

LORENZO INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2021

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LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

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## INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Lorenzo Independent School District  
Name of School District

Crosby  
County

054-902  
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and \_\_\_ approved \_\_\_ disapproved (check one) for the year ended June 30, 2021 at a meeting of the Board of Trustees of such school district on the 20<sup>th</sup> day of September, 2021.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary):

## FINANCIAL SECTION

# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

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## Independent Auditors' Report

Board of Trustees  
Lorenzo Independent School District  
P.O. Box 520  
Lorenzo, Texas 79343

Members of the Board of Trustees:

### ***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 Lorenzo Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Lorenzo Independent School District, as of June 30, 2021, and the respective changes in financial position 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, budgetary comparison information, pension schedules, and OPEB schedules, identified as Required Supplementary Information in the table of contents, 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 Lorenzo Independent School District's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

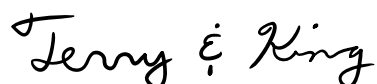
This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021, on our consideration of the Lorenzo Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lorenzo Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King". The signature is written in black ink and is positioned above the typed name of the firm.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
September 20, 2021

## BASIC FINANCIAL STATEMENTS

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

STATEMENT OF NET POSITION  
June 30, 2021

1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 3,877,386
1225	Taxes Receivable, Net	42,785
1240	Due from Other Governments	384,597
1260	Interfund Balances	9,571
	Capital Assets:	
1510	Land	230,500
1520	Buildings and Improvements, net	2,478,728
1530	Furniture and Equipment, net	<u>371,630</u>
1000	<u>Total Assets</u>	<u>\$ 7,395,197</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Outflows - Pension	\$ 521,492
1706	Deferred Outflows - OPEB	396,305
	<u>Total Deferred Outflows of Resources</u>	<u>\$ 917,797</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 23,612
2180	Due to Other Governments	5,730
2300	Unearned Revenue	599,531
	Noncurrent Liabilities:	
2540	Net Pension Liability	1,563,983
2545	Net OPEB Liability	<u>1,768,763</u>
2000	<u>Total Liabilities</u>	<u>3,961,619</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflows - Pension	\$ 574,482
2606	Deferred Inflows - OPEB	1,904,130
	<u>Total Deferred Inflows of Resources</u>	<u>\$ 2,478,612</u>
	NET POSITION:	
3200	Net investment in capital assets	3,080,858
3900	Unrestricted	<u>(1,208,095)</u>
3000	<u>TOTAL NET POSITION</u>	<u>\$ 1,872,763</u>

The accompanying notes are an integral part of this statement.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021

Data Control		1	3	4	Net (Expense)
			Program Revenues		Revenue and
Codes	Functions/Programs	Expenses	Charges for	Operating	Changes in
			Services	Grants and	Net Position
				Contributions	
	Government Activities:				
11	Instruction and Instruction-Related Services	\$ 2,458,125	\$ 335,135	\$ 991,006	\$ (1,131,984)
12	Instructional Resources and Media Services	31,472	-	1,345	(30,127)
13	Curriculum Development and Instructional Staff Development	11,920	845	-	(11,075)
21	Instructional Leadership	231,668	181,720	38,117	(11,831)
23	School Leadership	361,910	-	21,865	(340,045)
31	Guidance, Counseling, & Evaluation Services	287,255	62,847	70,502	(153,906)
33	Health Services	82,753	9,437	6,913	(66,403)
34	Student (Pupil) Transportation	41,286	559	651	(40,076)
35	Food Services	243,293	9,614	208,629	(25,050)
36	Extracurricular Activities	139,403	76,901	1,938	(60,564)
41	General Administration	444,130	20,903	75,747	(347,480)
51	Plant Maintenance and Operations	587,105	77,701	13,125	(496,279)
52	Security and Monitoring Services	3,531	-	-	(3,531)
53	Data Processing	95,851	13,444	5,495	(76,912)
72	Interest on Long-Term Debt	1,381	-	-	(1,381)
93	Payments to Shared Service Arrangements	133,390	-	-	(133,390)
99	Other Intergovernmental Charges	49,951	-	-	(49,951)
TG	<u>Total Government Activities</u>	<u>5,204,424</u>	<u>789,106</u>	<u>1,435,333</u>	<u>(2,979,985)</u>
TP	Total Primary Government	<u>5,204,424</u>	<u>789,106</u>	<u>1,435,333</u>	<u>(2,979,985)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,816,988
IE	Investment Earnings				17,713
GC	Grants and Contributions Not Restricted to Specific Programs				944,641
MI	Miscellaneous				45,359
TR	Total General Revenue				<u>2,824,701</u>
CN	Change in Net Position				(155,284)
NB	Net Position -- Beginning				<u>2,028,047</u>
NE	Net Position -- Ending				<u>\$ 1,872,763</u>

