

IOLA INDEPENDENT SCHOOL DISTRICT  
Iola, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2020

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## INTRODUCTORY SECTION

IOLA INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2020

Iola Independent School District  
Name of School District

Grimes  
County

093-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 30<sup>th</sup> day of November, 2020.

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

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

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Iola Independent School District  
Iola, Texas

**Report on the Financial Statements**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 District as of August 31, 2020, 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, major fund budgetary comparison information, and District's pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Lufkin, Texas  
November 30, 2020

  
CERTIFIED PUBLIC ACCOUNTANTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the management's discussion and analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Iola Independent School District (the "District") for the year ending August 31, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,949,753 as of August 31, 2020.
- For the fiscal year ended August 31, 2020, the District's general fund reported a total fund balance of \$2,681,013, all of which is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and debt service fund) reported combined ending fund balances of \$3,331,338.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

### Government-wide Financial Statements

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The **Statement of Net Position** presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.



The **Statement of Activities** presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows - the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

- *Governmental Activities* - Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

### **Fund Financial Statements**

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants
- Other funds are used to account for assets held by the District in a custodial capacity - these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental Funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary Funds* - The District serves as the trustee, or fiduciary, for certain funds such as student activity and various trust funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

### **Financial Analysis of the District as a Whole**

The District's combined net position was \$1,949,753 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the year. The District reported an increase of \$676,672 in net position from the prior year.

**Table 1**  
**The District's Net Position**

	GOVERNMENTAL ACTIVITIES		TOTAL CHANGE	PERCENT CHANGE
	2020	2019	2020 - 2019	2020 - 2019
Current and other assets	\$ 3 717 881	\$ 2 818 189	\$ 899 692	32%
Capital and long-term assets	10 921 141	11 332 038	(410 897)	(4)%
TOTAL ASSETS	14 639 002	14 150 227	488 775	3%
Deferred charge on refunding	274 567	289 018	(14 451)	(5)%
Deferred outflows - Pension	636 665	865 524	(228 859)	(26)%
Deferred outflows - OPEB	299 901	268 694	31 207	12%
TOTAL DEFERRED OUTFLOWS	1 211 133	1 423 236	(212 103)	(15)%
Current liabilities	570 785	557 286	13 499	2%
Long term liabilities	12 028 487	12 939 233	(910 746)	(7)%
TOTAL LIABILITIES	12 599 272	13 496 519	(897 247)	(7)%
Deferred inflows - Pensions	408 896	196 602	212 294	108%
Deferred inflows - OPEB	892 234	607 261	284 973	47%
TOTAL DEFERRED INFLOWS	1 301 130	803 863	497 267	67%
Net Position:				
Net investment in capital assets	2 235 708	2 321 056	(85 348)	(4)%
Restricted	630 325	576 205	54 120	9%
Unrestricted	(916 280)	(1 624 140)	707 860	(44)%
TOTAL NET POSITION	\$ 1 949 753	\$ 1 273 081	\$ 676 672	53%

