

**SULPHUR SPRINGS
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2020**

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
3500 Joe Ramsey Blvd.
Greenville, Texas 75401
(903) 455-6252

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2020

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board.....	3	
FINANCIAL SECTION		
<u>Independent Auditor’s Reports:</u>		
Report on Basic Financial Statements	5	
Report on Internal Controls and Compliance (<i>Government Auditing Standards</i>)	7	
Report on Internal Control over Compliance in Accordance with OMB Circular A-133..	9	
Schedule of Findings and Questioned Costs	11	
Management’s Discussion and Analysis (Required Supplementary Information)	16	
<u>Basic Financial Statements:</u>		
<u>Government-wide Financial Statements:</u>		
Statement of Net Position.....	25	A-1
Statement of Activities	26	B-1
<u>Fund Financial Statements:</u>		
Balance Sheet – Governmental Funds	27	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	28	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Governmental Funds.....	29	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	30	C-4
Statement of Fund Net Position – Proprietary Funds.....	31	D-1
Statement of Revenues, Expenses and Changes in		
Net Position – Proprietary Funds	32	D-2
Statement of Cash Flows – Proprietary Funds	33	D-3
Statement of Fiduciary Net Position – Fiduciary Funds	34	E-1
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	35	E-2
Notes to the Basic Financial Statements.....	36	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	61	G-1
Schedule of District’s Proportionate Share of the Net Pension Liability.....	62	G-2
Schedule of District Pension Contributions	63	G-3
Schedule of District’s Proportionate Share of the OPEB Liability	64	G-4
Schedule of District OPEB Contributions	65	G-5
Notes to Required Supplementary Information	66	
<u>Other Supplementary Information:</u>		
Schedule of Delinquent Taxes Receivable	69	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	70	J-3
Debt Service Fund	71	J-4
Schedule of Required Responses to Selected School FIRST Indicators	72	J-5
FEDERAL AWARDS SECTION		
Schedule of Expenditures of Federal Awards	74	K-1
Notes to Schedule of Expenditures of Federal Awards	76	K-2


CERTIFICATE OF BOARD


Sulphur Springs Independent School District
Name of School District

Hopkins
County

112-901
Co. Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and **approved**/ **disapproved** for the year ended August 31, 2020, at a meeting of the board of school trustees of such school district on 12/14/2020.


Signature of Board Secretary


Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sulphur Springs Independent School District (District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sulphur Springs Independent School District as of August 31, 2020, 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 and budgetary comparison information 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 the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used in the preparation of the basic financial statements. Such information has been subjected to the auditing procedures of the basic financial statement 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 the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information 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. 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.



December 8, 2020
Greenville, Texas

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

Members of the Board

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 the Sulphur Springs Independent School District (District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2020.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Report on Internal Control – Continued

Purpose of this Report

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

Rutherford, Taylor & Company PC

December 8, 2020
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the Board

Report on Compliance for Each Major Federal Program

We have audited Sulphur Springs Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

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

Internal Control over Compliance with the Uniform Guidance – Continued

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.

A handwritten signature in blue ink that reads "Rutherford, Taylor & Company PC". The signature is written in a cursive, flowing style.

December 8, 2020
Greenville, Texas

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2020

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting:	
Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

Federal Awards –

Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of major programs	Child Nutrition Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555) Summer Feeding Program (10.565)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Department of Agriculture

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

Financial Statement Findings (Section II)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

Federal Award Findings and Questioned Costs (Section III)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

Prior Year Findings (Section IV)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

Corrective Action Plans (Section V)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2020

This section of Sulphur Springs Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2020. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

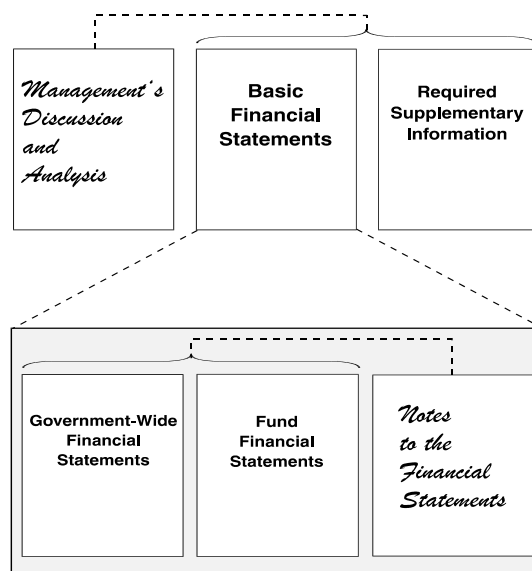
- The District's Net Position was \$ 2,822,565 at year end.
- During the year, the District's expenses were \$ 4,753,127 more than the \$ 52,233,084 in taxes and other revenues for governmental activities.
- The District experienced disruption in traditional educational services due to state and national responses to the COVID-19 pandemic during the year.
- The General Fund reported a fund balance this year of \$ 9,647,155, a decrease of \$ 3,116,669 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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



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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2020

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explain the relationship (or differences) between them.
- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2020

- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$ 2,822,565 at August 31, 2020.

Sulphur Springs Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2020	2019	2019-2020
Assets:			
Cash and Investments	\$ 17,099,093	\$ 17,304,933	-1.19%
Other Assets	1,426,043	3,412,029	-58.21%
Capital Assets less Accumulated Depreciation	69,587,833	72,667,289	-4.24%
Total Assets	\$ 88,112,969	\$ 93,384,251	-5.64%
Total Deferred Outflows of Resources	\$ 11,745,113	\$ 12,209,249	-3.80%
Liabilities:			
Current Liabilities	\$ 3,115,447	\$ 2,794,557	11.48%
Long-term Liabilities	83,852,652	88,459,797	-5.21%
Total Liabilities	\$ 86,968,099	\$ 91,254,354	-4.70%
Total Deferred Inflows of Resources	\$ 10,067,418	\$ 6,763,453	48.85%
Net Position:			
Net Investment in Capital Assets	\$ 16,216,088	\$ 16,416,683	-1.22%
Restricted	4,615,189	4,192,181	10.09%
Unrestricted	(18,008,712)	(13,033,171)	-38.18%
Total Net Position	\$ 2,822,565	\$ 7,575,693	-62.74%

Approximately \$ 3,881,822 of the District's restricted net position represent funds collected for debt retirement. These funds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 52,233,084, 34% of the District's revenue comes from local property taxes (See Table A-2). 62% comes from state aid and federal grants, while 4% relates to charges for services and other sources.

The total cost of all programs and services was \$ 56,986,211. 60% of these costs are for instruction and instructional related staff and student services.

The District's current tax collection rate (base tax only – current and delinquent) was 100.20%. The total collection rate (base tax plus penalty and interest) was 101.20%.

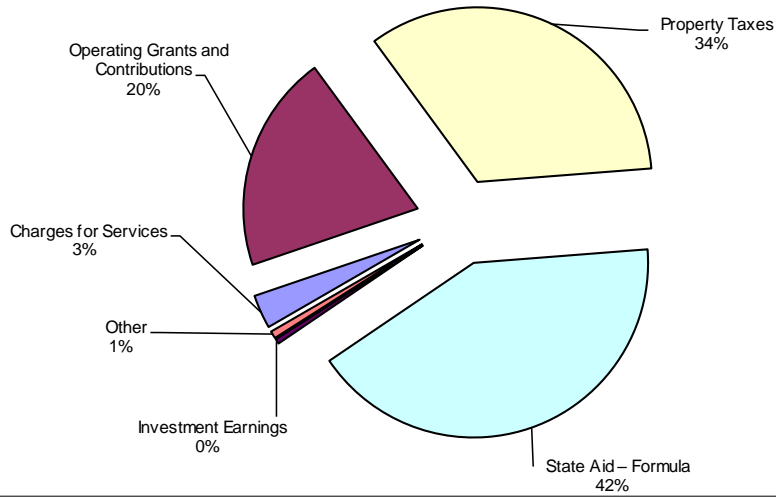
SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2020

