

MABANK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2021

MABANK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2021

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CERTIFICATE OF BOARD

Mabank Independent School District
Name of School District

Kaufman
County

129-905
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on the 24th day of January, 2022.

Signature of Board Secretary

Signature of Board President

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977
TEL: (940) 387-8563
FAX (940) 383-4746

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mabank Independent School District (the District), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 Mabank Independent School District as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 13, the *budgetary comparison information* on page 57, and the *pension and OPEB schedules* on pages 58 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mabank Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents 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 the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022 on our consideration of Mabank Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Mabank Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay, PC

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 20, 2022

**MABANK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2021
(UNAUDITED)**

As management of Mabank Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2021. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,067,182 (*net position*). Of this amount, (\$7,981,375) represents negative unrestricted net position.
- The District's total net position increased by \$3,239,920 during the current fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$18,747,980 an increase of \$3,282,679 from the prior year. The increase in governmental fund balances was due primarily to an increase in the general fund fund balance of \$2,652,328 and an increase in the debt service fund balance of \$619,473.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,867,210 or 37.2% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 and 18). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 19) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 29) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets and deferred outflows of resources are reported whether they serve the current year or future years. Liabilities and deferred inflows of resources are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 19 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental funds**—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- **Proprietary funds**—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports the District's self-insurance workers compensation program that provides services for the District's other programs and activities.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or custodian, for money raised by student activities. The District's custodial activity is reported in the Statement of Custodial Net Position and Statement of Changes in Custodial Net Position on pages 27 and 28. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from (\$204,012) to \$3,067,182. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$7,981,375) at August 31, 2021.

Table I
NET POSITION

	Governmental Activities	
	2021	2020
Current and other assets	\$ 23,659,618	\$ 19,404,760
Capital assets	49,725,527	51,548,819
Total assets	<u>73,385,145</u>	<u>70,953,579</u>
Deferred outflows of resources	<u>6,133,446</u>	<u>8,090,469</u>
Long-term liabilities	62,615,068	69,859,106
Other liabilities	<u>3,280,941</u>	<u>2,137,239</u>
Total liabilities	<u>65,896,009</u>	<u>71,996,345</u>
Deferred inflows of resources	<u>10,555,400</u>	<u>7,251,715</u>
Net Position:		
Net investments in capital assets	5,436,477	5,374,147
Restricted	5,612,080	4,969,527
Unrestricted	<u>(7,981,375)</u>	<u>(10,547,686)</u>
Total net position	<u>\$ 3,067,182</u>	<u>\$ (204,012)</u>

At the end of the current fiscal year, the District reports a deficit balance in unrestricted net position, while reporting a positive balance in net investments in capital assets and restricted net position. The District's net position increased by \$3,239,920 during the current fiscal year.

Table II
CHANGES IN NET POSITION

	Governmental Activities	
	2021	2020
Revenues:		
Program Revenues:		
Charges for services	\$ 1,971,644	\$ 1,789,215
Operating grants and contributions	7,205,994	6,194,595
General Revenues:		
Maintenance and operations taxes	13,489,517	12,724,068
Debt service taxes	4,239,242	4,273,036
State aid	17,500,231	17,871,636
Grants and contributions not restricted	5,695	-
Investment earnings	65,719	231,877
Miscellaneous	60,165	145,109
Total Revenues	44,538,207	43,229,536
Expenses:		
Instruction, curriculum and media services	23,111,424	23,769,262
Instructional and school leadership	2,402,301	2,235,591
Student support services	3,950,519	3,980,130
Food services	1,575,400	1,636,618
Extracurricular activities	1,931,577	1,833,675
General administration	1,149,406	1,340,186
Plant maintenance, security and data processing	4,909,244	4,634,669
Community services	486,163	477,855
Debt services	1,437,500	1,864,820
Other intergovernmental charges	344,753	288,662
Total Expenses	41,298,287	42,061,468
Increase (Decrease) in Net Position	3,239,920	1,168,068
Net Position - beginning of year	(204,012)	(2,423,510)
Prior period adjustment	31,274	1,051,430
Net Position - end of year	\$ 3,067,182	\$ (204,012)

Local tax revenues increased due to a 13.1% increase in taxable property values even though the total tax rate went down. State Foundation revenue decreased due to a 2.1% decrease in average daily attendance and higher local tax collections. Certain adjustments were necessary in the preparation of the 2020-21 budget to enable the District to maintain a sound financial position.

- Average daily attendance decreased by approximately 69 students.
- The District's General Fund expenditures decreased \$482,750. Much of this decrease was due to lower capital outlay in the current fiscal year.
- The District's maintenance and operations (M&O) tax rate decreased from \$0.97 per \$100 valuation to \$0.8978 per \$100 valuation as required by the state funding formula. The District's debt service tax rate decreased from \$0.325 per \$100 valuation to \$0.2822 per \$100 valuation.

The cost of all governmental activities for the current fiscal year was \$41,298,287. However, as shown in the Statement of Activities on page 18, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$17,728,759 because some of the costs were paid by those who directly benefited from the programs (\$1,971,644) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,205,994) or by State equalization funding (\$17,500,231).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 19) reported a combined fund balance of \$18,747,980, which is \$3,282,679 more than last year's total of \$15,434,027. Included in this year's total change in fund balance is an increase of \$2,652,328 in the District's General Fund and an increase of \$619,473 in the Debt Service Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2020). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendments in this case were amendments to reflect additional revenues and personnel and other costs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$12,989,731 reported on page 19 differs from the General Fund's budgetary fund balance of \$10,264,403 reported in the budgetary comparison schedule on page 57. This is principally due to cost savings achieved during the year based on the final amended budget and revenues in excess of budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2021, the District had \$49,725,527 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$1,823,292, or 3.5%, less than last year.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$62,615,068 in long-term debt outstanding (including accreted interest on bonds) versus \$69,859,106 last year—a decrease of \$7,244,038. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District expects average daily attendance to increase slightly during the 2021-2022 school year. Total state aid is expected to decrease slightly due to higher local taxable values.
- The District's General Fund expenditures are budgeted to increase approximately \$2.6 million. The increase is due to staff raises, higher maintenance costs, and other adjustments.
- The 2020-2021 General Fund budget has budgeted revenues equal to budgeted expenditures (\$34.5 million).
- The District's 2021-2022 maintenance and operations tax rate decreased from \$0.8978 per \$100 taxable value to \$0.872 per \$100 taxable value as a result of tax rate compression required by the State funding legislation passed in 2019. The debt service tax rate decreased from \$0.2822 per \$100 taxable value to \$0.253 per \$100 taxable value. The total tax rate is \$1.125 per \$100 taxable value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Mabank Independent School District, 310 E. Market St., Mabank, Texas 75147, (903) 880-1300.

