 44,474,110 | \$ 1,485,283 |
| 5800 State Program Revenues | 58,506,538 | 58,806,538 | 60,150,983 | 1,344,445 |
| 5900 Federal Program Revenues | 2,685,000 | 2,685,000 | 3,020,812 | 335,812 |
| 5020 Total Revenues | 103,848,365 | 104,480,365 | 107,645,905 | 3,165,540 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 67,256,031 | 66,323,800 | 63,129,607 | 3,194,193 |
| 0012 Instructional Resources and Media Services | 1,323,188 | 1,419,157 | 1,260,980 | 158,177 |
| 0013 Curriculum and Instructional Staff Development | 1,004,566 | 1,071,632 | 872,980 | 198,652 |
| 0021 Instructional Leadership | 1,503,919 | 1,649,481 | 1,452,272 | 197,209 |
| 0023 School Leadership | 6,803,367 | 6,900,456 | 6,590,500 | 309,956 |
| 0031 Guidance, Counseling, and Evaluation Services | 3,146,697 | 3,166,982 | 2,959,445 | 207,537 |
| 0032 Social Work Services | 192,607 | 291,707 | 185,459 | 106,248 |
| 0033 Health Services | 1,128,346 | 1,253,469 | 1,085,300 | 168,169 |
| 0034 Student (Pupil) Transportation | 6,103,566 | 6,457,487 | 5,731,839 | 725,648 |
| 0035 Food Services | - | 57,150 | 56,240 | 910 |
| 0036 Extracurricular Activities | 2,678,175 | 2,877,996 | 2,195,641 | 682,355 |
| 0041 General Administration | 3,936,804 | 3,575,486 | 3,187,805 | 387,681 |
| 0051 Facilities Maintenance and Operations | 13,760,144 | 14,183,698 | 11,702,973 | 2,480,725 |
| 0052 Security and Monitoring Services | 1,052,371 | 1,348,702 | 976,430 | 372,272 |
| 0053 Data Processing Services | 1,764,166 | 1,816,224 | 1,565,153 | 251,071 |
| 0061 Community Services | 576,564 | 627,542 | 481,494 | 146,048 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | 3,750,000 | 3,643,388 | 106,612 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 107,449 | 154,449 | 104,449 | 50,000 |
| 0095 Payments to Juvenile Justice Alternative Ed. Prg. | 170,000 | 170,000 | 116,084 | 53,916 |
| 0099 Other Intergovernmental Charges | - | 573,000 | 462,749 | 110,251 |
| 6030 Total Expenditures | 112,507,960 | 117,668,418 | 107,760,788 | 9,907,630 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (8,659,595) | (13,188,053) | (114,883) | 13,073,170 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7912 Sale of Real and Personal Property | 5,000 | 5,000 | 2,219 | (2,781) |
| 1200 Net Change in Fund Balances | (8,654,595) | (13,183,053) | (112,664) | 13,070,389 |
| 0100 Fund Balance - September 1 (Beginning) | 56,034,139 | 56,034,139 | 56,034,139 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 47,379,544 | \$ 42,851,086 | \$ 55,921,475 | \$ 13,070,389 |

DICKINSON 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, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|--|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.068974911% | 0.066902026% | 0.066275191% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 35,855,315 | \$ 36,824,499 | \$ 21,191,236 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 53,118,503 | 56,971,997 | 33,242,675 |
| Total | <u>\$ 88,973,818</u> | <u>\$ 93,796,496</u> | <u>\$ 54,433,911</u> |
| District's Covered Payroll | \$ 76,669,077 | \$ 72,887,825 | \$ 69,770,919 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 46.77% | 50.52% | 30.37% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.24% | 73.74% | 82.17% |