GOVERNMENTAL ACTIVITIES

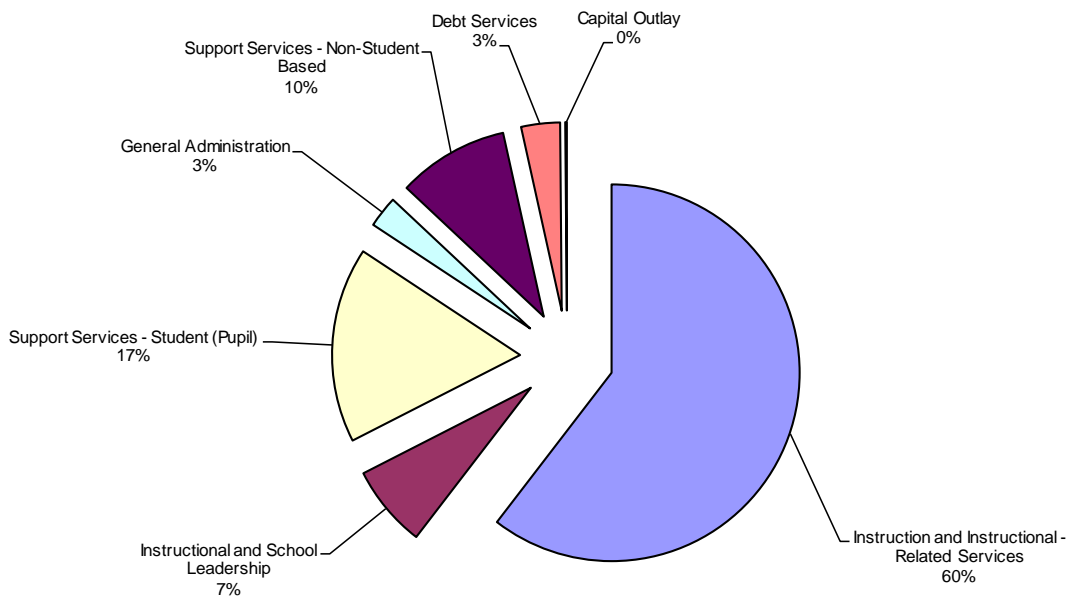
Changes in Sulphur Springs Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentag Change
	2020	2019	2019-2020
Program Revenues:			
Charges for Services	\$ 1,627,317	\$ 1,387,284	17.30%
Operating Grants and Contributions	10,518,619	10,379,665	1.34%
General Revenues:			
Property Taxes	17,677,898	17,555,827	0.70%
State Aid – Formula	21,813,259	21,245,050	2.67%
Investment Earnings	240,067	499,056	-51.90%
Other	355,924	17,346	1951.91%
Total Revenues	<u>\$ 52,233,084</u>	<u>\$ 51,084,228</u>	2.25%
Expenses:			
Instruction	\$ 33,265,328	\$ 29,181,314	14.00%
Instructional Resources and Media Services	574,765	534,800	7.47%
Curriculum and Staff Development	600,208	578,943	3.67%
Instructional Leadership	2,085,183	1,803,577	15.61%
School Leadership	1,936,885	1,894,449	2.24%
Guidance, Counseling and Evaluation Services	1,479,924	1,286,509	15.03%
Social Work Services	148,316	47,221	214.09%
Health Services	641,628	543,070	18.15%
Student (Pupil) Transportation	1,739,530	1,485,622	17.09%
Food Services	2,530,569	2,652,572	-4.60%
Cocurricular/Extracurricular Activities	3,023,303	2,628,112	15.04%
General Administration	1,541,526	1,471,382	4.77%
Plant Maintenance and Operations	4,058,918	4,049,369	0.24%
Security and Monitoring Services	919,486	730,426	25.88%
Data Processing Services	460,248	454,255	1.32%
Community Services	1,036	1,197	-13.45%
Debt Service	1,900,395	1,987,858	-4.40%
Capital Outlay	78,963	-	100.00%
Total Expenses	<u>\$ 56,986,211</u>	<u>\$ 51,330,676</u>	11.02%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ (4,753,127)</u>	<u>\$ (246,448)</u>	1828.65%
Increase (Decrease) in Net Position	<u>\$ (4,753,127)</u>	<u>\$ (246,448)</u>	1828.65%
Net Position - Beginning (September 1)	<u>7,575,692</u>	<u>7,822,140</u>	-3.15%
Net Position - Ending (August 31)	<u><u>\$ 2,822,565</u></u>	<u><u>\$ 7,575,692</u></u>	-62.74%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2020

Sources of Revenue for Fiscal Year 2020- See Table A-2



Functional Expenses for Fiscal Year 2020 - See Table A-2



SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2020

- Table A-3 presents the cost of selected District functions as well as the selected functions' net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 56,986,211.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 17,677,898.
- Some of the cost was paid by those who directly benefited from the programs, \$ 1,627,317, or
- By grants and contributions, \$ 10,518,619.

Sulphur Springs Independent School District's Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		%	<u>Net Cost of Services</u>		%	
	2020	2019		Change	2020		2019
Instruction	\$ 33,265,328	\$ 29,181,314	14.00%	\$ 27,069,513	\$ 23,230,686	16.52%	
School Leadership	1,936,885	1,894,449	2.24%	1,694,850	1,690,103	0.28%	
General Administration	1,541,526	1,471,382	4.77%	1,444,099	1,387,134	4.11%	
Plant Maintenance and Operations	4,058,918	4,049,369	0.24%	3,757,293	3,876,594	-3.08%	
Debt Service	1,900,395	1,987,858	-4.40%	1,596,923	1,248,730	27.88%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 50,770,255, which represents a \$ 879,517 increase over the prior year revenues of \$ 49,890,738. This increase reflects increased state aid related to student enrollment and attendance.

Expenditures of governmental fund types totaled \$ 53,807,605 for the year. This is an increase of \$ 4,471,497 from the prior year total of \$ 49,336,108. The increase reflects additional payments for increased salaries to personnel related to state changes in HB3 as well as other generic operating cost increases.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 808,684 below General Fund final budget amounts. The largest positive variances are reflective of lower than anticipated expenditures incurred in plant maintenance and operations.

Resources available were \$ 3,753,422 below the final General Fund budgeted amount. The unfavorable variance was due to reduced operations as a result of the COVID-19 pandemic and related closures.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 108,409,875 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Sulphur Springs Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change 2019-2020
	2020	2019	
Land	\$ 862,613	\$ 862,613	0.00%
Buildings and Improvements	99,440,345	99,418,769	0.02%
Equipment	2,837,458	2,602,048	9.05%
Vehicles	5,269,459	5,506,452	-4.30%
Totals at Historical Cost	\$ 108,409,875	\$ 108,389,882	0.02%
Less Accumulated Depreciation	(38,822,042)	(35,722,593)	8.68%
Net Capital Assets	<u>\$ 69,587,833</u>	<u>\$ 72,667,289</u>	-4.24%

DEBT

At year end the District had \$ 53,277,303 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Bond Ratings -
The District's bonds presently carry "AAA" ratings.

Sulphur Springs Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change 2019-2020
	2020	2019	
Bonds Payable	\$ 42,310,000	\$ 44,770,000	-5.49%
Other Debt Payable	10,967,303	11,526,593	-4.85%
Total Debt Payable	<u>\$ 53,277,303</u>	<u>\$ 56,296,593</u>	-5.36%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2020

ECONOMIC FACTORS

The District's property valuation has recovered due to housing developments and commercial growth. Local property tax rates for maintenance and operations are restricted by statute to \$.97, without local elections. The State Legislature passed HB3 which included various changes to the property tax rate setting process thus limiting school districts' opportunities for tax modifications and compressing the rates charged to taxpayers. The additional changes required under HB3 could impact the District's Financial operations, including cash flow.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to continue at a steady rate. Housing has begun expanding at the rate similar to other north central Texas communities. These economic conditions should allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2019-2021 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. The level of funding per attendance credits increased significantly. With these increases, the state imposed requirements to spend at least 30% of the new funding on salaries to personnel with at least 75% of the 30% to be for teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

The global outbreak of coronavirus disease 2019 ("COVID-19") presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management of the District is actively monitoring the global situation on its financial condition, liquidity, operations, supplies, vendors, and industry. Given the evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations and financial condition.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sherry McGraw, Business Manager for the District.