The accompanying notes are an integral part of this statement.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2021

Data Control Codes	10		Other	98	
	General Fund	Special Education	Governmental Funds	Total Governmental Funds	
	<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 3,718,629	\$ 110,815	\$ 47,942	\$ 3,877,386
1225	Taxes Receivable, Net	42,785	-	-	42,785
1240	Due from Other Governments	294,094	18,666	71,837	384,597
1260	Due from Other Funds	81,702	-	-	81,702
1000	<u>TOTAL ASSETS</u>	<u>\$ 4,137,210</u>	<u>\$ 129,481</u>	<u>\$ 119,779</u>	<u>\$ 4,386,470</u>
	<b>LIABILITIES:</b>				
	<b>Current Liabilities:</b>				
2110	Accounts Payable	\$ 23,612	\$ -	\$ -	\$ 23,612
2170	Due to Other Funds	-	294	71,837	72,131
2180	Due to Other Governments	-	5,730	-	5,730
2300	Unearned Revenue	476,074	123,457	-	599,531
2000	<u>Total Liabilities</u>	<u>499,686</u>	<u>129,481</u>	<u>71,837</u>	<u>701,004</u>
	<b>DEFERRED INFLOWS OF RESOURCES:</b>				
2600	Unavailable Revenue - Property Taxes	42,785	-	-	42,785
	<u>Total Deferred Inflows of Resources</u>	<u>42,785</u>	<u>-</u>	<u>-</u>	<u>42,785</u>
	<b>FUND BALANCES:</b>				
	<b>Committed Fund Balances:</b>				
3510	Construction	750,000	-	-	750,000
	<b>Assigned Fund Balance</b>				
3590	Other Assigned Fund Balance	-	-	47,942	47,942
3600	Unassigned	2,844,739	-	-	2,844,739
3000	<u>Total Fund Balance</u>	<u>3,594,739</u>	<u>-</u>	<u>47,942</u>	<u>3,642,681</u>
4000	<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 4,137,210</u>	<u>\$ 129,481</u>	<u>\$ 119,779</u>	<u>\$ 4,386,470</u>

The accompanying notes are an integral part of this statement.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2021

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 3,642,681
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,080,858
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.	42,785
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$521,492, a deferred resource inflow in the amount of \$574,482, and a net pension liability in the amount of \$1,563,983. This resulted in a decrease in net position.	(1,616,973)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$396,305, a deferred resource inflow in the amount of \$1,904,130, and a net OPEB liability in the amount of \$1,768,763. This resulted in a decrease in net position	<u>(3,276,588)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u><u>\$ 1,872,763</u></u>

The accompanying notes are an integral part of this statement.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2021