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

| <div> <div>FY 2017</div> <div>Plan Year 2016</div> </div> <div> <div>FY 2016</div> <div>Plan Year 2015</div> </div> <div> <div>FY 2015</div> <div>Plan Year 2014</div> </div> | | |
|---|---------------|---------------|
| 0.059139763% | 0.0584185% | 0.0385672% |
| \$ 22,348,037 | \$ 20,650,162 | \$ 10,301,832 |
| 36,555,766 | 33,736,578 | 27,944,567 |
| \$ 58,903,803 | \$ 54,386,740 | \$ 38,246,399 |
| \$ 61,334,317 | \$ 56,717,701 | \$ 52,899,723 |
| 36.44% | 36.41% | 19.47% |
| 78.00% | 78.43% | 83.25% |

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 2,820,650 | \$ 2,416,127 | \$ 2,259,989 |
| Contribution in Relation to the Contractually Required Contribution | (2,820,650) | (2,416,127) | (2,259,989) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 83,996,758 | \$ 76,669,077 | \$ 72,887,825 |
| Contributions as a Percentage of Covered Payroll | 3.36% | 3.15% | 3.10% |

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

| 2017 | | | 2016 | | |
|------|-------------|----|-------------|----|-------------|
| 2015 | | | | | |
| \$ | 2,172,114 | \$ | 1,879,020 | \$ | 1,729,798 |
| | (2,172,114) | | (1,879,020) | | (1,729,798) |
| \$ | - | \$ | - | \$ | - |
| \$ | 69,770,919 | \$ | 61,334,317 | \$ | 56,717,701 |
| | 3.11% | | 3.06% | | 3.05% |

DICKINSON 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, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|---|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits | 0.088769538% | 0.086590401% | 0.082654371% |
| District's Proportionate Share of Net OPEB Liability (Asset) | \$ 41,980,199 | \$ 43,235,380 | \$ 35,943,285 |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District | 55,782,298 | 62,783,385 | 54,775,000 |
| Total | <u>\$ 97,762,497</u> | <u>\$ 106,018,765</u> | <u>\$ 90,718,285</u> |
| District's Covered Payroll | \$ 76,669,077 | \$ 72,887,825 | \$ 69,770,919 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 54.76% | 59.32% | 51.52% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 2.66% | 1.57% | 0.91% |

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 682,735 | \$ 630,470 | \$ 598,207 |
| Contribution in Relation to the Contractually Required Contribution | (682,735) | (630,470) | (598,207) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 83,996,758 | \$ 76,669,077 | \$ 72,887,825 |
| Contributions as a Percentage of Covered Payroll | 0.81% | 0.82% | 0.82% |

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2020**

Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balance

Budgetary Information

The District adopts an “appropriated budget” for the General Fund, the Debt Service Fund, and the Child Nutrition Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available or estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2020.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2019. The budget was adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods and purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year’s budget.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2020**

Notes to Schedule of the District's Proportionate Share of the Net Pension Liability

Changes of Assumptions

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

Notes to Schedule of the District's Proportionate Share of the Net OPEB Liability

Changes of Assumptions

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The healthcare trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- There were no changes in benefit terms since the prior measurement date.

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COMBINING SCHEDULES

DICKINSON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool |
|----------------------------|--|--|---------------------------------|-----------------------------------|
| | | | | |
| ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ - |
| 1240 | Due from Other Governments | 190,882 | 135,101 | 5,237 |
| 1260 | Due from Other Funds | - | - | - |
| 1290 | Other Receivables | 314 | - | - |
| 1300 | Inventories | - | - | - |
| 1000 | Total Assets | <u>\$ 191,196</u> | <u>\$ 135,101</u> | <u>\$ 5,237</u> |
| LIABILITIES | | | | |
| 2110 | Accounts Payable | \$ 18,240 | \$ 12,916 | \$ - |
| 2160 | Accrued Wages Payable | - | 1,192 | - |
| 2170 | Due to Other Funds | 172,956 | 120,993 | 5,237 |
| 2300 | Unearned Revenue | - | - | - |
| 2000 | Total Liabilities | <u>191,196</u> | <u>135,101</u> | <u>5,237</u> |
| FUND BALANCES | | | | |
| Nonspendable Fund Balance: | | | | |
| 3410 | Inventories | - | - | - |
| Restricted Fund Balance: | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - |
| Committed Fund Balance: | | | | |
| 3545 | Other Committed Fund Balance | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 191,196</u> | <u>\$ 135,101</u> | <u>\$ 5,237</u> |