BASIC FINANCIAL STATEMENTS

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

Data Control Codes	1	Governmental Activities
ASSETS		
1110	Cash and Investments	\$ 17,099,093
1225	Property Taxes Receivable, Net	781,653
1240	Due from Other Governments	432,884
1300	Inventories, at Cost	25,044
1410	Unrealized Expenses	186,462
	Capital Assets:	
1510	Land	862,613
1520	Buildings and Improvements, Net	66,297,531
1530	Furniture and Equipment, Net	<u>2,427,689</u>
1000	Total Assets	<u>\$ 88,112,969</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Outflows - Refunding	\$ 2,946,619
1705	Deferred Outflows - Pensions	6,332,702
1706	Deferred Outflows - OPEB	<u>2,465,792</u>
1700	Total Deferred Outflows of Resources	<u>\$ 11,745,113</u>
LIABILITIES		
2110	Accounts Payable	\$ 162,525
2140	Interest Payable	82,422
2165	Accrued Liabilities	2,797,630
2300	Unearned Revenues	72,870
	Noncurrent Liabilities:	
2501	Due within one year	2,574,867
2502	Due in more than one year	50,702,438
2540	Net Pension Liability	13,133,070
2545	OPEB Liability	<u>17,442,277</u>
2000	Total Liabilities	<u>\$ 86,968,099</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflows - Pensions	\$ 2,233,599
2606	Deferred Inflows - OPEB	<u>7,833,819</u>
2600	Total Deferred Inflows of Resources	<u>\$ 10,067,418</u>
NET POSITION		
3200	Net Investments in Capital Assets	\$ 16,216,088
	Restricted For:	
3820	State and Federal Programs	529,366
3850	Debt Service	3,881,822
3890	Other	204,001
3900	Unrestricted	<u>(18,008,712)</u>
3000	Total Net Position	<u>\$ 2,822,565</u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

Data Control Codes Functions/Programs	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
	Program Revenues			
Governmental Activities:				
11 Instruction	\$ 33,265,328	\$ 372,332	\$ 5,823,483	\$ (27,069,513)
12 Instructional Resources and Media Services	574,765	28,742	61,776	(484,247)
13 Curriculum and Staff Development	600,208	103	111,117	(488,988)
21 Instructional Leadership	2,085,183	-	764,091	(1,321,092)
23 School Leadership	1,936,885	-	242,035	(1,694,850)
31 Guidance, Counseling and Evaluation Services	1,479,924	-	256,939	(1,222,985)
32 Social Work Services	148,316	-	96,326	(51,990)
33 Health Services	641,628	950	109,286	(531,392)
34 Student (Pupil) Transportation	1,739,530	-	206,993	(1,532,537)
35 Food Services	2,530,569	312,997	1,884,531	(333,041)
36 Cocurricular/Extracurricular Activities	3,023,303	897,775	78,309	(2,047,219)
41 General Administration	1,541,526	376	97,051	(1,444,099)
51 Plant Maintenance and Operations	4,058,918	14,042	287,583	(3,757,293)
52 Security and Monitoring Services	919,486	-	146,069	(773,417)
53 Data Processing Services	460,248	-	48,505	(411,743)
61 Community Services	1,036	-	999	(37)
72 Interest on Long-term Debt	1,898,895	-	303,472	(1,595,423)
73 Debt Issuance Costs and Fees	1,500	-	-	(1,500)
81 Capital Outlay	78,963	-	54	(78,909)
TG Total Governmental Activities	<u>\$ 56,986,211</u>	<u>\$ 1,627,317</u>	<u>\$ 10,518,619</u>	<u>\$ (44,840,275)</u>
TP Total Primary Government	<u>\$ 56,986,211</u>	<u>\$ 1,627,317</u>	<u>\$ 10,518,619</u>	<u>\$ (44,840,275)</u>
General Revenues:				
MT Property Taxes, Levied for General Purposes				\$ 13,389,722
DT Property Taxes, Levied for Debt Service				4,288,176
IE Investment Earnings				240,067
GC Grants and Contributions Not Restricted to Specific Programs				21,813,259
MI Miscellaneous				355,924
TR Total General Revenues				<u>\$ 40,087,148</u>
CN Change in Net Position				\$ (4,753,127)
NB Net Position - Beginning (September 1)				<u>7,575,692</u>
NE Net Position - Ending (August 31)				<u>\$ 2,822,565</u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS					
1110	Cash and Investments	\$ 12,038,990	\$ 3,681,696	\$ 1,178,135	\$ 16,898,821
1225	Property Taxes Receivable, Net	604,508	177,145	-	781,653
1240	Due from Other Governments	-	91,516	341,368	432,884
1260	Due from Other Funds	180	-	31,400	31,580
1300	Inventories	25,044	-	-	25,044
1410	Deferred Expenditures	186,462	-	-	186,462
1000	Total Assets	<u>\$ 12,855,184</u>	<u>\$ 3,950,357</u>	<u>\$ 1,550,903</u>	<u>\$ 18,356,444</u>
LIABILITIES					
Current Liabilities:					
2110	Accounts Payable	\$ 14,270	\$ -	\$ 45,907	\$ 60,177
2150	Payroll Deductions and Withholdings	544,002	-	-	544,002
2160	Accrued Wages Payable	1,953,673	-	232,061	2,185,734
2170	Due to Other Funds	32,564	-	180	32,744
2200	Accrued Expenditures	42,453	-	25,441	67,894
2300	Unearned Revenue	16,559	-	56,311	72,870
2000	Total Liabilities	<u>\$ 2,603,521</u>	<u>\$ -</u>	<u>\$ 359,900</u>	<u>\$ 2,963,421</u>
DEFERRED INFLOWS OF RESOURCES					
2610	Deferred Property Taxes	\$ 604,508	\$ 177,145	\$ -	\$ 781,653
2600	Total Deferred Inflows of Resources	<u>\$ 604,508</u>	<u>\$ 177,145</u>	<u>\$ -</u>	<u>\$ 781,653</u>
FUND BALANCES					
Nonspendable Fund Balances:					
3410	Inventories	\$ 25,044	\$ -	\$ -	\$ 25,044
Restricted Fund Balances:					
3450	Federal/State Funds Grants	-	-	529,366	529,366
3480	Retirement of Long-Term Debt	-	3,773,212	-	3,773,212
3490	Other Restrictions of Fund Balance	14,895	-	189,105	204,000
Committed Fund Balances:					
3545	Other Committed Fund Balance	113,972	-	472,532	586,504
3600	Unassigned	9,493,244	-	-	9,493,244
3000	Total Fund Balances	<u>\$ 9,647,155</u>	<u>\$ 3,773,212</u>	<u>\$ 1,191,003</u>	<u>\$ 14,611,370</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,855,184</u>	<u>\$ 3,950,357</u>	<u>\$ 1,550,903</u>	<u>\$ 18,356,444</u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2020

Total fund balances - Balance Sheet (governmental funds)	\$	14,611,370
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		69,587,833
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		781,653
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		99,088
Payables for bond principal which are not due in the current period are not reported in the funds.		(42,310,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(695,654)
Payables for debt interest which are not due in the current period are not reported in the funds.		(82,422)
Payables for notes which are not due in the current period are not reported in the funds.		(6,439,740)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(94,440)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		2,946,619
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(13,133,070)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(2,233,599)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		6,332,702
Bond premiums are amortized in the SNA but not in the funds.		(3,737,471)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(17,442,277)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(7,833,819)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		2,465,792
		2,465,792
Net position of governmental activities - Statement of Net position	\$	2,822,565