Data Control Codes		10			98
		General Fund	Special Education	Other Governmental Funds	Total Governmental Funds
	REVENUES:				
5700	Local and Intermediate Sources	\$ 1,956,231	\$ 663,263	\$ 70,461	\$ 2,689,955
5800	State Program Revenues	1,103,388	32,536	1,448	1,137,372
5900	Federal Program Revenues	282,000	-	907,715	1,189,715
5020	<u>Total Revenues</u>	<u>3,341,619</u>	<u>695,799</u>	<u>979,624</u>	<u>5,017,042</u>
	EXPENDITURES:				
	Current:				
0011	Instruction and Instruction-Related Services	1,203,564	351,623	784,053	2,339,240
0012	Instructional Resources and Media Services	29,752	-	-	29,752
0013	Curriculum Development and Instructional Staff Development	10,404	845	-	11,249
0021	Instructional Leadership	2,079	192,801	25,274	220,154
0023	School Leadership	342,379	-	-	342,379
0031	Guidance, Counseling, & Evaluation Services	147,203	66,384	60,159	273,746
0033	Health Services	68,028	10,331	-	78,359
0034	Student (Pupil) Transportation	38,429	559	-	38,988
0035	Food Services	229,656	-	-	229,656
0036	Cocurricular/Extracurricular Activities	109,118	-	22,519	131,637
0041	General Administration	385,779	21,511	14,184	421,474
0051	Plant Maintenance and Operations	538,821	37,511	-	576,332
0052	Security and Monitoring Services	3,531	-	-	3,531
0053	Data Processing Services	81,835	14,234	-	96,069
0071	Principal on Long-Term Debt	40,019	-	-	40,019
0072	Interest on Long-Term Debt	1,381	-	-	1,381
0093	Payments to Shared Service Arrangements	133,390	-	-	133,390
0099	Other Intergovernmental Charges	49,951	-	-	49,951
6030	<u>Total Expenditures</u>	<u>3,415,319</u>	<u>695,799</u>	<u>906,189</u>	<u>5,017,307</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(73,700)	-	73,435	(265)
	Other Financing Sources and (Uses):				
7915	Operating Transfers In	25,493	-	-	25,493
8911	Operating Transfers Out	-	-	(25,493)	(25,493)
	<u>Total Other Financing Sources and (Uses)</u>	<u>25,493</u>	<u>-</u>	<u>(25,493)</u>	<u>-</u>
1200	Net Change in Fund Balances	(48,207)	-	47,942	(265)
0100	Fund Balances -- Beginning	3,642,946	-	-	3,642,946
3000	<u>Fund Balances -- Ending</u>	<u>\$ 3,594,739</u>	<u>\$ -</u>	<u>\$ 47,942</u>	<u>\$ 3,642,681</u>

The accompanying notes are an integral part of this statement.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

Net Change in Fund Balances -- Total Governmental Funds	\$ (265)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	23,049
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(279,665)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period.	(1,220)
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness.	40,019
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$94,248. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$102,812. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$33,612. The net result is an decrease in the change in net position.	(42,176)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$24,109. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused an decrease in net position totaling \$29,713. Finally, the proportionate share of the OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$110,578. The net result is an decrease in in the change in net position.	<u>104,974</u>
Change in Net Position of Governmental Activities -- Statement of Activities	<u>\$ (155,284)</u>

The accompanying notes are an integral part of this statement.



LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2021

	<u>AGENCY FUNDS</u>
ASSETS:	
Cash and Cash Equivalents	\$ 46,679
TOTAL ASSETS	<u>\$ 46,679</u>
LIABILITIES:	
Due to Student Groups	\$ 37,108
Due to Other Funds	<u>9,571</u>
TOTAL LIABILITIES	<u>\$ 46,679</u>

The accompanying notes are an integral part of this statement.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS  
Year Ended June 30, 2021

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except 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 non-exchange transactions.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2  
Year Ended June 30, 2021

A. Summary of Significant Accounting Policies (Continued)

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

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

The District reports the following major governmental funds:

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

Special Education: This is the District's fund for the shared services arrangement with other member school districts for the purpose of serving students with special needs.

Annual budgets for the General Fund and Special Education Fund are adopted on a basis consistent with generally accepted accounting principles.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or committed for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Any unused balances are returned to the grantor at the close of specific project periods. Project accounting is employed to maintain integrity for the various sources of funds.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3  
Year Ended June 30, 2021

A. Summary of Significant Accounting Policies (Continued)

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

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

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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. Revenues from grants, entitlements, and donations are 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, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4  
Year Ended June 30, 2021

A. Summary of Significant Accounting Policies (Continued)

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District does not have any restricted fund balance.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Unassigned: This classification includes the residual fund balance for the General Fund.