**Table 2**  
**Changes in Net Position**

	GOVERNMENTAL ACTIVITIES		TOTAL CHANGE	PERCENT CHANGE
	2020	2019	2020 - 2019	2020 - 2019
Revenues:				
Program Revenues:				
Charges for services	\$ 133 403	\$ 185 838	\$ (52 435)	(28)%
Operating grants and contributions	827 446	799 304	28 142	4%
General Revenues:				
Property taxes	4 168 601	4 037 126	131 475	3%
Grants and contributions not restricted for specific programs	2 452 714	2 037 663	415 051	20%
Investment earnings	47 790	43 970	3 820	9%
Other revenues	104 701	66 406	38 295	58%
TOTAL REVENUES	7 734 655	7 170 307	564 348	8%
Expenses:				
Instruction	3 988 563	3 366 504	622 059	18%
Instructional resources and media services	56 432	61 810	(5 378)	(9)%
Curriculum/instructional staff development	60 154	53 949	6 205	12%
School leadership	313 074	287 143	25 931	9%
Guidance, counseling, and evaluation services	78 027	101 695	(23 668)	1%
Health services	62 981	55 974	7 007	13%
Student transportation	259 673	245 659	14 014	6%
Food services	320 451	342 553	(22 102)	(6)%
Extracurricular activities	336 074	348 080	(12 006)	(3)%
General administration	366 753	349 983	16 770	5%
Plant maintenance and operations	631 816	596 292	35 524	6%
Security and monitoring services	140 377	51 183	89 194	174%
Data processing services	17 329	18 766	(1 437)	(8)%
Community services	-	-	-	- %
Debt service - Interest	243 832	253 555	(9 723)	(4)%
Bond issuance costs and fees	900	900	-	- %
Payments to fiscal agent/member districts of SSA	80 572	43 037	37 535	87%
Other intergovernmental charges	100 975	109 899	(8 924)	(8)%
TOTAL EXPENSES	7 057 983	6 286 982	771 001	12%
CHANGE IN NET POSITION	676 672	883 325	\$ (206 653)	(23)%
Beginning net position	1 273 081	301 915		
Prior period adjustment	-	87 841		
BEGINNING NET POSITION, RESTATED	1 273 081	389 756		
ENDING NET POSITION	\$ 1 949 753	\$ 1 273 081		

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

At the close of the fiscal year ending August 31, 2020, the District's governmental funds reported a fund balance of \$3,311,338. This compares to a combined fund balance of \$2,446,079 at August 31, 2019. The fund balance in the general fund of \$2,681,013 increased by \$811,139 during the fiscal year end. The increase can be attributed largely to an increase in state aid in the current year. The fund balance in the debt service fund of \$570,689 increased by \$93,979.

### **General Fund Budgetary Highlights**

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2020, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The general fund's actual revenues were more than budgeted revenues by \$150,178. Total general fund budgeted expenditures exceeded actual expenditures by \$286,528 with the largest positive variances in instruction and cocurricular/extracurricular activities.

### **Capital Assets**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2020, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2020, the District had a total of \$10,921,141 net invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$107,874 invested during the fiscal year ended August 31, 2020.

More detailed information about the District's capital assets can be found in note 3.B. to the financial statements.

### **Long-term Debt**

At year end, the District had \$8,960,000 in general obligation bonds outstanding versus \$9,300,000 last year. The District paid \$340,000 in principal payments during the year.

More detailed information about the District's long-term liabilities is presented in note 3.C. to the financial statements.

## **ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGET AND RATES**

The District's budgeted expenditures for the 2020-2021 school year total \$5,901,087, and the District's Board adopted a Maintenance and Operations tax rate of \$0.9439 and an Interest and Sinking rate of \$0.18123 for a combined rate of \$1.12513 per \$100 of valuation.

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

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at 7282 Fort Worth, Iola, Texas 77861 or by calling 936.394.2361.

## BASIC FINANCIAL STATEMENTS

IOLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
August 31, 2020

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 3 238 058
1225	Property taxes receivable (net allowance of \$77,966)	194 334
1240	Due from other governments	281 789
1290	Other receivables (net)	3 700
	Capital Assets:	
1510	Land	466 540
1520	Buildings and improvements, net	10 060 895
1530	Equipment and vehicles, net	393 706
1000	TOTAL ASSETS	14 639 022
	DEFERRED OUTFLOWS	
	Deferred charge on refunding	274 567
	Deferred outflows - Pensions	636 665
	Deferred outflows - OPEB	299 901
1700	TOTAL DEFERRED OUTFLOWS	1 211 133
	TOTAL ASSETS AND DEFERRED OUTFLOWS	15 850 155
	LIABILITIES	
2110	Accrued wages payable	98 254
2140	Interest payable	11 165
2165	Accrued liabilities	126 366
2501	Due within one year	350 000
	Noncurrent Liabilities:	
2502	Due in more than one year	8 610 000
2516	Premium on bond issue	625 455
2540	Net pension liability	1 102 004
2545	Net OPEB liability	1 676 028
2000	TOTAL LIABILITIES	12 599 272
	DEFERRED INFLOWS	
	Deferred inflows - Pension	408 896
	Deferred inflows - OPEB	892 234
2600	TOTAL DEFERRED INFLOWS	1 301 130
	TOTAL LIABILITIES AND DEFERRED INFLOWS	13 900 402
	NET POSITION	
3200	Net investment in capital assets	2 235 708
	Restricted for:	
3820	Federal and state programs	59 636
3850	Debt service	570 689
3900	Unrestricted	(916 280)
3000	TOTAL NET POSITION	\$ 1 949 753