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 02

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 14,128,458	\$ 4,354,057	\$ 1,158,946	\$ 19,641,461
5800 State Program Revenues	24,006,168	303,472	778,211	25,087,851
5900 Federal Program Revenues	325,090	-	5,715,853	6,040,943
5020 Total Revenues	\$ 38,459,716	\$ 4,657,529	\$ 7,653,010	\$ 50,770,255
EXPENDITURES				
Current:				
0011 Instruction	\$ 25,838,078	\$ -	\$ 3,232,356	\$ 29,070,434
0012 Instructional Resources and Media Services	501,369	-	41,439	542,808
0013 Curriculum and Staff Development	499,043	-	60,888	559,931
0021 Instructional Leadership	1,241,906	-	642,584	1,884,490
0023 School Leadership	1,705,795	-	54,948	1,760,743
0031 Guidance, Counseling and Evaluation Services	1,231,413	-	123,255	1,354,668
0032 Social Work Services	46,441	-	96,254	142,695
0033 Health Services	533,518	-	52,523	586,041
0034 Student (Pupil) Transportation	1,534,264	-	88,931	1,623,195
0035 Food Services	11,229	-	2,331,822	2,343,051
0036 Cocurricular/Extracurricular Activities	1,287,744	-	351,486	1,639,230
0041 General Administration	1,405,431	-	-	1,405,431
0051 Plant Maintenance and Operations	3,876,465	-	197,667	4,074,132
0052 Security and Monitoring Services	783,902	-	71,475	855,377
0053 Data Processing Services	428,002	-	-	428,002
0061 Community Services	-	-	1,036	1,036
0071 Principal on Long-term Debt	877,778	2,460,000	90,743	3,428,521
0072 Interest on Long-term Debt	172,832	1,749,131	9,257	1,931,220
0073 Debt Issuance Cost and Fees	500	1,000	-	1,500
0081 Capital Outlay	175,100	-	-	175,100
6030 Total Expenditures	\$ 42,150,810	\$ 4,210,131	\$ 7,446,664	\$ 53,807,605
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ (3,691,094)	\$ 447,398	\$ 206,346	\$ (3,037,350)
OTHER FINANCING SOURCES (USES)				
7913 Issuance of Capital Leases	\$ 650,291	\$ -	\$ -	\$ 650,291
7915 Transfers In	-	-	75,866	75,866
8911 Transfers Out	(75,866)	-	-	(75,866)
7080 Net Other Financing Sources (Uses)	\$ 574,425	\$ -	\$ 75,866	\$ 650,291
1200 Net Changes in Fund Balances	\$ (3,116,669)	\$ 447,398	\$ 282,212	\$ (2,387,059)
0100 Fund Balance - Beginning (September 1)	12,763,824	3,325,814	908,791	16,998,429
3000 Fund Balance - Ending (August 31)	\$ 9,647,155	\$ 3,773,212	\$ 1,191,003	\$ 14,611,370

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

Net change in fund balances - total governmental funds \$ (2,387,059)

Amounts reported for governmental activities in the statement
of activities ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	612,250
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,691,706)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(52,373)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	34,623
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,460,000
Repayment of capital lease principal is an expenditure in the funds but not an expense in the SOA.	408,784
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	559,737
(Increase) decrease in accrued interest from beginning of period to end of period.	(2,298)
The net revenue (expense) of internal service funds is reported with governmental activities.	(70,985)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(4,600)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(650,291)
GASB 75 requires certain expenditures to be de-expended and recorded as deferred resource outflows.	284,038
OPEB contributions deferred in the prior year were expended in the current year.	(419,575)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(63,577)
GASB 68 requires certain expenditures to be de-expended and recorded as deferred resource outflows.	964,846
Pension contributions deferred in the prior year were expended in the current year.	(850,008)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(1,884,933)</u>

Change in net position of governmental activities - Statement of Activities \$ (4,753,127)

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AUGUST 31, 2020

Data Control Codes		Internal Service Fund
	ASSETS	
	Current Assets:	
1110	Cash and Investments	\$ 200,272
	Receivables:	
1260	Due from Other Funds	1,164
	Total Current Assets	<u>\$ 201,436</u>
1000	Total Assets	<u>\$ 201,436</u>
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	<u>\$ 102,348</u>
	Total Current Liabilities	<u>\$ 102,348</u>
2000	Total Liabilities	<u>\$ 102,348</u>
	NET POSITION	
3900	Unrestricted Net Position	<u>\$ 99,088</u>
3000	Total Net Position	<u><u>\$ 99,088</u></u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2020

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	\$ <u>106,652</u>
5020 Total Operating Revenues	\$ <u>106,652</u>
OPERATING EXPENSES	
6100 Payroll Costs	\$ 26,960
6200 Professional and Contracted Services	59,251
6300 Supplies and Materials	463
6400 Other Operating Costs	<u>90,963</u>
6030 Total Operating Expenses	\$ <u>177,637</u>
1200 Change in Net Position	\$ (70,985)
0100 Total Net Position - Beginning (September 1)	<u>170,073</u>
3000 Total Net Position - Ending (August 31)	\$ <u><u>99,088</u></u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2020

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Operating Interest	\$ 2,792
Cash Receipts from Quasi-External Operating Transfers	102,716
Cash Payments for Claims	(55,911)
Cash Payments for Administration/Reinsurance	(96,519)
Cash Payments to Employees	(26,960)
Net Cash Provided by (Used for) Operating Activities	\$ (73,882)
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ (73,882)
Cash and Investments - Beginning (September 1)	274,154
Cash and Investments - Ending (August 31)	\$ 200,272
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (70,985)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Accounts Payable	(2,897)
Net Cash Provided by (Used for) Operating Activities	\$ (73,882)

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AUGUST 31, 2020

Data Control Codes		Private-Purpose Trust Fund <hr/> Scholarship Fund <hr/>
ASSETS		
1110	Cash and Investments	<u>\$ 6,280</u>
1000	Total Assets	<u>\$ 6,280</u>
LIABILITIES		
2190	Due to Student Groups	<u>\$ -</u>
2000	Total Liabilities	<u>\$ -</u>
NET POSITION		
3800	Held in Trust	<u>\$ 6,280</u>
3000	Total Net Position	<u><u>\$ 6,280</u></u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2020

Data Control Codes	Private-Purpose Trust Fund Scholarship Fund
REVENUES	
5742 Investment Earnings - Interest Revenue	\$ 84
5744 Donations	13,000
5020 Total Revenues	\$ 13,084
EXPENSES	
6400 Scholarship Payments	\$ 13,750
6030 Total Expenses	\$ 13,750
1200 Changes in Net Position	\$ (666)
0100 Net Position - Beginning (September 1)	6,946
3000 Net Position - Ending (August 31)	\$ 6,280

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The District reports the following major governmental funds:

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest and related costs.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Capital Projects Fund – This fund accounts for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire bond principal.

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

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

b. **Measurement Focus – Basis of Accounting**

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

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally measurable until received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies (Continued)

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Total	\$	-0-

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

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

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies (Continued)

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Other Governmental	Total
Nonspendable				
Inventory	\$ 25,044	\$ -	\$ -	\$ 25,044
Restricted				
Child Nutrition Program	-	-	437,737	437,737
Summer Feeding Program	-	-	91,629	91,629
Special Services	4,173	-	-	4,173
Retirement of Long Term Debt	-	3,773,212	-	3,773,212
Capital Projects	-	-	186,923	186,923
Childrens Fund	10,722	-	-	10,722
Other	-	-	2,182	2,182
Committed				
Campus Activity Funds	-	-	472,532	472,532
Other	113,972	-	-	113,972
Unassigned	9,493,244	-	-	9,493,244
Totals	<u>\$ 9,647,155</u>	<u>\$ 3,773,212</u>	<u>\$ 1,191,003</u>	<u>\$ 14,611,370</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method, supplies and materials are debited as expenditures when purchased.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures when the items are consumed or occur.

Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Unearned Revenues

Unearned revenues include state funds received but have not been earned in the year. The balance will be earned in the future period and not reported as liabilities.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies (Continued)

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resource for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

8. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave vests, accumulates, and is recorded as expense as it is incurred. Sick leave is paid upon separation from the District.

10. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies (Continued)

11. Other Post-Employment Benefits (OPEB)

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 OPEB, OPEB expenses, 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 term. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

13. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

14. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance District (FDIC) insurance. At year end, all District cash deposits appear to have been adequately covered by FDIC insurance or by pledged collateral held by the District or the depository in the District's name. The District's deposits appear to have been properly secured throughout the year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with all the requirements of the Act.

The PFIA (Government Code Chapter 256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement and publicize an investment policy. That policy must address the following areas (1) safety of principal and liquidity, (2) portfolio diversifications, (3) allowable investments, (4) acceptable risk level, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date of portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preference 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) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The PFIA governs the District's investment policies and types of investments.

The District's management believes that it complies with the requirements of the PFIA and the District's investment policies.