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.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5  
Year Ended June 30, 2021

A. Summary of Significant Accounting Policies (Continued)

d. Pensions

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

3. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

b. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of June 30, 2021, the amount deemed uncollectible by this estimate was \$69,829. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6  
Year Ended June 30, 2021

A. Summary of Significant Accounting Policies (Continued)

d. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the 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 estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

e. Receivable and Payable Balances

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

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

f. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District current has two items which qualify for reporting in this category.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7  
Year Ended June 30, 2021

A. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has one type of item which arises under the modified accrual basis of accounting and one type of item that qualifies under the accrual basis of accounting. Accordingly, unavailable ad valorem tax revenue is only reported in the governmental funds balance sheet; and deferred inflows related to pensions and OPEBs is only reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

g. Interfund Activity

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

h. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. This includes capital leases payable.

In the fund financial statements, governmental fund types report the face amount debt issued as other financing sources. Principal payments on related debt are reported as expenditures.



LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8  
Year Ended June 30, 2021

A. Summary of Significant Accounting Policies (Continued)

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

j. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The Texas Education Agency requires the display of these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide database for policy development and funding plans.

k. Pensions

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

l. Other Post-Employment Benefits

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9  
Year Ended June 30, 2021

B. Stewardship, Compliance and Accountability

1. Budgetary Information

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

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Child Nutrition Fund (which is included in the General Fund). The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

2. Fair Value Measurements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10  
Year Ended June 30, 2021

B. Stewardship, Compliance and Accountability (continued)

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

C. Deposits and Investments

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

Cash Deposits

At June 30, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$3,924,065 and the bank balance was \$4,189,574. The District's cash deposits at June 30, 2021 and throughout the fiscal year were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11  
Year Ended June 30, 2021

C. Deposits and Investments (Continued)

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

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 101% of the investment’s market value.

The District’s investments at June 30, 2021 included certificates of deposit in the amount of \$1,711,309 and investment pools in the amount of \$1,990,340.

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating (Standard &amp; Poor’s)</u>	<u>Maturity</u>	<u>Amount</u>
Lone Star –COF	General Fund	AAAm	Wtd Avg Maturity 50 days	\$ 1,990,340

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12  
Year Ended June 30, 2021

C. Deposits and Investments (Continued)

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Lone Star

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 Public Funds Investment 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 AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Corporate Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. 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.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end as 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.

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Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13  
Year Ended June 30, 2021

C. Deposits and Investments (Continued)

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14  
Year Ended June 30, 2021

D. Interfund Balances and Transfers

Interfund balances at June 30, 2021 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Agency Funds	\$ 9,571	-
Special Education Fund	294	
Special Revenue Funds	<u>71,837</u>	<u>\$ -</u>
<u>Total General Fund</u>	<u>81,702</u>	<u>-</u>
<u>Special Education Fund:</u>		
General Fund	<u>-</u>	<u>294</u>
<u>Special Revenue Funds:</u>		
General Fund	<u>-</u>	<u>71,837</u>
<u>Agency Fund:</u>		
General Fund	<u>-</u>	<u>9,571</u>
<u>Total</u>	<u>\$ 81,702</u>	<u>\$ 81,702</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of various funds and to report interfund balances not paid as of year-end. All balances are expected to be paid within one year.

<u>Fund</u>	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	<u>25,493</u>	<u>\$ -</u>
<u>Total General Fund</u>	<u>25,493</u>	<u>-</u>
<u>Special Revenue Fund:</u>		
General Fund	<u>-</u>	<u>25,493</u>

The ESSER Special Revenue Fund transferred \$25,493 to the General Fund to reimburse for qualified COVID-19 prior period expenditures.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15  
Year Ended June 30, 2021

E. Capital Assets

Capital asset activity for the period ended June 30, 2021 was as follows:

<u>Government Activities</u>	<u>Balance</u> <u>07/01/20</u>	<u>Additions</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>06/30/21</u>
Land	\$ 230,500	\$ -	\$ -	\$ 230,500
Buildings & Improvements	7,434,059	8,280	-	7,442,339
Vehicles	651,135	-	-	651,135
Furniture & Equipment	<u>1,586,494</u>	<u>14,769</u>	-	<u>1,601,263</u>
Total Capital Assets	9,902,188	23,049	-	9,925,237
 <u>Less Accumulated</u> <u>Depreciation:</u>				
Buildings & Improvements	4,767,909	195,702	-	4,963,611
Vehicles	357,050	41,312	-	398,362
Furniture & Equipment	<u>1,439,756</u>	<u>42,651</u>	-	<u>1,482,407</u>
Total Accum. Depreciation	<u>6,564,715</u>	<u>279,665</u>	-	<u>6,844,380</u>
 Net Capital Assets	 <u>\$3,337,473</u>	 <u>\$ (256,616)</u>	 <u>\$ -</u>	 <u>\$ 3,080,857</u>