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BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 19,722,770
1220 Property Taxes - Delinquent	1,644,257
1230 Allowance for Uncollectible Taxes	(82,213)
1240 Due from Other Governments	2,164,923
1290 Other Receivables, Net	35,693
1300 Inventories	59,054
1410 Prepayments	110,699
1490 Other Current Assets	4,435
Capital Assets:	
1510 Land	1,833,946
1520 Buildings, Net	44,738,683
1530 Furniture and Equipment, Net	3,152,898
1000 Total Assets	73,385,145
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Resource Outflows Related to TRS Pension	3,500,541
1706 Deferred Resource Outflows Related to TRS OPEB	2,632,905
1700 Total Deferred Outflows of Resources	6,133,446
LIABILITIES	
2110 Accounts Payable	467,556
2140 Accrued Interest Payable	60,772
2160 Accrued Wages Payable	1,626,343
2180 Due to Other Governments	16,281
2300 Unearned Revenue	1,109,989
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	2,457,864
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	42,653,935
2540 Net Pension Liability (District's Share)	8,288,747
2545 Net OPEB Liability (District's Share)	9,214,522
2000 Total Liabilities	65,896,009
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflows Related to TRS Pension	2,319,654
2606 Deferred Resource Inflows Related to TRS OPEB	8,235,746
2600 Total Deferred Inflows of Resources	10,555,400
NET POSITION	
3200 Net Investment in Capital Assets	5,436,477
Restricted:	
3820 Restricted for Federal and State Programs	411,251
3850 Restricted for Debt Service	5,118,778
3890 Restricted for Other Purposes	82,051
3900 Unrestricted	(7,981,375)
3000 Total Net Position	\$ 3,067,182

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 21,587,312	\$ 519,976	\$ 3,315,366	\$ (17,751,970)
12 Instructional Resources and Media Services	580,629	-	35,568	(545,061)
13 Curriculum and Instructional Staff Development	943,483	-	415,143	(528,340)
21 Instructional Leadership	227,164	-	13,468	(213,696)
23 School Leadership	2,175,137	-	186,619	(1,988,518)
31 Guidance, Counseling, and Evaluation Services	1,514,320	-	656,227	(858,093)
33 Health Services	544,334	-	189,285	(355,049)
34 Student (Pupil) Transportation	1,891,865	-	438,041	(1,453,824)
35 Food Services	1,575,400	391,253	1,206,997	22,850
36 Extracurricular Activities	1,931,577	378,679	31,237	(1,521,661)
41 General Administration	1,149,406	-	75,544	(1,073,862)
51 Facilities Maintenance and Operations	3,924,629	279,723	129,425	(3,515,481)
52 Security and Monitoring Services	369,337	-	47,429	(321,908)
53 Data Processing Services	615,278	-	335,730	(279,548)
61 Community Services	486,163	402,013	41,413	(42,737)
72 Debt Service - Interest on Long-Term Debt	1,435,260	-	88,502	(1,346,758)
73 Debt Service - Bond Issuance Cost and Fees	2,240	-	-	(2,240)
99 Other Intergovernmental Charges	344,753	-	-	(344,753)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 41,298,287</u>	<u>\$ 1,971,644</u>	<u>\$ 7,205,994</u>	<u>(32,120,649)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			13,489,517
DT	Property Taxes, Levied for Debt Service			4,239,242
SF	State Aid - Formula Grants			17,500,231
GC	Grants and Contributions not Restricted			5,695
IE	Investment Earnings			65,719
MI	Miscellaneous Local and Intermediate Revenue			60,165
TR	Total General Revenues			<u>35,360,569</u>
CN	Change in Net Position			3,239,920
NB	Net Position - Beginning			(204,012)
PA	Prior Period Adjustment			31,274
NE	Net Position - Ending			<u>\$ 3,067,182</u>

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

MABANK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 14,769,807	\$ 4,816,163	\$ 7,375	\$ 19,593,345
1220 Property Taxes - Delinquent	1,261,744	382,513	-	1,644,257
1230 Allowance for Uncollectible Taxes	(63,087)	(19,126)	-	(82,213)
1240 Due from Other Governments	916,485	-	1,248,438	2,164,923
1290 Other Receivables	898	-	34,795	35,693
1300 Inventories	11,822	-	47,232	59,054
1410 Prepayments	110,699	-	-	110,699
1490 Other Current Assets	4,435	-	-	4,435
1000 Total Assets	<u>\$ 17,012,803</u>	<u>\$ 5,179,550</u>	<u>\$ 1,337,840</u>	<u>\$ 23,530,193</u>
LIABILITIES				
2110 Accounts Payable	\$ 325,329	\$ -	\$ 142,227	\$ 467,556
2160 Accrued Wages Payable	1,398,057	-	228,286	1,626,343
2180 Due to Other Governments	-	-	16,281	16,281
2300 Unearned Revenue	1,101,029	-	8,960	1,109,989
2000 Total Liabilities	<u>2,824,415</u>	<u>-</u>	<u>395,754</u>	<u>3,220,169</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,198,657	363,387	-	1,562,044
2600 Total Deferred Inflows of Resources	<u>1,198,657</u>	<u>363,387</u>	<u>-</u>	<u>1,562,044</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	11,822	-	47,232	59,054
3430 Prepaid Items	110,699	-	-	110,699
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	364,019	364,019
3480 Retirement of Long-Term Debt	-	4,816,163	-	4,816,163
3490 Other Restricted Fund Balance	-	-	82,051	82,051
Committed Fund Balance:				
3510 Construction	500,000	-	-	500,000
3545 Other Committed Fund Balance	500,000	-	-	500,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	448,784	448,784
3600 Unassigned Fund Balance	11,867,210	-	-	11,867,210
3000 Total Fund Balances	<u>12,989,731</u>	<u>4,816,163</u>	<u>942,086</u>	<u>18,747,980</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 17,012,803</u>	<u>\$ 5,179,550</u>	<u>\$ 1,337,840</u>	<u>\$ 23,530,193</u>

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

MABANK INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	18,747,980
1 The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		129,425
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.		91,101,370
3 Accumulated depreciation is not reported in the fund financial statements.		(41,375,843)
4 Bonds payable are not reported in the fund financial statements.		(35,320,414)
5 Accrued compensated absences are not reported in the fund financial statements.		(202,779)
6 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.		(619,970)
7 Bond premiums on outstanding bonds payable are not recognized in the fund financial statements.		(8,968,636)
8 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.		1,562,044
9 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(60,772)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 and 71 in the amount of \$8,288,747, Deferred Inflows of Resources related to TRS in the amount of \$2,319,654 and Deferred Outflows of Resources related to TRS in the amount of \$3,500,541. This results in a decrease in Net Position in the amount of \$7,107,860.		(7,107,860)
11 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$9,214,522, a Deferred Resource Inflow related to TRS OPEB in the amount of \$8,235,746, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$2,632,905. This results in a net decrease in Net Position in the amount of \$14,817,363.		(14,817,363)
19 Net Position of Governmental Activities	\$	3,067,182

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 14,137,911	\$ 4,288,066	\$ 1,069,006	\$ 19,494,983
5800 State Program Revenues	19,808,147	88,502	125,190	20,021,839
5900 Federal Program Revenues	524,133	-	4,720,788	5,244,921
5020 Total Revenues	34,470,191	4,376,568	5,914,984	44,761,743
EXPENDITURES:				
Current:				
0011 Instruction	17,943,450	-	2,036,851	19,980,301
0012 Instructional Resources and Media Services	490,357	-	9,130	499,487
0013 Curriculum and Instructional Staff Development	516,842	-	385,537	902,379
0021 Instructional Leadership	222,747	-	3,044	225,791
0023 School Leadership	2,097,827	-	31,450	2,129,277
0031 Guidance, Counseling, and Evaluation Services	889,679	-	593,738	1,483,417
0033 Health Services	372,784	-	162,071	534,855
0034 Student (Pupil) Transportation	1,721,726	-	43,409	1,765,135
0035 Food Services	611	-	1,473,705	1,474,316
0036 Extracurricular Activities	1,290,002	-	292,053	1,582,055
0041 General Administration	1,114,822	-	11,160	1,125,982
0051 Facilities Maintenance and Operations	3,986,606	-	74,591	4,061,197
0052 Security and Monitoring Services	298,804	-	30,796	329,600
0053 Data Processing Services	590,340	-	311,342	901,682
0061 Community Services	36,887	-	445,229	482,116
Debt Service:				
0071 Principal on Long-Term Debt	-	1,083,115	-	1,083,115
0072 Interest on Long-Term Debt	-	2,671,740	-	2,671,740
0073 Bond Issuance Cost and Fees	-	2,240	-	2,240
Intergovernmental:				
0099 Other Intergovernmental Charges	344,753	-	-	344,753
6030 Total Expenditures	31,918,237	3,757,095	5,904,106	41,579,438
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,551,954	619,473	10,878	3,182,305
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	5,800	-	-	5,800
7915 Transfers In	94,574	-	-	94,574
7080 Total Other Financing Sources (Uses)	100,374	-	-	100,374
1200 Net Change in Fund Balances	2,652,328	619,473	10,878	3,282,679
0100 Fund Balance - September 1 (Beginning)	10,337,403	4,196,690	899,934	15,434,027
1300 Prior Period Adjustment	-	-	31,274	31,274
3000 Fund Balance - August 31 (Ending)	\$ 12,989,731	\$ 4,816,163	\$ 942,086	\$ 18,747,980