District investments include investments in TexPool and Lone Star Investment Pool, local government investment pools, money market accounts. All investments are reported at fair value and are presented as cash and investments.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

B. Deposits, Securities and Investments (Continued)

The following table lists the District's investments at year end:

	Credit Rating	Fair Value
TexPool	AAAm	\$ 12,940,226
Lone Star Investment Pool	AAAm	1,487,652
Totals		\$ 14,427,878

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard and Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

Lone Star Investment Pool

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the PFI Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAM by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Corporate Overnight Plus Fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net Asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments at amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72.

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

a. Credit Risk

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

b. Custodial Credit Risk

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

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

B. Deposits, Securities and Investments (Continued)

The largest combined balances of cash, saving and time deposit accounts amounted to \$ 9,968,226 and occurred in February 2020. The market value of bonds or other securities used to secure cash on the date of the highest combined cash balance was \$ 21,000,000. The total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000. City National Bank, Sulphur Springs, Texas is the District's depository.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. District investments are limited to short term maturities to limit any potential interest rate risk. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. State statutes do not allow for foreign investments this eliminating foreign currency rate risk. The District was not exposed to foreign currency risk.

f. 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 assets. 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 equivalent) as 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 require judgement and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Investment by Fair Value Level	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lone Star Investment Pool	\$ 1,487,652	\$ -	\$ 1,487,652	\$ -
TexPool	12,940,226	-	12,940,226	-
Total	<u>\$ 14,427,878</u>	<u>-</u>	<u>\$ 14,427,878</u>	<u>\$ -</u>

The fair value of the certificates of deposit at year end was determined based on level 2 inputs. The District estimated the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investments in the various local government investment pools is not required to be measured at fair value but is measured at amortized cost.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

C. Property Taxes (Continued)

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting these criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 0.97000 to fund general operations and \$ 0.31048 for the payment of principal and interest on long-term debt. The rates were levied on property assessed totaling \$ 1,363,318,577. The District contracts with a tax attorney for the collection of all delinquent taxes. Delinquent taxes are subject to both penalty and interest plus a 20% delinquent tax attorney collection fee.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital Assets not Being Depreciated:				
Land	\$ 862,613	\$ -	\$ -	\$ 862,613
Total Capital Assets not being Depreciated	\$ 862,613	\$ -	\$ -	\$ 862,613
Capital Assets being Depreciated:				
Building and Improvements	\$ 99,418,769	\$ 21,576	\$ -	\$ 99,440,345
Equipment	2,602,048	235,410	-	2,837,458
Vehicles	5,506,452	355,264	592,257	5,269,459
Total Capital Assets being Depreciated	\$ 107,527,269	\$ 612,250	\$ 592,257	\$ 107,547,262
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 29,976,116	\$ 3,166,698	\$ -	\$ 33,142,814
Equipment	1,673,839	181,214	-	1,855,053
Vehicles	4,072,638	343,794	592,257	3,824,175
Total Accumulated Depreciation	\$ 35,722,593	\$ 3,691,706	\$ 592,257	\$ 38,822,042
Total Capital Assets being Depreciated, Net	\$ 71,804,676	\$ (3,079,456)	\$ -	\$ 68,725,220
Governmental Activities Capital Assets, Net	\$ 72,667,289	\$ (3,079,456)	\$ -	\$ 69,587,833

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,863,836
School Leadership	21,623
Health Services	4,487
Student (Pupil) Transportation	270,548
Food Services	56,697
Cocurricular/Extracurricular Activities	1,316,478
General Administration	55,070
Plant Maintenance and Operations	59,202
Security and Monitoring Services	43,765
Total	<u>\$ 3,691,706</u>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

E. Long-term Obligations

Long-term Obligation Activity

Long-term obligation activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 44,770,000	\$ -	\$ 2,460,000	\$ 42,310,000	\$ 1,570,000
Capital Leases Payable	454,146	650,291	408,784	695,653	435,128
Loans Payable	6,999,478	-	559,739	6,439,739	569,739
Unamortized Premium (Discount)	3,983,129	-	245,658	3,737,471	-
Retirement Benefits	89,840	4,600	-	94,440	-
Total Governmental Activities	<u>\$ 56,296,593</u>	<u>\$ 654,891</u>	<u>\$ 3,674,181</u>	<u>\$ 53,277,303</u>	<u>\$ 2,574,867</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Value	Outstanding Amount
Unlimited Tax School Refunding Bonds, Series 2013	1.61%	\$ 7,990,000	\$ 3,710,000
Unlimited Tax Refunding Bonad, Series 2018	2.99%	40,870,000	38,600,000
Totals			<u>\$ 42,310,000</u>

Maturity requirements on bonded debt at year end, are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2021	\$ 1,570,000	\$ 1,644,831	\$ 3,214,831
2022	1,625,000	1,585,731	3,210,731
2023	1,690,000	1,524,481	3,214,481
2024	1,655,000	1,460,681	3,115,681
2025	1,720,000	1,392,031	3,112,031
2026-2030	9,990,000	5,579,905	15,569,905
2031-2035	12,515,000	3,052,205	15,567,205
2036-2040	11,545,000	915,782	12,460,782
Totals	<u>\$ 42,310,000</u>	<u>\$ 17,155,647</u>	<u>\$ 59,465,647</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year end.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020

E. Long-term Obligations (Continued)

Loans

The District issued various agreements identified here as loans. These loans include financing arrangements including maintenance tax notes.

Loan terms require annual principal and interest payments over the life of the loan. The Tax Maintenance Note is for 20 years, with final payment date of February 2036. The PJC Building Loan is for three years.

The following schedule lists the outstanding loans at year end:

Description	Interest Rate	Original Value	Outstanding Amount
Tax Maintenance Note, Series 2016	2.533%	\$ 7,380,060	\$ 6,190,000
City of Sulphur Springs - PJC Building	0.000%	998,955	249,739
Totals			<u>\$ 6,439,739</u>

Maturity requirement on the loans at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2021	\$ 569,739	\$ 151,013	\$ 720,752
2022	330,000	141,262	471,262
2023	340,000	131,212	471,212
2024	350,000	120,862	470,862
2025	360,000	112,012	472,012
2026-2030	1,895,000	448,319	2,343,319
2031-2035	2,130,000	219,050	2,349,050
2036-2040	465,000	6,975	471,975
Totals	<u>\$ 6,439,739</u>	<u>\$ 1,330,705</u>	<u>\$ 7,770,444</u>

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Original Property Value
Wells Fargo - Variable Reach Forklift	5.00%	\$ 52,465
Dell Financing - Computers	4.95%	567,000
Lenovo Financial Services - Computers	3.00%	217,442
Totals		<u>\$ 836,907</u>

The lease terms are for three years. The terms call for monthly and annual payments over the life of the lease.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of year end, are as follows:

Year Ending August 31	Total Requirements
2021	\$ 455,514
2022	257,103
2023	4,450
2024	4,450
Total Minimum Lease Payment	\$ 721,517
Less Amount Representing Interest	25,864
Present Value of Net Minimum Lease Payments	<u>\$ 695,653</u>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

F. Defined Benefits Pension Plan

1. *Plan Description*

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

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

2. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2019 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2019 and 2018.

Net Pension Liability	2019	2018
Total Pension Liability	\$ 209,961,325,288	\$ 209,611,328,793
Less: Plan Fiduciary Net Position	(157,978,199,075)	(154,568,901,833)
Net Pension Liability	\$ 51,983,126,213	\$ 55,042,426,960
Net Position as percentage of Pension Liability	75.24%	73.74%

3. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

F. Defined Benefits Pension Plan (Continued)

4. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code Section 825.402. The TRS Pension Reform Bill (SB12) of the 86th Texas Legislature amended Texas Government Code Section 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

<u>Contribution Rates</u>		<u>2019</u>	<u>2020</u>
Member		7.7%	7.7%
Non-Employer Contributing Entity (State)		6.8%	7.5%
Employers		6.8%	7.5%
Current Year	Employer Contributions	\$	964,846
Current year	Member Contributions	\$	2,381,518
Measurement Period	NECE On-Behalf Contributions	\$	1,341,811

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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 sources, a privately sponsored source, from non-educational and general, or local funds.

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

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

A Public Education Employer contribution surcharge of 1.5% on all covered payroll.