Depreciation was charges to functions as follows:

11-Instructions	\$ 139,390
12-Instructional Resources & Media Services	1,773
13-Curriculum Development	670
21-Instructional Leadership	13,120
23-School Leadership	20,405
31-Guidance, Counseling & Evaluation Services	16,314
33-Health Services	4,670
34-Student (Pupil) Transportation	2,324
35-Food Service	13,687
36-Cocurricular/Extracurricular Activities	7,845
41-General Administration	25,119
51-Plant Maintenance & Operations	<u>34,348</u>
	<u>\$ 279,665</u>



LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16  
Year Ended June 30, 2021

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

G. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities.

1. Changes in long-term obligations for the year ended June 30, 2020, are as follows:

<u>Governmental</u> <u>Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Capital Leases	\$ 40,019	\$ -	\$ 40,019	\$ -	\$ -
Net Pension Liability	1,873,467	(188,997)	120,487	1,563,983	-
Net OPEB Liability	<u>2,715,509</u>	<u>(911,381)</u>	<u>35,365</u>	<u>1,768,763</u>	-
Total governmental activities	<u>\$ 4,628,995</u>	<u>\$(1,100,378)</u>	<u>\$ 195,871</u>	<u>\$ 3,332,746</u>	<u>\$ -</u>

H. Defined Benefit 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.

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NOTES TO THE FINANCIAL STATEMENTS, Page 17  
Year Ended June 30, 2021

H. Pension Plan (continued)

2. Pension Plan Fiduciary Net Position

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

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

In May, 2019, the 86<sup>th</sup> 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 13<sup>th</sup> 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.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18  
Year Ended June 30, 2021

H. 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 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
<b>Member</b>	<b>7.7%</b>	<b>7.7%</b>
<b>Non-Employer Contributing Entity (State)</b>	<b>7.5%</b>	<b>7.5%</b>
<b>Employers</b>	<b>7.5%</b>	<b>7.5%</b>
<b>Current Fiscal Year Employer Contributions</b>		<b>\$ 112,476</b>
<b>Current Fiscal Year Member Contributions</b>		<b>\$ 222,192</b>
<b>2020 Measurement Year NECE On-behalf Contributions</b>		<b>\$ 158,361</b>

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

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Lorenzo, Texas

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Year Ended June 30, 2021

H. Pension Plan (continued)

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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Lorenzo, Texas

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Year Ended June 30, 2021

H. Pension Plan (continued)

5. Actuarial Assumptions

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include Only federally tax-exempt municipal Bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
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Year Ended June 30, 2021

H. Pension Plan (continued)

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.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	FY 2020 Target Allocation*	Long-Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
<b>Stable Value</b>			
Government Bonds	16%	(0.7%)	(0.05%)
Absolute Return (Including Credit Sensitive Investments)	0%	1.8%	0.00%
Stable Value Hedge Funds	5%	1.9%	0.11%
<b>Real Return</b>			
Real Estate	15%	4.6%	1.02%
Energy, Natural Resources, and Infrastructure	6%	6.0%	0.42%
Commodities	0%	0.8%	0.00%
<b>Risk Parity</b>			
Risk Parity	8%	3.0%	0.30%
<b>Asset Allocation Leverage</b>			
Cash	2%	(1.5%)	(0.03%)
Asset Allocation Leverage	<u>(6%)</u>	(1.3%)	0.08%
<b>Total</b>	<u>100%</u>		
<b>Inflation Expectation</b>			<b>2.00%</b>
<b>Volatility Drag***</b>			<b>(0.67%)</b>
<b>Expected Return</b>			<b>7.33%</b>

\*Target allocations are based on the FY2020 policy model.

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

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

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Year Ended June 30, 2021

H. Pension Plan (continued)

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.

7. Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
District's proportionate Share of the net pension liability:	\$ 2,411,634	\$ 1,563,983	\$ 875,285

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

At June 30, 2021, the District reported a liability of \$1,563,983 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,563,983
State's proportionate share that is associated with the District	<u>\$ 2,055,617</u>
Total	<u>\$ 3,619,600</u>

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
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Year Ended June 30, 2021

H. Pension Plan (continued)

At August 31, 2020 the employer’s proportion of the collective net pension liability was 0.0029201697% which was a decrease of 0.0006838205% from its proportion measured as of August 31, 2019.

**Changes Since the Prior Actuarial Valuation**

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

For the year ended June 30, 2021, the District recognized pension expense of \$383,669 and revenue of \$247,245 for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 2,856	\$ 43,647
Changes in actuarial assumptions	\$ 362,900	\$ 154,302
Difference between projected and actual Investment earnings	\$ 31,661	\$ -
Changes in proportion and difference between The employer’s contributions and the Proportionate share of contributions	<u>\$ 29,827</u>	<u>\$ 376,533</u>
Total as of August 31, 2020 measurement date	\$ 427,244	\$ 574,482
Contributions paid to TRS subsequent to the measurement date	<u>\$ 94,248</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 521,492</u>	<u>\$ 574,482</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:

<u>Year ended June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ (29,852)
2023	(7,239)
2024	3,925
2025	(34,356)
2026	(65,279)
Thereafter	(14,437)



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Year Ended June 30, 2021

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_publications.aspx](http://www.trs.texas.gov/Pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

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Year Ended June 30, 2021

I. Defined Other Post-Employment Benefit Plans (continued)

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

**TRS-Care Monthly Premium Rates**  
**Effective January 1, 2019 – December 31, 2019**

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

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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Lorenzo, Texas

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Year Ended June 30, 2021

I. Defined Other Post-Employment Benefit Plans (continued)

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 29,475
Current Fiscal Year Member Contributions		\$ 22,385
2020 Measurement Year NECE On-behalf Contributions		\$ 47,521

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020.

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

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Lorenzo, Texas

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Year Ended June 30, 2021

I. Defined Other Post-Employment Benefit Plans (continued)

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

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

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

Health Care Trend Rates – The initial medical trend rates were 9.00 percent for Medicare retirees and 7.30 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

**Actuarial Methods and Assumptions**

Valuation Date	August 31, 2019, rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad hoc-post-employment benefit changes	None

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 28  
Year Ended June 30, 2021

I. Defined Other Post-Employment Benefit Plans (continued)

6. Discount Rate

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

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (1.33%)</u>	<u>Discount Rate (2.33%)</u>	<u>1% Increase in Discount Rate (3.33%)</u>
District’s proportionate Share of the OPEB liability:	\$ 2,122,511	\$ 1,768,763	\$ 1,489,352

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District’s proportionate Share of the OPEB liability:	\$ 1,444,853	\$ 1,768,763	\$ 2,200,165

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Lorenzo, Texas

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Year Ended June 30, 2021

I. Defined Other Post-Employment Benefit Plans (continued)

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

At June 30, 2021, the District reported a liability of \$1,768,763 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	\$ 1,768,763
State's proportionate share that is associated with the District	<u>\$ 2,376,793</u>
Total	<u>\$ 4,145,556</u>

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

At August 31, 2020 the employer's proportion of the collective net OPEB liability was 0.0046528617% which was a decrease of 0.0010892361% from its proportion measured as of August 31, 2019.

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

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS, Page 30  
Year Ended June 30, 2021

I. Defined Other Post-Employment Benefit Plans (continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$(97,369) and revenue of \$(16,504) for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 92,612	\$ 809,476
Changes in actuarial assumptions	\$ 109,096	\$ 485,711
Difference between projected and actual investment earnings	\$ 575	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>\$ 169,913</u>	<u>\$ 608,943</u>
Total as of August 31, 2020 measurement date	\$ 372,196	\$ 1,904,130
Contributions paid to TRS subsequent to the measurement date	<u>\$ 24,109</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 396,305</u>	<u>\$ 1,904,130</u>

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

<u>Year ended June 30:</u>	<u>OPEB Expense Amount</u>
2022	\$ (232,494)
2023	(232,573)
2024	(232,617)
2025	(232,605)
2026	(185,360)
Thereafter	(416,285)

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Lorenzo, Texas

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Year Ended June 30, 2021

J. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended June 30, 2021, 2020, and 2019 were \$14,142, \$12,655, and \$13,291, respectively.