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

MABANK 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, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	3,282,679
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income of the internal service fund is reported with governmental activities. The net effect of this consolidation is to decrease net position.		(94,219)
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions is to increase net position.		754,558
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 in the government-wide financial statements.		(2,562,429)
Current year long-term debt principal payments on bonds payable and payment of accreted interest on bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.		1,678,663
Current year interest accretion on capital appreciation bonds payable is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.		(162,971)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.		1,396
Revenues from property taxes are reported as unavailable revenue in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.		(109,974)
Current year amortization of the premium on bonds payable is not recognized in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.		802,507
The change in accrued compensated absences is not recognized in the fund financial statements.		12,827
The net book value of capital assets disposed of is not recorded in the fund financial statements.		(15,421)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2020 caused the change in the ending net position to decrease by \$7,941. These contributions were replaced with the District's pension expense for the year of \$629,300, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position by \$637,241.		(637,241)

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

MABANK 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, 2021

EXHIBIT C-4

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2020 but during the current fiscal year caused the ending net position to increase in the amount of \$3,837. These contributions were replaced with the District's negative OPEB expense for the year of \$285,708, which caused an increase in the change in net position. The net effect of these is to increase the change in net position by \$289,545.	289,545
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Change in Net Position of Governmental Activities	\$ 3,239,920
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The notes to the financial statements are an integral part of this statement.

MABANK INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2021

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 129,425
Total Assets	<u>129,425</u>
NET POSITION	
Unrestricted Net Position	<u>129,425</u>
Total Net Position	<u><u>\$ 129,425</u></u>

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Governmental Activities -
	Internal Service Fund
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	\$ 355
Total Nonoperating Revenues (Expenses)	355
Income Before Transfers	355
Transfers Out	(94,574)
Change in Net Position	(94,219)
Total Net Position - September 1 (Beginning)	223,644
 Total Net Position - August 31 (Ending)	 \$ 129,425

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

MABANK INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(94,574)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	355
Net Decrease in Cash and Cash Equivalents	(94,219)
Cash and Cash Equivalents at Beginning of Year	223,644
Cash and Cash Equivalents at End of Year	\$ 129,425
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss)	\$ -

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CUSTODIAL NET POSITION
CUSTODIAL FUNDS
AUGUST 31, 2021

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 211,061
Total Assets	<u>211,061</u>
LIABILITIES	
Accounts Payable	<u>295</u>
Total Liabilities	<u>295</u>
NET POSITION	
Restricted for Other Purposes	<u>210,766</u>
Total Net Position	<u>\$ 210,766</u>

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

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

	Custodial Fund
ADDITIONS:	
Contributions to Student Groups	\$ 184,883
Total Additions	<u>184,883</u>
DEDUCTIONS:	
Expenses of Student Groups	158,245
Total Deductions	<u>158,245</u>
Change in Fiduciary Net Position	26,638
Total Net Position - September 1 (Beginning)	<u>184,128</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 210,766</u></u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mabank Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Mabank Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General 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 other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Internal Service Fund** - The District utilizes an Internal Service Fund to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. This fund facilitates distribution of support costs to the users of support services. The District has an internal service fund for its self-insured workers compensation plan.
3. **Custodial Funds** - These funds are used to account for activities of student groups and other organizational activities on a fiduciary basis. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

The internal service fund is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund includes the cost of personal and contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements, fund financial statements for proprietary funds and fiduciary fund financial statements (except agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

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

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2021	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$396,630
Nonappropriated Budget Funds	<u>545,456</u>
All Special Revenue Funds	<u>\$942,086</u>

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

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2021.

F. INVENTORIES

The consumption method is used to account for inventories of paper and other supplies. Under this method, these items are charged to expenditures when consumed.

G. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

H. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	15-50 Years
Furniture and Equipment	3-15 Years

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position 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 two items that qualify for reporting in this category:

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

Deferred outflows of resources for pensions - 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 which is currently approximately 6.7 years.

The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2021 was \$3,500,541.

Deferred outflows 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 net 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 which is currently approximately 8.6 years. The amount of deferred outflows reported for deferred OPEB expense at August 31, 2021 was \$2,632,905.

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 inflows 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2021 was \$1,562,044.

Deferred inflows of resources for pensions - 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 and other actuarial and other assumption differences. These amounts will be amortized over a closed 5-year period. In fiscal year 2021, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$2,319,654.

Deferred inflows 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 (AERSL) of all members (8.6 years for the 2020 measurement year). In fiscal year 2021, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$8,235,746.

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

K. COMPENSATED ABSENCES

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore no liability has been accrued in the accompanying general purpose financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest for most employees.

Employees who retire with five or more years of continuous employment in the District and whose retirement can be verified with TRS, shall be paid for all state and local sick and personal leave days upon retirement at rates established by District policy. The accumulated leave benefits at August 31, 2021 were \$202,779 and are recorded in the government-wide financial statements as long-term debt.

L. CASH EQUIVALENTS

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

M. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. ESTIMATES

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

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

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

Fund Balance Classification: 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: This classification 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. The District has classified inventories and prepayments as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District’s bonded debt and are restricted through debt covenants. Food service and other Federal and State grant resources are restricted because their use is restricted pursuant to the mandates of the National School Lunch and Breakfast Program or other grant requirements. The District has local grant funds restricted by those grantors.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2021 for future construction and for other purposes.
- Assigned: This classification 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 of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District’s adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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 of Trustees has provided otherwise in its commitment or assignment actions.

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

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

Prepayments of \$110,699 and inventories of \$11,822 are considered nonspendable fund balance. The Board of Trustees have committed a total of \$500,000 of the General Fund fund balance for future construction and \$500,000 for other purposes.

The General Fund has unassigned fund balance of \$11,867,210 at August 31, 2021.

Other Major Funds

The Debt Service Fund has restricted funds of \$4,816,163 at August 31, 2021 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The Child Nutrition Fund has inventories of \$47,232 considered nonspendable fund balance.

The fund balance of \$225,485 of the Campus Activity Fund (a special revenue fund) and \$223,229 of the MISD Fitness Center Fund (a special revenue fund) are shown as assigned fund balance. The fund balance of \$82,051 in local grants special revenue fund is shown as restricted for those grants. The following special revenue funds fund balances are restricted by Federal or State grant restrictions:

National Breakfast & Lunch Program	\$349,398
Other Grants	<u>14,621</u>
Total	<u>\$364,019</u>

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2021, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$4,964,984 and the bank balance was \$5,539,429. The District's cash deposits at August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. There was one day during the fiscal year on which the District's deposits were not fully collateralized as required.

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

2. Investments:

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

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. As of August 31, 2021, the District’s cash deposits totaled \$5,539,429. This entire amount was either collateralized with securities held by the District’s agent or covered by FDIC insurance. Thus, the District’s deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2021, the District held investments in four public funds investment pools (Texas Class, Texas Term, Lone Star and TexPool). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for the four investment pools range from AAA (Standard & Poor’s) to AAAM.
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair 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 weighted average maturity for all investment pools is less than 90 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2021, the District was not exposed to foreign currency risk.