| 240 National Breakfast and Lunch Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 266 ESSER -School Emergency Relief | 276 Title I - SIP Academy Grant | 289 Other Federal Special Revenue Funds | 397 Advanced Placement Incentives |
|---|---|--|---|---|--|--|--|
| \$ 887,371 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,316 |
| 8,697 | 36,402 | 54,248 | 16,104 | 1,865,810 | 6,984 | 4,769 | - |
| 31,401 | - | - | - | - | - | - | - |
| 2,440 | - | - | 1,160 | - | - | - | - |
| 370,673 | - | - | - | - | - | - | - |
| <u>\$ 1,300,582</u> | <u>\$ 36,402</u> | <u>\$ 54,248</u> | <u>\$ 17,264</u> | <u>\$ 1,865,810</u> | <u>\$ 6,984</u> | <u>\$ 4,769</u> | <u>\$ 8,316</u> |
| \$ 101,802 | \$ - | \$ 9,313 | \$ 1,295 | \$ - | \$ - | \$ 1,195 | \$ - |
| 61,686 | - | - | - | - | - | - | - |
| 17,895 | 36,402 | 44,935 | 15,969 | 1,865,810 | 6,984 | 3,574 | - |
| 174,912 | - | - | - | - | - | - | 8,316 |
| <u>356,295</u> | <u>36,402</u> | <u>54,248</u> | <u>17,264</u> | <u>1,865,810</u> | <u>6,984</u> | <u>4,769</u> | <u>8,316</u> |
| 195,760 | - | - | - | - | - | - | - |
| 748,527 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>944,287</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 1,300,582</u> | <u>\$ 36,402</u> | <u>\$ 54,248</u> | <u>\$ 17,264</u> | <u>\$ 1,865,810</u> | <u>\$ 6,984</u> | <u>\$ 4,769</u> | <u>\$ 8,316</u> |

DICKINSON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | | 410 State Instructional Materials | 429 Other State Special Revenue Funds | 461 Campus Activity Funds | 459 Other SSA Special Revenue Funds |
|----------------------------|--|--|--|------------------------------------|--|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 417,922 | \$ 90,130 | \$ 925,213 | \$ - |
| 1240 | Due from Other Governments | 83,066 | 703,667 | - | 244,287 |
| 1260 | Due from Other Funds | - | - | - | - |
| 1290 | Other Receivables | - | - | 705 | - |
| 1300 | Inventories | - | - | - | - |
| 1000 | Total Assets | <u>\$ 500,988</u> | <u>\$ 793,797</u> | <u>\$ 925,918</u> | <u>\$ 244,287</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ 500,988 | \$ 86,187 | \$ 94,266 | \$ - |
| 2160 | Accrued Wages Payable | - | 1,232 | - | - |
| 2170 | Due to Other Funds | - | 617,480 | 2,871 | 242,182 |
| 2300 | Unearned Revenue | - | 88,898 | - | 2,105 |
| 2000 | Total Liabilities | <u>500,988</u> | <u>793,797</u> | <u>97,137</u> | <u>244,287</u> |
| FUND BALANCES | | | | | |
| Nonspendable Fund Balance: | | | | | |
| 3410 | Inventories | - | - | - | - |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | - |
| Committed Fund Balance: | | | | | |
| 3545 | Other Committed Fund Balance | - | - | 828,781 | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>828,781</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 500,988</u> | <u>\$ 793,797</u> | <u>\$ 925,918</u> | <u>\$ 244,287</u> |