K. Health Care Coverage

During the year ended June 30, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee participating in the plan. Employees, at their option, authorized payroll deductions to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

L. Property/Casualty Insurance

During the year ended June 30, 2021, Lorenzo ISD participated in the TASB Risk Management Fund's (the Fund's) Auto, Liability, and Property Programs. These programs provide the District with coverage for auto liability, auto physical damage, school liability, privacy & information security, and property.

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2021, the Fund anticipates that Lorenzo ISD has no additional liability beyond the contractual obligations for payment of contributions.



LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

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Year Ended June 30, 2021

L. Property/Casualty Insurance (continued)

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, TX.

M. Unemployment Compensation Pool

During the year ended June 30, 2021, Lorenzo ISD 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 obligations to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2021, the Fund anticipates that Lorenzo ISD has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2020 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

N. Workers' Compensation Pool

During the year ended June 30, 2021, Lorenzo ISD met its statutory workers' compensation obligations 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 Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 33  
Year Ended June 30, 2021

N. Workers' Compensation Pool (continued)

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended June 30, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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 Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

O. Litigation

No reportable litigation was pending or in progress against the District at June 30, 2021.

P. Commitments and Contingencies

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

Q. Accumulated Unpaid Sick Leave Benefits

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
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Year Ended June 30, 2021

R. Shared Services Arrangements

The District participates in a shared services arrangement for special education services with the following school districts as the fiscal agent:

Crosbyton Independent School District  
Lockney Independent School District  
Ralls Independent School District

The District, as fiscal agent, is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the member districts. The fiscal agent is responsible for all financial activities of the SSA.

S. Property Tax Abatement

Lorenzo ISD entered into an agreement with Crosby County Wind Farm, LLC (now Pleasant Hill Wind Energy, LLC) on October 22, 2012. The agreement was for Pleasant Hill Wind Energy, LLC to invest capital of \$37,000,000 on a long-term basis for a valuation limitation of \$10,000,000. For fiscal year 2021, which is year 8 of the agreement, with the M&O tax rate \$0.9664 per \$100, the property is valued at \$32,283,570 without considering the limitation and \$10,000,000 with the limitation. When calculated, the district forgoes collecting \$215,348 in tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Pleasant Hill Wind Energy, LLC has committed to pay supplemental payments to the district in the amount of \$100 per ADA.

Lorenzo ISD also entered into an agreement with Fiber Winds Holding, LLC on December 12, 2016. The agreement was for Fiber Winds Holding, LLC to invest capital of \$98,000,000 on a long-term basis for a valuation limitation of \$20,000,000. For fiscal year 2021, which is year 4 of the agreement, the M&O tax rate is \$0.9664 per \$100, and the property is valued at \$73,406,287 without considering the limitation and \$20,000,000 with the limitation. When calculated, the district forgoes collecting \$516,118 in tax revenue; however that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Fiber Winds Holding, LLC has committed to pay supplemental payments to the district in the amount of \$100 per ADA based on 2014-2015's ADA of 264, or \$50,000, whichever is greater.