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

- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At August 31, 2021, the District did not have more than 5 percent invested with a single issuer. The District’s investments in the public funds investment pools are not subject to the concentration risk.

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the 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 Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

The District’s investments at August 31, 2021, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	\$12,956,935	\$12,956,935
Lone Star Investment Pool	1,109,513	1,109,513
Texas Class Investment Pool	201,312	201,312
Texas Term Investment Pool	<u>701,085</u>	<u>701,085</u>
Total	<u>\$14,968,845</u>	<u>\$14,968,845</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District’s assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District’s investment in the State Investment Pools (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

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

NOTE 4. CAPITAL ASSETS

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

	Balance September 1	Additions/ Completions	Retirement/ Adjustments	Balance August 31
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,833,946	\$ -	\$ -	\$ 1,833,946
Construction in Progress	-	-	-	-
Total Capital assets not being depreciated	<u>1,833,946</u>	<u>-</u>	<u>-</u>	<u>1,833,946</u>
Capital assets, being depreciated				
Buildings	78,192,274	100,793	(10,000)	78,283,067
Furniture and Equipment	10,375,595	653,765	(45,003)	10,984,357
Total Capital assets being depreciated	<u>88,567,869</u>	<u>754,558</u>	<u>(55,003)</u>	<u>89,267,424</u>
Less accumulated depreciation for:				
Buildings	(31,637,420)	(1,916,964)	10,000	(33,544,384)
Furniture and Equipment	(7,215,576)	(645,465)	29,582	(7,831,459)
Total accumulated depreciation	<u>(38,852,996)</u>	<u>(2,562,429)</u>	<u>39,582</u>	<u>(41,375,843)</u>
Total Capital assets, being depreciated, net	<u>49,714,873</u>	<u>(1,807,871)</u>	<u>(15,421)</u>	<u>47,891,581</u>
Governmental activities capital assets, net	<u>\$ 51,548,819</u>	<u>\$ (1,807,871)</u>	<u>\$ (15,421)</u>	<u>\$ 49,725,527</u>

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$1,534,169
Instructional Resources & Media Services	77,661
Curriculum & Staff Development	37,206
School Leadership	25,429
Guidance, Counseling & Evaluation Services	22,675
Health Services	5,895
Student (Pupil) Transportation	266,239
Food Services	101,084
Extracurricular Activities	352,480
General Administration	14,946
Plant Maintenance and Operations	73,155
Security and Monitoring	37,547
Data Processing	13,612
Community Services	331
Total depreciation expense-Governmental activities	<u>\$2,562,429</u>

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. All long-term debt represents transactions in the District's governmental activities.

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

**MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2021:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/2020	Issued Current Year	Interest Accretion	Retired/Refunded	Amounts Outstanding 8/31/2021	Due Within One Year
Bonded Indebtedness:								
2006 School Bldg. & Refunding	4.00-5.00%	31,665,041	\$ 22,537	\$ -	\$ -	\$ 13,115	\$ 9,422	\$ 9,422
2014 Refunding Bonds	2.00-4.00%	6,705,000	6,090,000	-	-	50,000	6,040,000	50,000
2015 Refunding Bonds	2.00-4.00%	9,020,000	8,895,000	-	-	-	8,895,000	-
2016 School Bldg. & Refunding	2.00-5.00%	19,765,000	18,220,000	-	-	215,000	18,005,000	230,000
2020 Refunding Bonds	0.61-4.00%	3,175,992	<u>3,175,992</u>	-	-	<u>805,000</u>	<u>2,370,992</u>	<u>845,000</u>
Total Bonded Indebtedness:			<u>36,403,529</u>	<u>-</u>	<u>-</u>	<u>1,083,115</u>	<u>35,320,414</u>	<u>1,134,422</u>
Other Direct Obligations:								
Accreted Interest - Capital Appreciation Bonds			1,052,547	-	162,971	595,548	619,970	561,915
Bond Premiums			9,771,143	-	-	802,507	8,968,636	761,527
Compensated Absences			215,606	42,778	-	55,605	202,779	-
Net Pension Liability			9,694,178	(1,405,431)	-	-	8,288,747	-
Net OPEB Liability			<u>12,722,103</u>	<u>(3,507,581)</u>	-	-	<u>9,214,522</u>	-
Total Other Obligations:			<u>33,455,577</u>	<u>(4,870,234)</u>	<u>162,971</u>	<u>1,453,660</u>	<u>27,294,654</u>	<u>1,323,442</u>
Total Obligations of District			<u>\$69,859,106</u>	<u>\$(4,870,234)</u>	<u>\$162,971</u>	<u>\$2,536,775</u>	<u>\$62,615,068</u>	<u>\$2,457,864</u>

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended August 31,	General Obligation		Total
	Principal	Interest	Requirements
2022	\$ 1,134,422	\$ 2,618,333	\$ 3,752,755
2023	2,390,000	1,364,005	3,754,005
2024	1,767,556	1,984,349	3,751,905
2025	1,759,131	1,992,024	3,751,155
2026	1,784,054	1,970,202	3,754,256
2027-2031	10,650,251	8,211,923	18,862,174
2032-2036	13,360,000	1,791,265	15,151,265
2037-2041	<u>2,475,000</u>	<u>304,200</u>	<u>2,779,200</u>
	<u>\$35,320,414</u>	<u>\$20,236,301</u>	<u>\$55,556,715</u>

The 2006 and 2020 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously between 2022 and 2030. Interest accrues on these bonds semi-annually even though the interest is not paid until maturity.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2021.

NOTE 6. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District 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. The assessed value of the property tax roll upon which the levy for the 2020-21 fiscal year was based was \$1,464,894,831. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

MABANK INDEPENDENT SCHOOL DISTRICT
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The tax rates assessed for the year ended August 31, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.8978 and \$0.2822 per \$100 valuation, respectively, for a total of \$1.18 per \$100 valuation.

Current tax collections for the year ended August 31, 2021 were 97.2% 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. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,198,657 and \$363,387 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

NOTE 7. DEFINED BENEFIT PENSION PLAN

Plan Description. Mabank Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

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

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

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 system during the fiscal year.

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

	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Mabank ISD FY2021 Employer Contributions		\$ 631,458
Mabank ISD FY2021 Member Contributions		\$ 1,723,417
Mabank ISD FY2021 NECE On-Behalf Contributions		\$ 1,385,382

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers 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 source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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Actuarial Assumptions. The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

The long-term rate of return on pension plan investments is 7.25%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

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Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
Stable Value			
Government Bonds	16%	-.7%	-0.05%
Stable Value Hedge Funds	5%	1.9%	0.11%
Real Return			
Real Estate	15%	4.6%	1.01%
Energy, Natural Resources	6%	6%	0.42%
Risk Parity			
Risk Parity	8%	3%	0.30%
Leverage			
Cash	2%	-1.5%	-0.03%
Asset Allocation Leverage	-6%	-1.3%	0.08%
Inflation Expectation	-		2.00%
Volatility Drag ³	-		-0.67%
Total	<u>100%</u>		<u>7.33%</u>

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Mabank ISD's proportionate share of the net pension liability:	\$12,783,547	\$8,288,747	\$4,638,969

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021, Mabank Independent School District reported a liability of \$8,288,747 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Mabank Independent School District. The amount recognized by Mabank Independent School 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 Mabank Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 8,288,747
State's proportionate share that is associated with the District	<u>16,682,776</u>
Total	<u>\$24,971,523</u>

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

¹ Target allocations are based on the FY20 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

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At August 31, 2020 the employer's proportion of the collective net pension liability was 0.01547622%, a decrease of 17.01% from its proportionate share of 0.0186487% at August 31, 2019.

Changes Since the Prior Actuarial Valuation – There were no changes in assumptions since the measurement period.