| 499 Other Local Special Revenue Funds | Total Nonmajor Governmental Funds |
|--|--|
| \$ 57,591 | \$ 2,386,543 |
| - | 3,355,254 |
| - | 31,401 |
| - | 4,619 |
| - | 370,673 |
| <u>\$ 57,591</u> | <u>\$ 6,148,490</u> |
| \$ 8,230 | \$ 834,432 |
| - | 64,110 |
| - | 3,153,288 |
| 49,361 | 323,592 |
| <u>57,591</u> | <u>4,375,422</u> |
| - | 195,760 |
| - | 748,527 |
| - | 828,781 |
| <u>-</u> | <u>1,773,068</u> |
| <u>\$ 57,591</u> | <u>\$ 6,148,490</u> |

DICKINSON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula | 225 IDEA - Part B Preschool |
|---|--|---------------------------------|-----------------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | - | - | - |
| 5900 Federal Program Revenues | 2,142,545 | 1,968,035 | 26,458 |
| 5020 Total Revenues | 2,142,545 | 1,968,035 | 26,458 |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 1,945,212 | 1,340,641 | 26,458 |
| 0012 Instructional Resources and Media Services | - | - | - |
| 0013 Curriculum and Instructional Staff Development | 134,392 | 13,827 | - |
| 0021 Instructional Leadership | 2,058 | 30,876 | - |
| 0023 School Leadership | 23,014 | 1,056 | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | 441,140 | - |
| 0033 Health Services | - | 37,391 | - |
| 0034 Student (Pupil) Transportation | - | - | - |
| 0035 Food Services | - | - | - |
| 0036 Extracurricular Activities | - | - | - |
| 0041 General Administration | - | 3,500 | - |
| 0051 Facilities Maintenance and Operations | - | - | - |
| 0052 Security and Monitoring Services | - | - | - |
| 0061 Community Services | 37,869 | - | - |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | - | - | - |
| Intergovernmental: | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | 99,604 | - |
| 6030 Total Expenditures | 2,142,545 | 1,968,035 | 26,458 |
| 1200 Net Change in Fund Balance | - | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - |

| 240 National Breakfast and Lunch Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 266 ESSER -School Emergency Relief | 276 Title I - SIP Academy Grant | 289 Other Federal Special Revenue Funds | 397 Advanced Placement Incentives |
|---|---|--|---|---|--|--|--|
| \$ 876,371 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 220,037 | - | - | - | - | - | - | 7,830 |
| 3,863,211 | 120,610 | 319,680 | 136,245 | 1,865,809 | 6,984 | 183,041 | - |
| 4,959,619 | 120,610 | 319,680 | 136,245 | 1,865,809 | 6,984 | 183,041 | 7,830 |
| - | 116,377 | - | 100,078 | 1,865,809 | 6,984 | 60,260 | - |
| - | 1,994 | - | - | - | - | - | - |
| - | - | 244,280 | 34,717 | - | - | 22,715 | 7,830 |
| - | 1,989 | 127 | 602 | - | - | - | - |
| - | 250 | 71,026 | - | - | - | 624 | - |
| - | - | 689 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 16,364 | - |
| 5,143,891 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 200 | - |
| - | - | - | - | - | - | - | - |
| 29,782 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 80,945 | - |
| - | - | 3,558 | 848 | - | - | 1,933 | - |
| 195,894 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 5,369,567 | 120,610 | 319,680 | 136,245 | 1,865,809 | 6,984 | 183,041 | 7,830 |
| (409,948) | - | - | - | - | - | - | - |
| 1,354,235 | - | - | - | - | - | - | - |
| \$ 944,287 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