REQUIRED SUPPLEMENTARY INFORMATION

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive
		Original	Final		(Negative)
	REVENUES:				
5700	Local and Intermediate Sources	\$ 1,907,784	\$ 1,947,784	\$ 1,956,231	\$ 8,447
5800	State Program Revenues	1,303,519	1,178,666	1,103,388	(75,278)
5900	Federal Program Revenues	303,146	278,146	282,000	3,854
5020	Total Revenues	<u>3,514,449</u>	<u>3,404,596</u>	<u>3,341,619</u>	<u>(62,977)</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	1,340,251	1,205,751	1,203,564	2,187
0012	Instructional Resources and Media Services	28,678	31,278	29,752	1,526
0013	Curriculum Dev. & Instructional Staff Dev.	10,500	10,500	10,404	96
0021	Instructional Leadership	3,000	3,000	2,079	921
0023	School Leadership	334,559	343,059	342,379	680
0031	Guidance, Counseling & Evaluation Services	128,159	148,159	147,203	956
0033	Health Services	63,085	68,585	68,028	557
0034	Student (Pupil) Transportation	83,300	39,550	38,429	1,121
0035	Food Services	254,077	230,177	229,656	521
0036	Curricular/Extracurricular Activities	134,347	109,597	109,118	479
0041	General Administration	332,731	387,731	385,779	1,952
0051	Plant Maintenance and Operations	514,654	540,440	538,821	1,619
0052	Security and Monitoring Services	5,000	4,500	3,531	969
0053	Data Processing Services	87,158	82,000	81,835	165
0071	Principal on Long-Term Debt	-	40,019	40,019	-
0072	Interest on Long-Term Debt	-	1,500	1,381	119
0093	Payments to Fiscal Agent/Member Dist.-SSA	125,950	133,750	133,390	360
0099	Other Intergovernmental Charges	69,000	50,000	49,951	49
6030	Total Expenditures	<u>3,514,449</u>	<u>3,429,596</u>	<u>3,415,319</u>	<u>14,277</u>
	Other Financing Sources (Uses):				
7915	Operating Transfers In	-	25,000	25,493	493
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>25,000</u>	<u>25,493</u>	<u>493</u>
1200	Net Change in Fund Balance	-	-	(48,207)	(48,207)
0100	Fund Balance - Beginning	<u>3,642,946</u>	<u>3,642,946</u>	<u>3,642,946</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 3,642,946</u>	<u>\$ 3,642,946</u>	<u>\$ 3,594,739</u>	<u>\$ (48,207)</u>





LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended June 30, 2021

	Fiscal Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 112,476	\$ 123,353	\$ 127,434	\$ 128,416	\$ 127,080	\$ 132,916	\$ 126,274
Contribution in Relation to the Contractually Required Contribution	\$ (112,476)	\$ (123,353)	\$ (127,434)	\$ (128,416)	\$ (127,080)	\$ (132,916)	\$ (126,274)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 2,922,473	\$ 2,925,515	\$ 3,143,736	\$ 3,452,577	\$ 3,497,475	\$ 3,610,831	\$ 3,532,107
Contributions as a percentage of Covered Employee Payroll	3.85%	4.22%	4.05%	3.72%	3.63%	3.68%	3.58%

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



LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended June 30, 2021

	Measurement Year Ended August 31,			
	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0046528617%	0.0057420978%	0.0054437364%	0.0053819850%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,768,763	\$ 2,715,509	\$ 2,718,107	\$ 2,340,423
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	2,376,793	3,608,303	2,479,842	2,173,774
<b>Total</b>	<b>\$ 4,145,556</b>	<b>\$ 6,323,812</b>	<b>\$ 5,197,949</b>	<b>\$ 4,514,197</b>
District's Covered Payroll	\$ 2,930,319	\$ 3,094,851	\$ 3,431,146	\$ 3,491,178
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	60.36%	87.74%	79.22%	67.04%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended June 30, 2021

	Fiscal Year Ended June 30,			
	2021	2020	2019	2018
Contractually Required Contribution	\$ 29,475	\$ 35,765	\$ 35,002	\$ 30,543
Contribution in Relation to the Contractually Required Contribution	<u>(29,475)</u>	<u>(35,765)</u>	<u>(35,002)</u>	<u>(30,543)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,922,473	\$ 2,925,515	\$ 3,143,736	\$ 3,452,577
Contributions as a percentage of Covered Payroll	1.01%	1.22%	1.11%	0.88%

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

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?      Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Noncompliance material to financial Statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?      Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

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

Any audit findings disclosed that are required To be reported in accordance with the Uniform Guidance?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA-B Formula
84.173	IDEA-B Preschool

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

Auditee qualified as low-risk auditee?   X   Yes      No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

SUMMARY OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2021

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2021

Not Applicable – None Required

LORENZO INDEPENDENT SCHOOL DISTRICT  
Lorenzo, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2021

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type.

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

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly when such funds are received they are recorded as unearned revenue until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in 2 CFR Part 200, Part 3, Section H, Period of Performance.

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.