For the year ended August 31, 2021, Mabank Independent School District recognized pension expense of \$1,385,382 and revenue of \$1,385,382 for support provided by the State.

At August 31, 2021, Mabank Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,135	\$ 231,317
Changes in actuarial assumptions	1,923,284	817,767
Difference between projected and actual investment earnings	167,799	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	762,865	1,270,570
Contributions paid to TRS subsequent to the measurement date	631,458	-
Total	\$3,500,541	\$2,319,654

The net amounts of the District's balances of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2022	\$ 283,371
2023	312,574
2024	322,743
2025	(20,728)
2026	(281,325)
Thereafter	(67,206)

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. The TRS-Care program was established in 1986 by the Texas Legislature.

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

MABANK INDEPENDENT SCHOOL DISTRICT
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OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-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. 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 for Retirees		
	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 0.25 percent or not more than 0.75 percent 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.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
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%
Mabank ISD FY21 Employer Contributions		\$186,681
Mabank ISD FY21 Member Contributions		\$145,485
Mabank ISD FY21 NECE On-behalf Contributions		\$260,962

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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 hiring a TRS retiree, employers 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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

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Discount Rate. A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District’s proportionate share of the Net OPEB Liability:	\$11,057,405	\$9,214,522	\$7,758,908

Healthcare Cost Trend Rates Sensitivity Analysis - The following shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$7,527,084	\$9,214,522	\$11,461,951

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2021, the District reported a liability of \$9,214,522 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s Proportionate share of the collective Net OPEB Liability	\$ 9,214,522
State’s proportionate share that is associated with the District	<u>12,382,108</u>
Total	<u>\$21,596,630</u>

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

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At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.02423948%, a decrease of 9.90% compared to the August 31, 2019 proportionate share of 0.026901615%.

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

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

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

For the year ended August 31, 2021, the amount of OPEB expense recognized by the District in the reporting period was \$(302,940).

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 482,469	\$ 4,217,036
Changes in actuarial assumptions	568,344	2,530,355
Difference between projected and actual investment earnings	2,994	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,392,417	1,488,355
Contributions paid to TRS subsequent to the measurement date	186,681	-
Total	\$2,632,905	\$8,235,746

The net amounts of the employer's balance of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2022	\$ (920,844)
2023	(921,245)
2024	(921,474)
2025	(921,414)
2026	(675,291)
Thereafter	(1,429,254)

**MABANK INDEPENDENT SCHOOL DISTRICT
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NOTE 9. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2021, 2020 and 2019, the subsidy payments received by TRS-Care on behalf of the District were \$107,772, \$94,177 and \$77,356, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

NOTE 10. HEALTH CARE

During the year ended August 31, 2021, employees of Mabank Independent School District were covered by a health insurance plan (the Plan). The District contributed \$300 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 11. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$157,486 for the 20-21 fiscal year. Additionally, the District incurred fixed costs of \$63,306 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$216,016 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal years 2021 and 2020 are shown below:

Fiscal Year	September 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	August 31 Claims Liability
2021	\$172,682	\$138,301	\$94,967	\$216,016
2020	142,665	61,292	31,275	172,682

NOTE 12. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of August 31, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

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Fund	State Entitlements	Federal Grants	Local Governments	Total
General	\$916,485	\$ -	\$ -	\$ 916,485
Special Revenue	5,765	1,242,673	-	1,248,438
Debt Service	-	-	-	-
Total	<u>\$922,250</u>	<u>\$1,242,673</u>	<u>\$ -</u>	<u>\$2,164,923</u>

NOTE 13. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 14. INTERFUND TRANSFERS

During the fiscal year ended August 31, 2021, \$94,574 was transferred from the Internal Service Fund to the General Fund as an equity transfer to the General Fund.

NOTE 15. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	\$ 13,286,641	\$ -	\$ 4,178,909	\$ 17,465,550
Food Sales	-	391,253	-	391,253
Investment Income	43,551	286	21,882	65,719
Penalties, interest and other tax related income	285,908	-	87,275	373,183
Co-curricular student activities	76,245	275,454	-	351,699
Other	445,566	402,013	-	847,579
Total	<u>\$ 14,137,911</u>	<u>\$ 1,069,006</u>	<u>\$ 4,288,066</u>	<u>\$ 19,494,983</u>

NOTE 16. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State Revenue	\$ 1,047,004	\$ -	\$ -	\$ 1,047,004
State Grants	-	8,960	-	8,960
Tuition	54,025	-	-	54,025
Total	<u>\$ 1,101,029</u>	<u>\$ 8,960</u>	<u>\$ -</u>	<u>\$ 1,109,989</u>

MABANK INDEPENDENT SCHOOL DISTRICT
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NOTE 17. PRIOR PERIOD ADJUSTMENT

In fiscal year 2021, the District recorded a prior period adjustment in its governmental-wide and governmental funds financial statements.

The prior period adjustment was made to transfer the District's Scholarship Fund from a fiduciary fund to a special revenue fund (governmental fund). The amount transferred was \$31,274.

NOTE 18. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2021, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation.

On June 3, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-36 (which became effective June 5, 2021), to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that, per Executive Order GA-36, school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

MABANK INDEPENDENT SCHOOL DISTRICT
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The TEA advised districts that for the 2020-2021 school year district funding would return to being based on “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”) calculations requiring attendance to be taken. However, the TEA has crafted an approach for determining ADA during the pandemic that provides districts with several options for determining daily attendance. These include remote synchronous instruction, remote asynchronous instruction, on-campus instruction and the Texas Virtual Schools Network. To stabilize funding expectations, districts were initially provided an ADA grace period for the first two six weeks of the 2020-2021 school year. If a district’s first two six-week average ADA is less than the ADA hold harmless projections (described below), the first two six-week attendance reporting periods for 2020-2021 were excluded from the calculation of annual ADA and student full-time equivalents (“FTE”) for Foundation School Program (“FSP”) funding purposes and replaced with the ADA and FTE hold harmless projections that were derived using a three-year average trend of final numbers from the 2017-2018 through 2019-2020 school years, unless the projection is both (i) 15% higher and (ii) 100 ADA higher than the 2020-2021 legislative planning estimate (“LPE”) projections provided by the TEA to the State legislature pursuant to Section 48.269 of the Texas Education Code, in which case the 2020-2021 LPE ADA and FTE were used as the hold harmless projections.

The ADA hold harmless projection was also available for the third six-week attendance reporting period, but only for those districts that allowed on-campus instruction throughout the entire third six-week period, as further described below. The ADA hold harmless methodology was identical to the methodology used for the first two six-week attendance reporting periods, except that the third six-week period was examined independent of the first two six-week attendance reporting periods.

The ADA hold harmless projection was extended for the remainder of the 2020-2021 school year (the fourth, fifth, and sixth six-week attendance reporting periods). In order to qualify, a district must meet certain criteria established by the TEA related to on-campus.