The accompanying notes are an integral part of this statement.

IOLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2020

EXHIBIT B-1

DATA CONTRO CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	3 PROGRAM REVENUES		4 OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
			CHARGES FOR SERVICES			
	Governmental Activities:					
11	Instruction	\$ 3 988 563	\$ -		\$ 529 217	\$ (3 459 346)
12	Instructional resources and media services	56 432	-		4 991	(51 441)
13	Curriculum/instructional staff development	60 154	-		-	(60 154)
23	School leadership	313 074	-		31 955	(281 119)
31	Guidance, counseling, and evaluation services	78 027	-		11 305	(66 722)
33	Health services	62 981	-		-	(62 981)
34	Student (pupil) transportation	259 673	-		18 239	(241 434)
35	Food services	320 451	116 998		155 182	(48 271)
36	Extracurricular activities	336 074	16 405		11 412	(308 257)
41	General administration	366 753	-		33 441	(333 312)
51	Plant maintenance and operations	631 816	-		31 704	(600 112)
52	Security and monitoring services	140 377	-		-	(140 377)
53	Data processing services	17 329	-		-	(17 329)
72	Debt service - Interest on long-term debt	243 832	-		-	(243 832)
73	Bond issuance costs and fees	900	-		-	(900)
93	Payments to fiscal agent/member districts of SSA	80 572	-		-	(80 572)
99	Other intergovernmental charges	100 975	-		-	(100 975)
TG	TOTAL GOVERNMENTAL ACTIVITIES	\$ 7 057 983	\$ 133 403		\$ 827 446	(6 097 134)
	General Revenues:					
MT	Property taxes, levied for general purposes					3 489 844
DT	Property taxes, levied for debt service					678 757
IE	Investment earnings					47 790
GC	Grants and contributions not restricted					2 452 714
MI	Miscellaneous local and intermediate revenue					104 701
TR	TOTAL GENERAL REVENUES					6 773 806
CN	CHANGE IN NET POSITION					676 672
NB	Beginning net position					1 273 081
NE	NET POSITION - ENDING					\$ 1 949 753

The accompanying notes are an integral part of this statement.



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

EXHIBIT C-1R

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$	3 311 338
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not reported in the funds.		10 921 141
Property taxes receivable unavailable to pay for current period expenditures are recorded as unavailable in the funds.		181 923
Payables for bond principal which are not due in the current period are not reported in the funds.		(8 960 000)
Payables for bond interest which are not due in the current period are not reported in the funds.		(11 165)
Bond premiums amortized in the Statement of Net Position but not in the funds.		(625 455)
Deferred charge on refunding is amortized in the Statement of Net Position but not in the funds.		274 567
Some liabilities, including net pension and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		(2 778 032)
Deferred outflows and inflows or resources related to pension and OPEB are applicable to future periods and therefore, are not reported in the funds.		<u>(364 564)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$	<u>1 949 753</u>

The accompanying notes are an integral part of this statement.



IOLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended August 31, 2020

EXHIBIT C-2

DATA CONTROL CODES	10  GENERAL FUND	50  DEBT SERVICE FUNDS	NON- MAJOR GOVERN- MENTAL	98  TOTAL GOVERN- MENTAL FUNDS	
Revenues:					
5700	Local, intermediate and out-of-state	\$ 3 636 312	\$ 685 776	\$ 116 998	\$ 4 439 086
5800	State program revenues	2 427 428	11 928	101 436	2 540 792
5900	Federal program revenues	13 358	-	246 240	259 598
5020	TOTAL REVENUES	<u>6 077 098</u>	<u>697 704</u>	<u>464 674</u>	<u>7 239 476</u>
Expenditures:					
Current:					
0011	Instruction	3 038 468	-	229 879	3 268 347
0012	Instructional resources and media services	45 629	-	-	45 629
0013	Curriculum and staff development	60 154	-	-	60 154
0023	School leadership	270 989	-	-	270 989
0031	Guidance, counseling and evaluation services	62 777	-	-	62 777
0033	Health services	62 010	-	-	62 010
0034	Student (pupil) transportation	285 678	-	-	285 678
0035	Food services	-	-	280 749	280 749
0036	Extracurricular activities	186 628	-	-	186 628
0041	General administration	311 493	-	-	311 493
0051	Plant maintenance and operations	596 785	-	-	596 785
0052	Security and monitoring services	116 472	-	23 905	140 377
0053	Data processing services	17 329	-	-	17 329
0071	Principal	-	340 000	-	340 000
0072	Interest	-	262 825	-	262 825
0073	Bond Issuance costs and fees	-	900	-	900
0093	Shared services arrangements	80 572	-	-	80 572
0099	Other intergovernmental charges	100 975	-	-	100 975
6030	TOTAL EXPENDITURES	<u>5 235 959</u>	<u>603 725</u>	<u>534 533</u>	<u>6 374 217</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>841 139</u>	<u>93 979</u>	<u>(69 859)</u>	<u>865 259</u>
Other Financing Sources and (Uses):					
7915	Transfer in	-	-	30 000	30 000
8911	Transfer out	<u>(30 000)</u>	<u>-</u>	<u>-</u>	<u>(30 000)</u>
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>(30 000)</u>	<u>-</u>	<u>30 000</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	<u>811 139</u>	<u>93 979</u>	<u>(39 859)</u>	<u>865 259</u>
0100	Fund balance - Beginning	<u>1 869 874</u>	<u>476 710</u>	<u>99 495</u>	<u>2 446 079</u>
3000	FUND BALANCE - ENDING	<u>\$ 2 681 013</u>	<u>\$ 570 689</u>	<u>\$ 59 636</u>	<u>\$ 3 311 338</u>

The accompanying notes are an integral part of this statement.

IOLA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended August 31, 2020

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	865 259
<p>Amounts Reported for Governmental Activities in the Statement of Activities                  ("SOA") are Different Because:</p>		
The depreciation of capital assets used in governmental activities is not reported in the funds.		(518 771)
Additions of capital assets used in governmental activities are not reported in the funds.		107 874
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		15 409
(Increase) decrease in accrued interest from beginning of period to end of period.		(525)
Repayment of bond/lease principal is an expenditure in the funds but is not an expense in the SOA. Amortization of deferral and premium costs are expense in the SOA. The net effect is shown.		359 518
Governmental funds report district pension and OPEB contributions as expenditures in the government wide statements and the cost of pension benefits earned net of employee contributions is reported as pension/OPEB expense.		<u>(152 092)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$	<u><u>676 672</u></u>

The accompanying notes are an integral part of this statement.

IOLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2020

EXHIBIT E-1

	<u>AGENCY</u> <u>FUND</u> <u>STUDENT</u> <u>ACTIVITY</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>89 026</u>
<b>TOTAL ASSETS</b>	<u>89 026</u>
<b>LIABILITIES</b>	
Due to others	<u>89 026</u>
<b>TOTAL LIABILITIES</b>	<u>89 026</u>
<b>NET POSITION</b>	
Held in trust	<u>-</u>
<b>TOTAL NET POSITION</b>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

Iola Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of the Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by GAAP, basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonable equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The *general fund* is the District's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. While the debt service fund does not meet the requirements to be considered a major fund, it is reported as such due to its significance.

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

The *fiduciary funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper.

IOLA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Inventories and Prepaid Items

Inventories of supplies on balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies, as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	40 years
Building improvements (including infrastructure)	20 years
Vehicles	10 years
Furniture, fixtures and equipment	7 to 30 years

5. 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.