5. *Actuarial Assumptions*

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate	7.25%
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
Municipal Bond Rate	2.63%
Ending year in Projection Period	2116

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

F. Defined Benefits Pension Plan (Continued)

The actuarial assumptions used in this determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. A full description of the assumptions are included with the report dated November 9, 2018.

6. *Discount Rate*

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

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

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

Asset Class	FY 2019 Target Allocation ¹ %	New Target Allocation ² %	Long -Term Expected Geometric Real Rate of Return ³
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁴	11.0%	16.0%	3.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Real Return			
Global Inflation Linked Bonds ⁴	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% ⁵
Leverage			
Cash	1.0%	2.0%	2.50%
Asset Allocation Leverage	-	-6.0%	2.70%
Expected Return	<u>100%</u>	<u>100.0%</u>	<u>7.23%</u>

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

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

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

⁴ New Target Allocation groups Government Bonds within the stable value allocation.

This includes global sovereign nominal and inflation-linked bonds

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

F. Defined Benefits Pension Plan (Continued)

7. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 7.25% as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (6.25%) or 1 – percentage point higher (8.25%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 20,187,436	\$ 13,133,070	\$ 7,417,671

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

At August 31, 2020, the District reported a liability of \$ 5,794,033 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 13,133,070
State's proportionate share that is associated with the District	19,929,161
 Total	 \$ 33,062,231

The net pension liability was measured as of August 31, 2018 and rolled to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.0252641015%, which was an increase of 0.0007600352% from its proportion measured as of August 31, 2018.

9. *Changes Since the Prior Actuarial Valuation*

The following changes have occurred to the actuarial assumptions or other inputs that affects measurement of the total pension liability since the prior measurement date:

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

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

For the current year, the District recognized pension expense of \$ 5,865,531 and revenue of \$ 3,130,590 for support provided by the State.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

F. Defined Benefits Pension Plan (Continued)

At year end, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 55,171	\$ 456,001
Changes of actuarial assumptions	4,074,523	1,683,786
Differences between projected and actual investment earnings	131,871	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>1,106,291</u>	<u>93,812</u>
Total as of August 31, 2019 measurement date	5,367,856	2,233,599
Contributions paid to TRS subsequent to the measurement date	<u>964,846</u>	<u>-</u>
Total at fiscal year end	<u>\$ 6,332,702</u>	<u>\$ 2,233,599</u>

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

Year Ending August 31	Amount
2021	\$ 833,119
2022	674,451
2023	756,282
2024	706,321
2025	268,650
Thereafter	(104,566)

G. Other Post-Employment Benefit Plans

1. *Plan Description*

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

2. *OPEB Plan Fiduciary Net Position*

Detail Information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr/pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

The components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2019 and 2018 are as follows:

Description	2019	2018
Total OPEB Liability	\$ 48,583,247,239	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	<u>(1,292,022,349)</u>	<u>798,574,633</u>
Net OPEB Liability	<u>\$ 47,291,224,890</u>	<u>\$ 49,930,915,470</u>
Net Position as percentage of Total OPEB Liability	2.66%	1.57%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

G. Other Post-Employment Benefit Plans (Continued)

3. *Benefits Provided*

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

The premium rates for retirees are presented in the table below:

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

4. *Contributions*

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

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

Contribution Rates		
	<u>2019</u>	<u>2020</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%
Current Year	Employer Contributions	\$ 284,038
Current Year	Member Contributions	\$ 201,039
Measurement Period	NECE On-Behalf Contributions	\$ 347,806

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

G. Other Post-Employment Benefit Plans (Continued)

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 15.6 million in fiscal year 2017, \$ 212 million in fiscal year 2018 and \$ 73.6 million in fiscal year 2019.

5. *Actuarial Assumptions*

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

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

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 past retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.63%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior
Ad hoc post employment benefit changes	None

6. *Discount Rate*

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 applied to all periods of projected benefit payments to determine the total OPEB liability.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

G. Other Post-Employment Benefit Plans (Continued)

7. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than and less 1% less than the discount rate that was used (2.63%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net OPEB liability	\$ 21,058,423	\$ 17,442,277	\$ 14,613,360

8. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.5%), as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 14,228,797	\$ 17,442,277	\$ 21,746,862

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

At August 31, 2020, the District reported a liability of \$ 17,442,277 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	\$ 17,442,277
State's proportionate share that is associated with the District	23,176,883
Total	\$ 40,619,160

The net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the District's proportion of the collective net OPEB liability was 0.0368826894%, which was a decrease of 0.0005201310% from its proportion measured as of August 31, 2018.

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

- a. Discount rate decreased from 3.69% to 2.63%.
- b. The participation rate for pre-65 retirees was lowered from 70% to 65%. Post-65 retirees participation rate was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue coverage at age 65. This was not considered in previous calculations.
- c. Healthcare trend rates were reset.
- d. The percentage of retirees who are assumed to have two person coverage was lowered from 20% to 15%.
- e. Participation assumption for surviving spouses that die while actively employed was lowered from 20% to 10%.

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

G. Other Post-Employment Benefit Plans (Continued)

For the current year, the District recognized OPEB expense of \$ 1,093,999 and revenue of \$ 610,847 for support provided by the State.

At year end, 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 actuarial experiences	\$ 855,692	\$ 2,854,243
Changes in actuarial assumptions	968,782	4,691,544
Differences between projected and actual investment earnings	1,882	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	355,398	288,032
Total as of August 31, 2019 measurement date	\$ 2,181,754	\$ 7,833,819
Contributions paid to TRS subsequent to the measurement date	284,038	-
Total at fiscal year end	\$ 2,465,792	\$ 7,833,819

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

Year Ending August 31	Amount
2021	\$ (947,748)
2022	(947,748)
2023	(948,357)
2024	(948,706)
2025	(948,610)
Thereafter	(910,896)

H. Medicare Part D Coverage

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 retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2020, 2019 and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$ 143,613, \$ 104,420, and \$ 82,348, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

I. Risk Management

Health Care

During the year, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 250 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and Aetna is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the year ended December 31, 2019 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

I. Risk Management (Continued)

Workers' Compensation

The District established its self-funding workers' compensation program. Creative Risk Funding, Inc., through its actuarial review of the workers' compensation self insurance program, projected an undiscounted liability of \$ 100,356 as of year end. District administrative expenses for fiscal year 2019 were \$ 92,297.

The District maintains a self-insured retention of \$ 86,401 per occurrence. The District currently purchases excess coverage to statutory limits from Safety National Casualty Company. The District does not purchase aggregate excess insurance. Claims administration is provided by Creative Risk Funding, Inc.

The accrued liability for workers' compensation self insurance of \$ 100,356 includes incurred but not reported claims of \$ 86,041. This liability reported in the fund at year end, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Changes in the workers' compensation claims liability amounts in the periods of 2020 and 2019 are represented below:

	2020	2019
Beginning Claims Liability	\$ 102,311	\$ 106,090
Claims Incurred (Reduced)	-	16,674
Claim Payments	-	(20,453)
Ending Claims Liability	\$ 100,356	\$ 102,311

Unemployment Compensation Pool

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

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

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

Other 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 year 2020, the District purchased commercial insurance to cover these liabilities. There were not 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.

J. Litigation

The District appears to have no pending litigation as of August 31, 2020.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

K. Commitments 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 year end, 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.

The global outbreak of coronavirus disease 2019 ("COVID-19") presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management of the District is actively monitoring the global situation on its financial condition, liquidity, operations, supplies, vendors, and industry. Given the evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations and financial condition.

During the year, the District received revenue from local and intermediate sources in the Districts individual major funds and aggregate non-major funds consisting of the following:

	General	Debt Service	Other Governmental	Totals
Property Tax Collections	\$ 13,433,938	\$ 4,296,333	\$ -	\$ 17,730,271
Investment Income	182,248	57,724	97	240,069
Tuition and Fees	19,780	-	-	19,780
Food Service Income	-	-	312,997	312,997
Gifts and Bequests	2,450	-	8,465	10,915
Cocurricular/Extracurricular Activities	191,077	-	837,387	1,028,464
Rent	717	-	-	717
Other	298,248	-	-	298,248
Totals	\$ 14,128,458	\$ 4,354,057	\$ 1,158,946	\$ 19,641,461

N. Receivables

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

	General	Debt Service	Other Governmental	Totals
Due from Other Governments	\$ -	\$ 91,516	\$ 341,368	\$ 432,884
Property Taxes Receivable	671,675	196,828	-	868,503
Less: Allowance for Uncollectible Property Taxes	(67,167)	(19,683)	-	(86,850)
Net Receivables	\$ 604,508	\$ 268,661	\$ 341,368	\$ 1,214,537

O. Subsequent Events

Management has evaluated all events or transactions that occurred after August 31, 2020 up through December 8, 2020 the date the financial statements were issued.

P. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle up with the State will occur some 9 to 10 months following the fiscal year end.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2020

P. State Aid Reconciliation (Continued)

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 1,301,204	\$ 21,741,299	Not	\$ 296,033
Prior Year Settle Ups - TEA	-	(20,307)	Eligible	7,439
August Instructional Days Change	(56,207)	(1,152,730)	-	-
Financial Statement Earnings	\$ 1,244,997	\$ 20,568,262	\$ -	\$ 303,472
Financial Statement Amounts				
SOF Receivable (Overpayment) *	-	(16,559)	-	\$ 91,516
August Instructional Days Receivable	-	-	-	-

* Overpayments are represented in the financial statements as Unearned Revenue (government-wide and governmental).

Q. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure level

	Budget	Actual	Excess
General Fund:			
Instructional	\$ 25,757,062	\$ 25,838,078	\$ 81,016
Social Services	44,500	46,441	1,941

R. Interfund Balances and Activities

Transfers Between Funds

Transfers between funds during the year consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Capital Projects Fund	\$ 75,866	Gate Allocation

Interfund Receivables and Payables

The composition of interfund balances as of year end is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service	General	\$ 1,164
General	Head Start	180
Capital Projects	General	31,400
	Total	<u>\$ 32,744</u>

S. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Regional Day School for the Deaf	Greenville Independent School District	Deaf Education

REQUIRED SUPPLEMENTARY INFORMATION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 14,110,739	\$ 14,135,790	\$ 14,128,458	\$ (7,332)
5800 State Program Revenues	27,273,797	27,509,348	24,006,168	(3,503,180)
5900 Federal Program Revenues	568,000	568,000	325,090	(242,910)
5020 Total Revenues	\$ 41,952,536	\$ 42,213,138	\$ 38,459,716	\$ (3,753,422)
EXPENDITURES				
Instruction and Instructional Related Services:				
0011 Instruction	\$ 25,251,241	\$ 25,757,062	\$ 25,838,078	\$ (81,016)
0012 Instructional Resources and Media Services	498,126	512,104	501,369	10,735
0013 Curriculum and Staff Development	496,759	514,904	499,043	15,861
Total Instruction and Instr. Related Services	\$ 26,246,126	\$ 26,784,070	\$ 26,838,490	\$ (54,420)
Instructional and School Leadership:				
0021 Instructional Leadership	\$ 1,201,321	\$ 1,252,006	\$ 1,241,906	\$ 10,100
0023 School Leadership	1,683,436	1,716,080	1,705,795	10,285
Total Instructional and School Leadership	\$ 2,884,757	\$ 2,968,086	\$ 2,947,701	\$ 20,385
Support Services - Student (Pupil):				
0031 Guidance, Counseling, and Evaluation Services	\$ 1,136,855	\$ 1,241,743	\$ 1,231,413	\$ 10,330
0032 Social Work Services	42,500	44,500	46,441	(1,941)
0033 Health Services	511,853	544,327	533,518	10,809
0034 Student (Pupil) Transportation	1,802,463	1,752,470	1,534,264	218,206
0035 Food Service	79,234	85,011	11,229	73,782
0036 Cocurricular/Extracurricular Activities	1,360,034	1,343,124	1,287,744	55,380
Total Support Services - Student (Pupil)	\$ 4,932,939	\$ 5,011,175	\$ 4,644,609	\$ 366,566
Administrative Support Services:				
0041 General Administration	\$ 1,443,521	\$ 1,477,637	\$ 1,405,431	\$ 72,206
Total Administrative Support Services	\$ 1,443,521	\$ 1,477,637	\$ 1,405,431	\$ 72,206
Support Services - Nonstudent Based:				
0051 Plant Maintenance and Operations	\$ 4,253,228	\$ 4,181,024	\$ 3,876,465	\$ 304,559
0052 Security and Monitoring Services	763,844	799,647	783,902	15,745
0053 Data Processing Services	432,783	431,561	428,002	3,559
Total Support Services - Nonstudent Based	\$ 5,449,855	\$ 5,412,232	\$ 5,088,369	\$ 323,863
Debt Service:				
0071 Principal on Long-Term Debt	\$ 648,739	\$ 735,384	\$ 877,778	\$ (142,394)
0072 Interest on Long-Term Debt	169,873	172,047	172,832	(785)
0073 Bond Issuance Costs and Fees	250	175,623	500	175,123
Total Debt Service	\$ 818,862	\$ 1,083,054	\$ 1,051,110	\$ 31,944
Capital Outlay:				
0081 Capital Outlay	\$ 100,000	\$ 223,240	\$ 175,100	\$ 48,140
Total Capital Outlay	\$ 100,000	\$ 223,240	\$ 175,100	\$ 48,140
6030 Total Expenditures	\$ 41,876,060	\$ 42,959,494	\$ 42,150,810	\$ 808,684
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 76,476	\$ (746,356)	\$ (3,691,094)	\$ (2,944,738)
OTHER FINANCING SOURCES (USES)				
7913 Issuance of Capital Leases	\$ -	\$ -	\$ 650,291	\$ 650,291
8911 Transfers Out	-	(44,416)	(75,866)	(31,450)
7080 Net Other Financing Sources (Uses)	\$ -	\$ (44,416)	\$ 574,425	\$ 618,841
1200 Net Change in Fund Balance	\$ 76,476	\$ (790,772)	\$ (3,116,669)	\$ (2,325,897)
0100 Fund Balance - Beginning (September 1)	12,763,824	12,763,824	12,763,824	-
3000 Fund Balance - Ending (August 31)	\$ 12,840,300	\$ 11,973,052	\$ 9,647,155	\$ (2,325,897)

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2020

	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0252641015%	0.0245040663%	0.0242798564%	0.0247506559%	0.025678000%	0.0156291000%
District's proportionate share of the net pension liability	\$ 13,133,070	\$ 13,487,633	\$ 7,763,390	\$ 9,352,905	\$ 8,931,831	\$ 4,174,749
State's proportionate share of the net pension liability associated with the District	<u>19,929,161</u>	<u>22,236,112</u>	<u>13,371,829</u>	<u>15,498,440</u>	<u>14,895,686</u>	<u>12,685,986</u>
Total	<u>\$ 33,062,231</u>	<u>\$ 35,723,745</u>	<u>\$ 21,135,219</u>	<u>\$ 24,851,345</u>	<u>\$ 23,827,517</u>	<u>\$ 16,860,735</u>
District's covered-employee payroll (for Measurement Year)	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673	\$ 25,285,780	\$ 24,385,593	\$ 23,097,299
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	47.33%	50.00%	29.50%	36.99%	36.63%	18.07%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 68.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED AUGUST 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 964,846	\$ 850,008	\$ 825,298	\$ 795,061	\$ 786,507	\$ 748,158
Contributions in relations to the contractual required contributions	<u>(964,846)</u>	<u>(850,008)</u>	<u>(825,298)</u>	<u>(795,061)</u>	<u>(786,507)</u>	<u>(748,158)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673	\$ 25,285,780	\$ 24,385,593
Contributions as a percentage of covered employee payroll	3.12%	3.06%	3.06%	3.02%	3.11%	3.07%

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED AUGUST 31, 2020

	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>
District's proportion of the Net OPEB Liability (Asset)	0.0368826894%	0.0374028204%	0.0366617793%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 17,442,277	\$ 18,675,571	\$ 15,942,833
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>23,176,883</u>	<u>21,418,687</u>	<u>19,415,301</u>
Total	<u>\$ 40,619,160</u>	<u>\$ 40,094,258</u>	<u>\$ 35,358,134</u>
District's covered-employee payroll (for Measurement Year)	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	62.87%	69.24%	60.58%
Plan fiduciary net position as a percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: Only three plementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 75.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED AUGUST 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 284,038	\$ 258,199	\$ 225,879
Contributions in relations to the contractual required contributions	<u>(284,038)</u>	<u>(258,199)</u>	<u>(255,879)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779
Contributions as a percentage of covered employee payroll	0.92%	0.93%	0.95%

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2020

A. Budget

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

B. Defined Benefit Pension Plan

1. Changes of Assumptions Since the Prior Measurement Date

The following changes occurred in the plan assumptions:

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

2. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period. However, the Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for increased contributions from the state, participating employers and active employees to ensure the pension fund is actuarially sound. Because of this legislation, the fund was declared actuarially sound and an additional benefit disbursement was made to all eligible members.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2020

C. OPEB Healthcare Plan

1. Changes of Assumptions Since the Prior Measurement Date

The following changes occurred in the plan assumptions.