DICKINSON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 410 State Instructional Materials | 429 Other State Special Revenue Funds | 461 Campus Activity Funds | 459 Other SSA Special Revenue Funds |
|---|--|--|------------------------------------|--|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ 604,393 | \$ 822,862 |
| 5800 State Program Revenues | 1,128,404 | 811,131 | - | 153,516 |
| 5900 Federal Program Revenues | - | - | - | - |
| 5020 Total Revenues | 1,128,404 | 811,131 | 604,393 | 976,378 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 1,128,404 | 37,479 | 159,069 | 704,373 |
| 0012 Instructional Resources and Media Services | - | - | 14,438 | - |
| 0013 Curriculum and Instructional Staff Development | - | - | 15,961 | - |
| 0021 Instructional Leadership | - | - | - | 64,030 |
| 0023 School Leadership | - | - | 30,329 | 207,975 |
| 0031 Guidance, Counseling, and Evaluation Services | - | - | 500 | - |
| 0033 Health Services | - | - | - | - |
| 0034 Student (Pupil) Transportation | - | 607,480 | 30 | - |
| 0035 Food Services | - | - | - | - |
| 0036 Extracurricular Activities | - | - | 358,328 | - |
| 0041 General Administration | - | - | 1,000 | - |
| 0051 Facilities Maintenance and Operations | - | - | 5,759 | - |
| 0052 Security and Monitoring Services | - | 166,172 | 223 | - |
| 0061 Community Services | - | - | - | - |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | - | - | - |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | - | - | - |
| 6030 Total Expenditures | 1,128,404 | 811,131 | 585,637 | 976,378 |
| 1200 Net Change in Fund Balance | - | - | 18,756 | - |
| 0100 Fund Balance - September 1 (Beginning) | - | - | 810,025 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ 828,781 | \$ - |

| 499 | | Total | |
|---------------|---------|--------------|------------|
| Other Local | | Nonmajor | |
| Special | | Governmental | |
| Revenue Funds | | Funds | |
| \$ | 394,331 | \$ | 2,697,957 |
| | - | | 2,320,918 |
| | - | | 10,632,618 |
| | 394,331 | | 15,651,493 |
| | | | |
| | 123,881 | | 7,615,025 |
| | 22,099 | | 38,531 |
| | - | | 473,722 |
| | - | | 99,682 |
| | - | | 334,274 |
| | 242,335 | | 684,664 |
| | - | | 37,391 |
| | - | | 623,874 |
| | - | | 5,143,891 |
| | 6,016 | | 364,544 |
| | - | | 4,500 |
| | - | | 35,541 |
| | - | | 247,340 |
| | - | | 44,208 |
| | - | | 195,894 |
| | - | | 99,604 |
| | 394,331 | | 16,042,685 |
| | | | |
| | - | | (391,192) |
| | - | | 2,164,260 |
| | | | |
| \$ | - | \$ | 1,773,068 |

DICKINSON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 AUGUST 31, 2020

| | 865 Student Activity Account | 876 Hospitality Fund | 880 Education Foundation Fund | Total Custodial Funds |
|-------------------------------|---------------------------------------|----------------------------|--|-----------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 401,931 | \$ 2,533 | \$ 555,338 | \$ 959,802 |
| Other Receivables | 3,403 | - | - | 3,403 |
| Total Assets | <u>405,334</u> | <u>2,533</u> | <u>555,338</u> | <u>963,205</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | <u>24,447</u> | <u>2,533</u> | <u>5,857</u> | <u>32,837</u> |
| Total Liabilities | <u>24,447</u> | <u>2,533</u> | <u>5,857</u> | <u>32,837</u> |
| NET POSITION | | | | |
| Restricted for Student Groups | 380,887 | - | - | 380,887 |
| Restricted for Others | <u>-</u> | <u>-</u> | <u>549,481</u> | <u>549,481</u> |
| Total Net Position | <u>\$ 380,887</u> | <u>\$ -</u> | <u>\$ 549,481</u> | <u>\$ 930,368</u> |