The full extent of the ongoing impact of COVID-19 on the District’s longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District’s bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

REQUIRED SUPPLEMENTARY INFORMATION

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MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 12,912,036	\$ 14,134,036	\$ 14,137,911	\$ 3,875
5800 State Program Revenues	19,911,984	18,811,984	19,808,147	996,163
5900 Federal Program Revenues	305,000	405,000	524,133	119,133
5020 Total Revenues	33,129,020	33,351,020	34,470,191	1,119,171
EXPENDITURES:				
Current:				
0011 Instruction	18,549,607	18,549,607	17,943,450	606,157
0012 Instructional Resources and Media Services	484,461	499,461	490,357	9,104
0013 Curriculum and Instructional Staff Development	552,356	552,356	516,842	35,514
0021 Instructional Leadership	215,035	225,035	222,747	2,288
0023 School Leadership	2,114,936	2,114,936	2,097,827	17,109
0031 Guidance, Counseling, and Evaluation Services	968,394	968,394	889,679	78,715
0033 Health Services	411,555	411,555	372,784	38,771
0034 Student (Pupil) Transportation	1,920,281	1,920,281	1,721,726	198,555
0035 Food Services	1,000	1,000	611	389
0036 Extracurricular Activities	1,378,396	1,378,396	1,290,002	88,394
0041 General Administration	1,172,255	1,172,255	1,114,822	57,433
0051 Facilities Maintenance and Operations	4,123,399	4,248,399	3,986,606	261,793
0052 Security and Monitoring Services	248,602	318,602	298,804	19,798
0053 Data Processing Services	624,424	624,424	590,340	34,084
0061 Community Services	39,319	39,319	36,887	2,432
Intergovernmental:				
0099 Other Intergovernmental Charges	350,000	350,000	344,753	5,247
6030 Total Expenditures	33,154,020	33,374,020	31,918,237	1,455,783
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,000)	(23,000)	2,551,954	2,574,954
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	75,000	-	5,800	5,800
7915 Transfers In	-	-	94,574	94,574
8911 Transfers Out (Use)	(50,000)	(50,000)	-	50,000
7080 Total Other Financing Sources (Uses)	25,000	(50,000)	100,374	150,374
1200 Net Change in Fund Balances	-	(73,000)	2,652,328	2,725,328
0100 Fund Balance - September 1 (Beginning)	10,337,403	10,337,403	10,337,403	-
3000 Fund Balance - August 31 (Ending)	\$ 10,337,403	\$ 10,264,403	\$ 12,989,731	\$ 2,725,328

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 <u>Plan Year 2020</u>	FY 2020 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>
District's Proportion of the Net Pension Liability (Asset)	0.01547622%	0.0186487%	0.01778314%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,288,747	\$ 9,694,178	\$ 9,788,272
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	16,682,776	15,156,004	16,339,552
Total	<u>\$ 24,971,523</u>	<u>\$ 24,850,182</u>	<u>\$ 26,127,824</u>
District's Covered Payroll	\$ 21,654,613	\$ 20,960,736	\$ 20,077,322
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	38.28%	46.25%	48.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

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, 2020 for year 2021, 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.

<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.017383815%	0.015854544%	0.0180143%	0.010852%
\$ 5,558,407	\$ 5,991,196	\$ 6,367,815	\$ 2,898,719
9,695,318	12,194,118	11,493,476	9,140,887
<u>\$ 15,253,725</u>	<u>\$ 18,185,314</u>	<u>\$ 17,861,291</u>	<u>\$ 12,039,606</u>
\$ 19,403,922	\$ 18,763,139	\$ 18,219,667	\$ 16,631,740
28.65%	31.93%	34.95%	17.43%
82.17%	78.00%	78.43%	83.25%

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 631,458	\$ 639,399	\$ 644,851
Contribution in Relation to the Contractually Required Contribution	(631,458)	(639,399)	(644,851)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 22,382,025	\$ 21,654,613	\$ 20,960,736
Contributions as a Percentage of Covered Payroll	2.82%	2.95%	3.08%

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.

	2018	2017	2016	2015
\$	597,074	\$ 562,367	\$ 556,785	\$ 542,288
	(597,074)	(562,367)	(556,785)	(542,288)
\$	-	\$ -	\$ -	-
\$	20,077,322	\$ 19,403,922	\$ 18,763,139	\$ 18,219,667
	2.97%	2.90%	2.97%	2.98%

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 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	0.02423948%	0.026901615%	0.025228849%	\$ 0.02381549%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 9,214,522	\$ 12,722,103	\$ 12,596,995	\$ 10,356,463
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	12,382,108	16,904,830	16,705,552	\$ 14,818,390
Total	<u>\$ 21,596,630</u>	<u>\$ 29,626,933</u>	<u>\$ 29,302,547</u>	<u>\$ 25,174,853</u>
District's Covered Payroll	\$ 21,654,613	\$ 20,960,736	\$ 20,077,322	\$ 19,403,922
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	42.55%	60.69%	62.74%	\$ 53.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	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 2021 are for the measurement date of August 31, 2020. The amounts 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.

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 186,681	\$ 182,844	\$ 189,313	\$ 170,832
Contribution in Relation to the Contractually Required Contribution	(186,681)	(182,844)	(189,313)	(170,832)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	-
District's Covered Payroll	\$ 22,382,025	\$ 21,654,613	\$ 20,960,736	\$ 20,077,322
Contributions as a Percentage of Covered Payroll	0.83%	0.84%	0.90%	0.85%

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.

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

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

COMBINING SCHEDULES

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110 Cash and Cash Equivalents	\$ (68,088)	\$ (80,111)	\$ (45,760)	\$ (1,514)
1240 Due from Other Governments	86,625	137,776	115,026	2,906
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 18,537</u>	<u>\$ 57,665</u>	<u>\$ 69,266</u>	<u>\$ 1,392</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 3,757	\$ -
2160 Accrued Wages Payable	18,537	57,665	65,509	1,392
2180 Due to Other Governments	-	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>18,537</u>	<u>57,665</u>	<u>69,266</u>	<u>1,392</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 18,537</u>	<u>\$ 57,665</u>	<u>\$ 69,266</u>	<u>\$ 1,392</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	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	276 Instructional Continuity
\$ 385,335	\$ -	\$ (135,350)	\$ (764)	\$ (25,110)	\$ (14,542)	\$ -	\$ -
100,022	-	135,350	764	25,110	16,482	-	-
1,045	-	-	-	-	-	-	-
47,232	-	-	-	-	-	-	-
<u>\$ 533,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,940</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 135,807	\$ -	\$ -	\$ -	\$ -	\$ 1,940	\$ -	\$ -
1,197	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>137,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,940</u>	<u>-</u>	<u>-</u>
47,232	-	-	-	-	-	-	-
349,398	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>396,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 533,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,940</u>	<u>\$ -</u>	<u>\$ -</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	277 Coronavirus Relief Fund CARES	281 ESSER-School Emergency Relief II	282 ESSER-School Emergency Relief III	289 Other Federal Special Revenue Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ (565,401)	\$ (1,725)	\$ (5,250)
1240 Due from Other Governments	-	609,084	8,278	5,250
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 43,683</u>	<u>\$ 6,553</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	43,683	6,553	-
2180 Due to Other Governments	-	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>43,683</u>	<u>6,553</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 43,683</u>	<u>\$ 6,553</u>	<u>\$ -</u>