- a. The discount rate changed from 3.69% to 2.63%.
- b. The participation rate for the pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation
- c. The trend rates were reset to better reflect the plan's anticipated experience.
- d. The percentage of retirees who are assumed to have two person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%.

2. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

OTHER SUPPLEMENTARY INFORMATION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2020

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2019	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2020
		Maintenance	2 Debt Service							
XXXX	2011 and Prior Years	Various	Various	Various	\$ 111,687	\$ -	\$ 2,259	\$ 555	\$ (21,240)	\$ 87,633
2011	2012	1.040000	0.320480	1,080,181,224	40,304	-	1,853	571	(5,447)	32,433
2012	2013	1.040000	0.320480	1,104,841,527	40,744	-	3,232	996	(5,917)	30,599
2013	2014	1.040000	0.320480	1,132,305,672	50,536	-	3,788	1,167	(5,964)	39,617
2014	2015	1.040000	0.310480	1,187,248,597	58,596	-	6,501	1,941	(5,729)	44,425
2015	2016	1.040000	0.310480	1,178,251,066	72,283	-	9,873	2,947	(6,087)	53,376
2016	2017	1.040000	0.310480	1,210,166,032	101,264	-	20,735	6,190	(1,018)	73,321
2017	2018	1.040000	0.310480	1,247,203,165	138,256	-	35,239	10,520	(2,222)	90,275
2018	2019	1.040000	0.310480	1,294,619,737	313,023	-	124,113	37,052	(11,297)	140,561
2019	2020	0.970000	0.310480	1,363,318,577	-	17,457,022	13,046,706	4,176,032	41,981	276,265
1000	TOTALS				\$ 926,693	\$ 17,457,022	\$ 13,254,299	\$ 4,237,971	\$ (22,940)	\$ 868,505

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	Local and Intermediate Sources	\$ 420,600	\$ 420,600	\$ 313,962	\$ (106,638)
5800	State Program Revenues	13,500	13,500	67,155	53,655
5900	Federal Program Revenues	1,825,000	1,825,000	1,523,755	(301,245)
5020	Total Revenues	<u>\$ 2,259,100</u>	<u>\$ 2,259,100</u>	<u>\$ 1,904,872</u>	<u>\$ (354,228)</u>
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 2,207,545	\$ 2,618,290	\$ 2,154,244	\$ 464,046
	Total Support Services - Student (Pupil)	<u>\$ 2,207,545</u>	<u>\$ 2,618,290</u>	<u>\$ 2,154,244</u>	<u>\$ 464,046</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 44,000	\$ 44,000	\$ 30,859	\$ 13,141
	Total Support Services - Nonstudent Based	<u>\$ 44,000</u>	<u>\$ 44,000</u>	<u>\$ 30,859</u>	<u>\$ 13,141</u>
6030	Total Expenditures	<u>\$ 2,251,545</u>	<u>\$ 2,662,290</u>	<u>\$ 2,185,103</u>	<u>\$ 477,187</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,555</u>	<u>\$ (403,190)</u>	<u>\$ (280,231)</u>	<u>\$ 122,959</u>
1200	Net Change in Fund Balance	\$ 7,555	\$ (403,190)	\$ (280,231)	\$ 122,959
0100	Fund Balances - Beginning (September 1)	717,968	717,968	717,968	-
3000	Fund Balances - Ending (August 31)	<u><u>\$ 725,523</u></u>	<u><u>\$ 314,778</u></u>	<u><u>\$ 437,737</u></u>	<u><u>\$ 122,959</u></u>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 4,200,082	\$ 4,200,082	\$ 4,354,057	\$ 153,975
5800	State Program Revenues	294,424	294,424	303,472	9,048
5020	Total Revenues	\$ 4,494,506	\$ 4,494,506	\$ 4,657,529	\$ 163,023
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 2,460,000	\$ 2,460,000	\$ 2,460,000	\$ -
0072	Interest on Long-term Debt	1,749,132	1,749,132	1,749,131	1
0073	Debt Issuance Costs and Fees	4,500	4,500	1,000	3,500
	Total Debt Service	\$ 4,213,632	\$ 4,213,632	\$ 4,210,131	\$ 3,501
6030	Total Expenditures	\$ 4,213,632	\$ 4,213,632	\$ 4,210,131	\$ 3,501
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 280,874	\$ 280,874	\$ 447,398	\$ 166,524
1200	Net Change in Fund Balance	\$ 280,874	\$ 280,874	\$ 447,398	\$ 166,524
0100	Fund Balance - Beginning (September 1)	3,325,814	3,325,814	3,325,814	-
3000	Fund Balance - Ending (August 31)	\$ 3,606,688	\$ 3,606,688	\$ 3,773,212	\$ 166,524

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AUGUST 31, 2020

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

FEDERAL AWARDS SECTION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(2A) Pass-Through Grantor's Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Head Start	93.600	06CH0427/28	\$ 1,248,820
Head Start	93.600	06CH0427/29	113,553
Head Start - COVID -19	93.600	06CH011108	<u>4,091</u>
Total Direct Program			<u>1,366,464</u>
Passed through the Texas Department of Human Services:			
Medicaid Administrative Claiming	93.778	112901	<u>18,819</u>
Total Department of Health and Human Services			<u>\$ 1,385,283</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
Child Nutrition Cluster:			
School Breakfast Program*	10.553	0600	\$ 334,020
National School Lunch Program*	10.555	0600	1,001,220
Summer Feeding Program*	10.559	7526023	<u>227,653</u>
Total Child Nutrition Cluster			<u>1,562,893</u>
Child and Adult Care Food Program	10.558	7526023	15,515
USDA Commodity Food Distribution	10.565	112001A	<u>188,515</u>
Total Department of Agriculture			<u>\$ 1,766,923</u>

* Denotes Major Program

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(2A) Pass-Through Grantor's Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs	84.010	20610101112901	\$ 1,097,147
ESSA Title I Part A - School Improvement	84.010	20610123112901	86,159
Total CFDA 84.010			<u>1,183,306</u>
IDEA-B Formula	84.027	206600011129016600	758,709
IDEA-B Formula	84.027	216600011129016600	74,041
Total CFDA 84.027			<u>832,750</u>
Vocational Education - Basic Grant	84.048	2042000161129010	55,232
IDEA-B Preschool	84.173	206610011129016610	23,253
ESSA Title III Part A - LEP	84.365	21671001112901	1,876
ESSA Title III Part A - LEP	84.365	20671001112901	53,710
Total CFDA 84.365			<u>134,071</u>
ESSA Title II Part A - Teacher & Principal Training	84.367	20694501112901	127,388
ESSA Title IV Part A, Subpart 1	84.424	20680101112901	84,427
ESSA Title VI, Part B - REAP	84.358	20696001112901	84,745
Summer School LEP	84.369	69551802	4,007
Elementary and Secondary School Relief - ESSER	84.425	20521001112901	125,278
Instructional Continuity		17610740112901	10,500
Total passed through the Texas Education Agency			<u>\$ 2,586,472</u>
Total Department of Education			<u>\$ 2,586,472</u>
Total Expenditures of Federal Awards			<u>\$ 5,738,678</u>

* Denotes Major Program

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2020

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sulphur Springs Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at August 31, 2020.

C. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$	5,738,678
SHARS Funding		302,265
Federal Revenue (Exhibit C-3)	\$	6,404,943