DICKINSON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

| | 865 Student Activity Account | 876 Hospitality Fund | 880 Education Foundation Fund | Total Custodial Funds |
|--|---------------------------------------|----------------------------|--|-----------------------------|
| ADDITIONS: | | | | |
| Received from Student Groups | \$ 332,864 | \$ - | \$ - | \$ 332,864 |
| Earnings from Temporary Deposits | 2,294 | - | - | 2,294 |
| Contributions, Gifts and Donations | - | - | 240,510 | 240,510 |
| Miscellaneous Additions | - | - | 55,214 | 55,214 |
| Total Additions | <u>335,158</u> | <u>-</u> | <u>295,724</u> | <u>630,882</u> |
| DEDUCTIONS: | | | | |
| Payroll Costs | - | - | 4,125 | 4,125 |
| Professional and Contracted Services | - | - | 1,835 | 1,835 |
| Supplies and Materials | - | - | 1,672 | 1,672 |
| Other Deductions | <u>317,654</u> | <u>-</u> | <u>172,822</u> | <u>490,476</u> |
| Total Deductions | <u>317,654</u> | <u>-</u> | <u>180,454</u> | <u>498,108</u> |
| Change in Net Position | 17,504 | - | 115,270 | 132,774 |
| Net Position - September 1 (Beginning) | - | - | - | - |
| Prior Period Adjustment | <u>363,383</u> | <u>-</u> | <u>434,211</u> | <u>797,594</u> |
| Net Position - August 31 (Ending) | <u>\$ 380,887</u> | <u>\$ -</u> | <u>\$ 549,481</u> | <u>\$ 930,368</u> |

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COMPLIANCE SCHEDULES

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2020

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2011 and prior years | Various | Various | \$ Various |
| 2012 | 1.040000 | 0.500000 | 2,286,305,260 |
| 2013 | 1.040000 | 0.500000 | 2,377,857,727 |
| 2014 | 1.040000 | 0.500000 | 2,649,688,574 |
| 2015 | 1.040000 | 0.500000 | 2,794,843,182 |
| 2016 | 1.040000 | 0.500000 | 2,916,730,130 |
| 2017 | 1.040000 | 0.500000 | 3,208,383,961 |
| 2018 | 1.040000 | 0.480000 | 3,678,159,013 |
| 2019 | 1.060000 | 0.460000 | 3,735,655,855 |
| 2020 (School year under audit) | 0.970000 | 0.480000 | 4,178,050,483 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2019 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2020 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 661,691 | \$ - | \$ 10,272 | \$ 1,518 | \$ (87,228) | \$ 562,673 |
| 84,743 | - | 2,096 | 1,008 | 218 | 81,857 |
| 188,734 | - | 11,935 | 5,738 | (86,916) | 84,145 |
| 203,196 | - | 10,704 | 5,146 | (82,368) | 104,978 |
| 274,172 | - | 42,265 | 20,320 | (61,886) | 149,701 |
| 305,798 | - | 59,462 | 28,588 | (43,173) | 174,575 |
| 384,883 | - | 113,430 | 54,534 | (22,309) | 194,610 |
| 505,372 | - | 154,380 | 71,253 | 52,893 | 332,632 |
| 1,278,367 | - | 425,643 | 184,713 | (165,595) | 502,416 |
| - | 60,581,732 | 39,752,408 | 19,671,294 | - | 1,158,030 |
| <u>\$ 3,886,956</u> | <u>\$ 60,581,732</u> | <u>\$ 40,582,595</u> | <u>\$ 20,044,112</u> | <u>\$ (496,364)</u> | <u>\$ 3,345,617</u> |

See Note 4 on page 40 for reconciliation to Exhibit C-1.

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|--------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 2,196,511 | \$ 2,196,511 | \$ 876,371 | \$ (1,320,140) |
| 5800 State Program Revenues | 218,500 | 218,500 | 220,037 | 1,537 |
| 5900 Federal Program Revenues | 6,045,000 | 6,057,000 | 3,863,211 | (2,193,789) |
| 5020 Total Revenues | 8,460,011 | 8,472,011 | 4,959,619 | (3,512,392) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0035 Food Services | 8,325,511 | 8,400,417 | 5,143,891 | 3,256,526 |
| 0051 Facilities Maintenance and Operations | 84,500 | 84,500 | 29,782 | 54,718 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | 50,000 | 393,453 | 195,894 | 197,559 |
| 6030 Total Expenditures | 8,460,011 | 8,878,370 | 5,369,567 | 3,508,803 |
| 1200 Net Change in Fund Balances | - | (406,359) | (409,948) | (3,589) |
| 0100 Fund Balance - September 1 (Beginning) | 1,354,235 | 1,354,235 | 1,354,235 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 1,354,235 | \$ 947,876 | \$ 944,287 | \$ (3,589) |