397 Advanced Placement Incentives	410 State Instructional Materials	427 Ready to Read	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Child Development Center	483 ExxonMobil Educational Alliance	486 MISD Education Found. Grants
\$ 2,729	\$ 8,755	\$ 116	\$ 6,694	\$ 242,011	\$ -	\$ 2,044	\$ 58,199
-	5,765	-	-	-	-	-	-
-	-	-	-	-	33,750	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,729</u>	<u>\$ 14,520</u>	<u>\$ 116</u>	<u>\$ 6,694</u>	<u>\$ 242,011</u>	<u>\$ 33,750</u>	<u>\$ 2,044</u>	<u>\$ 58,199</u>
\$ -	\$ -	\$ -	\$ 478	\$ 245	\$ -	\$ -	\$ -
-	-	-	-	-	33,750	-	-
-	-	-	-	16,281	-	-	-
-	8,960	-	-	-	-	-	-
-	8,960	-	478	16,526	33,750	-	-
-	-	-	-	-	-	-	-
2,729	5,560	116	6,216	-	-	-	-
-	-	-	-	-	-	2,044	58,199
-	-	-	-	225,485	-	-	-
<u>2,729</u>	<u>5,560</u>	<u>116</u>	<u>6,216</u>	<u>225,485</u>	<u>-</u>	<u>2,044</u>	<u>58,199</u>
<u>\$ 2,729</u>	<u>\$ 14,520</u>	<u>\$ 116</u>	<u>\$ 6,694</u>	<u>\$ 242,011</u>	<u>\$ 33,750</u>	<u>\$ 2,044</u>	<u>\$ 58,199</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	488 Other Grants	489 Scholarship Fund	490 MISD Fitness Center	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 183	\$ 21,625	\$ 223,299	\$ 7,375
1240	Due from Other Governments	-	-	-	1,248,438
1290	Other Receivables	-	-	-	34,795
1300	Inventories	-	-	-	47,232
1000	Total Assets	<u>\$ 183</u>	<u>\$ 21,625</u>	<u>\$ 223,299</u>	<u>\$ 1,337,840</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 142,227
2160	Accrued Wages Payable	-	-	-	228,286
2180	Due to Other Governments	-	-	-	16,281
2300	Unearned Revenue	-	-	-	8,960
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,754</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	47,232
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	364,019
3490	Other Restricted Fund Balance	183	21,625	-	82,051
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	223,299	448,784
3000	Total Fund Balances	<u>183</u>	<u>21,625</u>	<u>223,299</u>	<u>942,086</u>
4000	Total Liabilities and Fund Balances	<u>\$ 183</u>	<u>\$ 21,625</u>	<u>\$ 223,299</u>	<u>\$ 1,337,840</u>

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MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	205 Head Start	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	275,634	876,157	778,062	18,348
5020 Total Revenues	275,634	876,157	778,062	18,348
EXPENDITURES:				
Current:				
0011 Instruction	275,634	722,244	175,215	18,348
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	82,861	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	71,052	448,878	-
0033 Health Services	-	-	153,969	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	275,634	876,157	778,062	18,348
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Prior Period Adjustment	-	-	-	-
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	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	276 Instructional Continuity
\$ 391,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,615	-	-	-	22,148	-	-	-
1,094,242	50,580	193,064	3,997	569,681	81,860	16,153	11,305
1,494,396	50,580	193,064	3,997	591,829	81,860	16,153	11,305
-	46,080	22,500	3,997	286,134	50,374	-	11,305
-	-	-	-	-	-	-	-
-	75	170,564	-	-	27,190	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,425	-	-	-	4,296	15,153	-
-	-	-	-	-	-	1,000	-
-	-	-	-	800	-	-	-
1,472,691	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,669	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	303,226	-	-	-
-	-	-	-	-	-	-	-
1,472,691	50,580	193,064	3,997	591,829	81,860	16,153	11,305
21,705	-	-	-	-	-	-	-
374,925	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 396,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	277 Coronavirus Relief Fund CARES	281 ESSER-School Emergency Relief II	282 ESSER-School Emergency Relief III	289 Other Federal Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	52,498	648,969	8,278	41,960
5020 Total Revenues	52,498	648,969	8,278	41,960
EXPENDITURES:				
Current:				
0011 Instruction	-	378,787	-	-
0012 Instructional Resources and Media Services	-	9,130	-	-
0013 Curriculum and Instructional Staff Development	-	96,569	8,278	-
0021 Instructional Leadership	-	3,044	-	-
0023 School Leadership	-	31,450	-	-
0031 Guidance, Counseling, and Evaluation Services	-	17,246	-	23,597
0033 Health Services	-	7,102	-	-
0034 Student (Pupil) Transportation	-	42,609	-	-
0035 Food Services	-	1,014	-	-
0036 Extracurricular Activities	-	5,072	-	-
0041 General Administration	-	11,160	-	-
0051 Facilities Maintenance and Operations	52,498	20,424	-	-
0052 Security and Monitoring Services	-	4,058	-	18,363
0053 Data Processing Services	-	8,116	-	-
0061 Community Services	-	13,188	-	-
6030 Total Expenditures	52,498	648,969	8,278	41,960
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Prior Period Adjustment	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

397 Advanced Placement Incentives	410 State Instructional Materials	427 Ready to Read	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Child Development Center	483 ExxonMobil Educational Alliance	486 MISD Education Found. Grants
\$ -	\$ -	\$ -	\$ -	\$ 194,078	\$ 402,013	\$ 500	\$ 40,000
-	5,765	-	58,634	-	30,028	-	-
-	-	-	-	-	-	-	-
-	5,765	-	58,634	194,078	432,041	500	40,000
-	5,765	-	40,468	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	9,091	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	233,439	-	-	20,862
-	-	-	-	-	-	-	-
-	-	-	8,375	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	432,041	-	-
-	5,765	-	57,934	233,439	432,041	-	20,862
-	-	-	700	(39,361)	-	500	19,138
2,729	5,560	116	5,516	264,846	-	1,544	39,061
-	-	-	-	-	-	-	-
\$ 2,729	\$ 5,560	\$ 116	\$ 6,216	\$ 225,485	\$ -	\$ 2,044	\$ 58,199

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	488 Other Grants	489 Scholarship Fund	490 MISD Fitness Center	Total Nonmajor Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 20,401	\$ 20,475	\$ 1,069,006
5800 State Program Revenues	-	-	-	125,190
5900 Federal Program Revenues	-	-	-	4,720,788
5020 Total Revenues	-	20,401	20,475	5,914,984
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	2,036,851
0012 Instructional Resources and Media Services	-	-	-	9,130
0013 Curriculum and Instructional Staff Development	-	-	-	385,537
0021 Instructional Leadership	-	-	-	3,044
0023 School Leadership	-	-	-	31,450
0031 Guidance, Counseling, and Evaluation Services	-	-	-	593,738
0033 Health Services	-	-	-	162,071
0034 Student (Pupil) Transportation	-	-	-	43,409
0035 Food Services	-	-	-	1,473,705
0036 Extracurricular Activities	-	30,050	2,630	292,053
0041 General Administration	-	-	-	11,160
0051 Facilities Maintenance and Operations	-	-	-	74,591
0052 Security and Monitoring Services	-	-	-	30,796
0053 Data Processing Services	-	-	-	311,342
0061 Community Services	-	-	-	445,229
6030 Total Expenditures	-	30,050	2,630	5,904,106
1200 Net Change in Fund Balance	-	(9,649)	17,845	10,878
0100 Fund Balance - September 1 (Beginning)	183	-	205,454	899,934
1300 Prior Period Adjustment	-	31,274	-	31,274
3000 Fund Balance - August 31 (Ending)	\$ 183	\$ 21,625	\$ 223,299	\$ 942,086

REQUIRED T.E.A. SCHEDULES

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.040000	0.340000	1,048,231,620
2014	1.040000	0.340000	1,071,449,830
2015	1.040000	0.340000	1,080,489,293
2016	1.040000	0.325000	1,061,727,457
2017	1.040000	0.325000	1,073,017,867
2018	1.040000	0.325000	1,102,458,426
2019	1.040000	0.325000	1,177,138,635
2020	0.970000	0.325000	1,295,749,112
2021 (School year under audit)	0.897800	0.282200	1,464,894,831
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 416,020	\$ -	\$ 25,497	\$ 6,611	\$ (39,259)	\$ 344,653
64,884	-	6,274	2,051	(41)	56,518
76,662	-	8,318	2,719	(50)	65,575
83,604	-	10,042	3,283	(1,072)	69,207
100,675	-	16,671	5,210	(1,257)	77,537
112,525	-	24,319	7,600	(3)	80,603
146,324	-	37,982	11,869	(308)	96,165
224,106	-	64,807	20,252	(6,977)	132,070
535,218	-	209,660	70,247	(21,644)	233,667
-	17,285,759	12,900,563	4,054,955	158,021	488,262
<u>\$ 1,760,018</u>	<u>\$ 17,285,759</u>	<u>\$ 13,304,133</u>	<u>\$ 4,184,797</u>	<u>\$ 87,410</u>	<u>\$ 1,644,257</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 501,033	\$ 501,033	\$ 391,539	\$ (109,494)
5800 State Program Revenues	43,636	43,636	8,615	(35,021)
5900 Federal Program Revenues	1,485,288	1,485,288	1,094,242	(391,046)
5020 Total Revenues	2,029,957	2,029,957	1,494,396	(535,561)
EXPENDITURES:				
Current:				
0035 Food Services	2,029,957	2,029,957	1,472,691	557,266
6030 Total Expenditures	2,029,957	2,029,957	1,472,691	557,266
1200 Net Change in Fund Balances	-	-	21,705	21,705
0100 Fund Balance - September 1 (Beginning)	374,925	374,925	374,925	-
3000 Fund Balance - August 31 (Ending)	\$ 374,925	\$ 374,925	\$ 396,630	\$ 21,705