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|---------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 20,312,430 | \$ 20,312,430 | \$ 20,444,676 | \$ 132,246 |
| 5020 Total Revenues | 20,312,430 | 20,312,430 | 20,444,676 | 132,246 |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 7,635,000 | 7,635,000 | 7,635,000 | - |
| 0072 Interest on Long-Term Debt | 12,725,000 | 12,725,000 | 12,484,539 | 240,461 |
| 0073 Bond Issuance Cost and Fees | 300,000 | 300,000 | 186,167 | 113,833 |
| 6030 Total Expenditures | 20,660,000 | 20,660,000 | 20,305,706 | 354,294 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (347,570) | (347,570) | 138,970 | 486,540 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7901 Refunding Bonds Issued | - | 13,000,000 | 12,965,000 | (35,000) |
| 7916 Premium or Discount on Issuance of Bonds | - | 2,400,000 | 2,324,726 | (75,274) |
| 8940 Payment to Bond Refunding Escrow Agent (Use) | - | (15,400,000) | (15,349,327) | 50,673 |
| 7080 Total Other Financing Sources (Uses) | - | - | (59,601) | (59,601) |
| 1200 Net Change in Fund Balances | (347,570) | (347,570) | 79,369 | 426,939 |
| 0100 Fund Balance - September 1 (Beginning) | 10,627,447 | 10,627,447 | 10,627,447 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 10,279,877 | \$ 10,279,877 | \$ 10,706,816 | \$ 426,939 |

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FEDERAL AWARDS SECTION

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Start, Garcia & Stanley, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
DICKINSON INDEPENDENT SCHOOL DISTRICT
Dickinson, Texas

We have audited, in accordance with U.S. generally accepted auditing standards 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 Dickinson Independent School District (the District) as of and for the year ended August 31, 2020, 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 6, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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


Start, Garcia & Stanley, LLC

Baytown, Texas
January 6, 2021



Start, Garcia & Stanley, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
DICKINSON INDEPENDENT SCHOOL DISTRICT
Dickinson, Texas

Report on Compliance for Each Major Federal Program

We have audited Dickinson 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, 2020. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 U.S. generally accepted auditing standards; 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, 2020.

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 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.


Start, Garcia & Stanley, LLC

Baytown, Texas
January 6, 2021

**DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted: yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X no

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|---|
| 84.010 | ESEA, Title I, Part A - Improving Basic Programs |
| 84.425 | Elementary & Secondary School Emergency Relief Fund |

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

Auditee qualified as low-risk auditee? X yes no

**DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

II. FINANCIAL STATEMENT FINDINGS

None Noted

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Noted

**DICKINSON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020**

STATUS OF PRIOR YEAR FINDING

None Noted

**DICKINSON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020**

CORRECTIVE ACTION PLAN

None Noted

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| DEPARTMENT OF THE TREASURY | | | |
| <u>Passed Through State Dept. of Public Safety</u> | | | |
| Disaster Grants - FEMA Hurricane Reimbursements | 97.036 | 4332DRTXP0000001 | \$ 306,446 |
| Total Passed Through State Dept. of Public Safety | | | 306,446 |
| TOTAL DEPARTMENT OF THE TREASURY | | | 306,446 |
| U.S. DEPARTMENT OF DEFENSE | | | |
| <u>Direct Programs</u> | | | |
| Reserve Officer's Training Corp. (ROTC) | 12.00 | TX080083 | 66,420 |
| Total Direct Programs | | | 66,420 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | | 66,420 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010 | 20610101084901 | 2,216,463 |
| *IDEA - Part B, Formula | 84.027 | 206600010849016600 | 1,968,035 |
| *IDEA - Part B, Preschool | 84.173 | 206610010849016610 | 26,458 |
| Total Special Education Cluster (IDEA) | | | 1,994,493 |
| Career and Technical - Basic Grant | 84.048 | 20420006084901 | 120,610 |
| Title III, Part A - English Language Acquisition | 84.365 | 20671001084901 | 136,245 |
| ESEA, Title II, Part A, Training and Recruiting | 84.367 | 20694501084901 | 319,680 |
| Title I SIP Academy Grant | 84.377 | 17610740084901 | 6,984 |
| Title IV, Part Subpart 1 | 84.424 | 20680101084091 | 141,630 |
| Elementary & Secondary School Emergency Relief Fd | 84.425 | 20521001084901 | 1,865,809 |
| Project Serv Hurricane Recovery Grant | 84.938 | 18510701084901 | 16,364 |
| Texas Hurricane Homeless Youth | 84.938 | 19513701084901 | 13,026 |
| Total CFDA Number 84.938 | | | 29,390 |
| LEP Summer School | 84.369 | 69551902 | 12,021 |
| Total Passed Through State Department of Education | | | 6,843,325 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 6,843,325 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Passed Through Texas Health and Human Services Com</u> | | | |
| Medicaid Administrative Claiming Program - MAC | 93.778 | 529-08-0177-00008 | 87,015 |
| Total Passed Through Texas Health and Human Services Com | | | 87,015 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 87,015 |

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 71402001 | 1,152,656 |
| *National School Lunch Program - Cash Assistance | 10.555 | 71302001 | 2,457,383 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | 084901 | 253,172 |
| Total CFDA Number 10.555 | | | <u>2,710,555</u> |
| Total Child Nutrition Cluster | | | <u>3,863,211</u> |
| Total Passed Through the State Department of Agriculture | | | <u>3,863,211</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u><u>3,863,211</u></u> |

TOTAL EXPENDITURES OF FEDERAL AWARDS\$ 11,166,417

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

1. The District utilizes the fund types specified in the Texas Education Agency's (TEA) *Financial Accountability System Resource Guide*.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2020. The information in the SEFA is presented in accordance with the 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).

Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

2. The District has not elected to use the 10% de minimis indirect costs rate under the Uniform Guidance.
3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types and agency funds are accounted for using a current financial resources measurement focus. All federal grant funds are accounted for in the special revenue funds, a component of the governmental fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

4. The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 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 provisions have been recorded in the accompanying financial statements for such contingencies.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

5. Reconciliation of Federal Program Revenues:

| | |
|--|----------------------|
| Total Expenditures of Federal Awards | \$ 11,166,417 |
| School Health and Related Services (SHARS) | 1,864,392 |
| E-Rate reimbursements | 118,563 |
| Propane Rebate | 208,230 |
| IRS interest subsidy | <u>295,828</u> |
| Total Federal Program Revenues | <u>\$ 13,653,430</u> |

(Per TEA *Financial Accountability System Resource Guide* – SHARS reimbursements are not to be reported on Schedule of Expenditures of Federal Awards.)

6. After a Presidential-Declared Disaster, FEMA provides a Public Assistance Grant (Disaster Grants – Public Assistance – CFDA #97.036) to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The federal government reimburses in the form of cost-shared grants which require matching funds. For the year ended August 31, 2020, \$306,446 of approved eligible expenditures that were incurred in a prior year are included on the SEFA.

SCHOOLS FIRST QUESTIONNAIRE

DICKINSON ISD

Fiscal Year 2020

| | | |
|-----|--|---------|
| 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? | No |
| SF3 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.) | Yes |
| SF4 | Was the school district issued a warrant hold? (Yes even if cleared within 30 days.) | 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 in effect at the 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. | 2393152 |