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 3,658,856	\$ 4,270,856	\$ 4,288,066	\$ 17,210
5800 State Program Revenues	100,000	100,000	88,502	(11,498)
5020 Total Revenues	3,758,856	4,370,856	4,376,568	5,712
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,083,115	1,083,115	1,083,115	-
0072 Interest on Long-Term Debt	2,671,741	2,671,741	2,671,740	1
0073 Bond Issuance Cost and Fees	4,000	4,000	2,240	1,760
6030 Total Expenditures	3,758,856	3,758,856	3,757,095	1,761
1200 Net Change in Fund Balances	-	612,000	619,473	7,473
0100 Fund Balance - September 1 (Beginning)	4,196,690	4,196,690	4,196,690	-
3000 Fund Balance - August 31 (Ending)	\$ 4,196,690	\$ 4,808,690	\$ 4,816,163	\$ 7,473

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FEDERAL AWARDS SECTION

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ACCOUNTANTS
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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mabank Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Mabank Independent School District's basic financial statements, and have issued our report dated January 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the 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.

Hankins, Eastup, Deaton, Tonn & Seay, PC

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 20, 2022

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
Mabank Independent School District
Mabank, Texas

Report on Compliance for Each Major Federal Program

We have audited Mabank Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mabank Independent School District's major federal programs for the year ended August 31, 2021. Mabank Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Hankins, Eastup, Deaton, Tonn & Seay, PC

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 20, 2022

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

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:

FALN 84.425D	Elementary & Secondary School Emergency Relief Fund I
FALN 84.425D	Elementary & Secondary School Emergency Relief Fund II
FALN 84.425U	Elementary & Secondary School Emergency Relief Fund III
FALN 84.425D	CRF - Prior Purchase Reimbursement Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None.

III. Findings and Questioned Costs Related to Federal Awards

None

IV. Other Findings Which are Required to be Reported in Accordance With *Generally Accepted Government Auditing Standards*

Finding 2021-001 – Pledged collateral less than required amount

Criteria: The Texas Public Funds Investment Act (the Act) requires the District's depository bank to pledge securities or letters of credit to the District to fully secure any bank balances that exceed the FDIC deposit insurance coverage on District bank balances. When certain types of securities are pledged, the Act requires that the value of the pledged collateral must equal 110% of uninsured deposits.

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021

IV. Other Findings Which are Required to be Reported in Accordance With *Generally Accepted Government Auditing Standards* - Continued

Condition: During the year ended August 31, 2021, there was one day on which the amount of collateral pledged by the depository bank was less than the District's uninsured deposits.

Questioned Costs: None

Cause: The District monitors the level of deposits and pledged securities on a regular basis. A large deposit was received from TEA for Foundation revenue. This caused the deposit balance to increase above normal levels for one day.

Effect: Pledged collateral was less than the amount required by the Act on one day during the fiscal year. The amount of deposits not fully collateralized was \$501,911 on that day.

Recommendation: The District has procedures in place to monitor balances and pledged collateral on a daily basis. The District needs to develop additional procedures so the bank increases pledged collateral when needed to cover large deposits.

V. Corrective Action Plan:

Finding 2021-001 – Pledged collateral less than required amount

Responsible Party: Brenda Rodriguez, Chief Financial Officer

Corrective Action – The District has consulted with its depository bank to establish new procedures to make sure bank balances are fully secured when large deposits are made. These procedures include monitoring pledged collateral daily, the District anticipating large deposits and transfers in advance and the depository bank increasing the amount of pledged collateral when needed.

Expected Completion Date – December 2021

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021

No prior year findings.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF THE TREASURY			
<u>Passed Through Kaufman County, Texas</u>			
COVID - 19 Coronavirus Relief Fund	21.019	129905	\$ 52,498
Total Passed Through Kaufman County, Texas			52,498
TOTAL DEPARTMENT OF THE TREASURY			52,498
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	129905	5,695
Total Direct Programs			5,695
<u>Passed Through Region 10 Education Service Center</u>			
Title III, Part A - English Language Acquisition	84.365A	21671001057950	3,997
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501057950	61,334
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501057950	127,732
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501057950	3,998
Total Assistance Listing Number 84.367A			193,064
Total Passed Through Region 10 Education Service Center			197,061
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101129905	805,911
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101129905	70,246
Total Assistance Listing Number 84.010A			876,157
*IDEA - Part B, Formula	84.027	21660001129905	705,890
*IDEA - Part B, Formula	84.027	22660001129905	72,172
Total Assistance Listing Number 84.027			778,062
*IDEA - Part B, Preschool	84.173	21661001129905	16,956
*IDEA - Part B, Preschool	84.173	22661001129905	1,392
Total Assistance Listing Number 84.173			18,348
Total Special Education Cluster (IDEA)			796,410
Career and Technical - Basic Grant	84.048	21420006129905	50,580
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	20696001129905	40,114
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	21696001129905	41,746
Total Assistance Listing Number 84.358B			81,860
Instructional Continuity	84.377A	17610740129905	11,305
ESEA, Title IV, Part A - Student Support	84.424A	20680101129905	10,562
ESEA, Title IV, Part A - Student Support	84.424A	21680101129905	31,398
Total Assistance Listing Number 84.424A			41,960
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001129905	569,681
CRF - Prior Purchase Reimbursement Program	84.425D	52102135	39,884
Elementary Secondary School Emergency Relief II	84.425D	21521001129905	609,085
Elementary Secondary School Emergency Relief III	84.425U	21528001129905	8,278
Total Assistance Listing Number 84.425			1,226,928

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
Total Passed Through State Department of Education			3,085,200
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,287,956</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health & Human Services Commission</u>			
Medicaid Administrative Claiming Program - MAC	93.778	HHS000537900215	16,153
Total Passed Through Texas Health & Human Services Commission			<u>16,153</u>
<u>Passed Through Region 10 Education Service Center</u>			
Head Start	93.600	06CH010655	275,634
Total Passed Through Region 10 Education Service Center			<u>275,634</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>291,787</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	806780706	269,300
*National School Lunch Program - Cash Assistance	10.555	806780706	836,134
*National School Lunch Prog. - Non-Cash Assistance	10.555	806780706	92,948
Total Assistance Listing Number 10.555			<u>929,082</u>
Total Child Nutrition Cluster			<u>1,198,382</u>
Total Passed Through the State Department of Agriculture			<u>1,198,382</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,198,382</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,830,623</u>

*Clustered Programs

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2021

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*.
 - **General Fund** - is used to account for among other things, resources related to School Health and Related Services (SHARS) and Impact Aid.
 - **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. Generally, unused balances are returned to the grantor at the close of specified project periods.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used in 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 General 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.

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- FALN numbers for commodity assistance are the FALN numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$104,140.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$4,830,623
SHARS Revenue reported in the General Fund	<u>414,298</u>
Total Federal Program Revenue	<u>\$5,244,921</u>