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.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

7. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governmental or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

11. Data Control Codes

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

12. 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 in fair value.

13. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applications who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.



IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

A. Deposits and Investments

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

INVESTMENTS	AMOUNT	WEIGHTED AVERAGE MATURITY DAYS
TexPool	\$ 104 260	22
Lone Star	1 291 532	41
Certificates of deposit	500 000	284
TOTAL INVESTMENTS	\$ 1 895 792	

*Interest rate risk.* In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

*Custodial risk.* The District's policy requires that investment pools must be rated no lower than "AAA" or "AAA-m". Bankers' acceptances must be issued in the United States and carry a rating of "A1"/"P1" as provided by two of the top nationally recognized rating agencies. As of August 31, 2020, the District's investments in TexPool and Lone Star were rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency.

*Custodial credit risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposits at the depository bank to be collateralized. As of August 31, 2020, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

*Custodial credit risk - Investments.* For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities, of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

**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 nonmembers. Lone Star is rated "AAA" by Standard & 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 Government Overnight Fund of Lone Star which seeks to maintain a net asset value of \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight and Corporate Overnight maintain a net asset value of \$1.00 and the Corporate Overnight Plus maintains a net asset value of \$0.50.

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 466 540	\$ -	\$ -	\$ 466 540
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>466 540</u>	<u>-</u>	<u>-</u>	<u>466 540</u>
Other Capital Assets:				
Buildings and improvements	16 240 578	-	-	16 240 578
Equipment	1 185 508	80 000	-	1 265 508
Vehicles	903 047	27 874	-	930 921
TOTAL OTHER CAPITAL ASSETS	<u>18 329 133</u>	<u>107 874</u>	<u>-</u>	<u>18 437 007</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(5 730 957)	(448 726)	-	(6 179 683)
Equipment	(1 003 189)	(29 974)	-	(1 033 163)
Vehicles	(729 489)	(40 071)	-	(769 560)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 463 635)</u>	<u>(518 771)</u>	<u>-</u>	<u>(7 982 406)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>10 865 498</u>	<u>(410 897)</u>	<u>-</u>	<u>10 454 601</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 11 332 038</u>	<u>\$ (410 897)</u>	<u>\$ -</u>	<u>\$ 10 921 141</u>

Depreciation was charged to functions as follows:

Instruction	\$ 303 502
Instructional resources and media services	4 230
Guidance, counseling and evaluation services	361
Health services	971
Student (pupil) transportation	29 974
Food service	12 948
Extracurricular activities	134 416
General administration	11 218
Plant maintenance and operations	21 151
TOTAL DEPRECIATION EXPENSE	<u>\$ 518 771</u>

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	(REDUCTIONS)	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Bonds Payable:					
Series 2009 3.00 - 4.625%	\$ 550 000	\$ -	\$ (185 000)	\$ 365 000	\$ 185 000
Series 2016, refunding 2.00 - 4.00%	8 750 000	-	(155 000)	8 595 000	165 000
<b>TOTAL BONDS PAYABLE</b>	<u>9 300 000</u>	<u>-</u>	<u>(340 000)</u>	<u>8 960 000</u>	<u>350 000</u>
Other Liabilities:					
Net issuance premiums (discounts)	658 374	-	(32 919)	625 455	-
Net pension liability	1 400 509	-	(298 505)	1 102 004	-
Net OPEB liability	1 920 350	-	(244 322)	1 676 028	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 13 279 233</u>	<u>\$ -</u>	<u>\$ (915 746)</u>	<u>\$ 12 363 487</u>	<u>\$ 350 000</u>

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end were as follows:

YEAR ENDED AUGUST 31	GENERAL OBLIGATION BONDS		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2021	350 000	250 625	600 625
2022	370 000	238 000	608 000
2023	380 000	223 950	603 950
2024	395 000	208 450	603 450
2025	410 000	192 350	602 350
2026-2030	2 245 000	767 951	3 012 951
2031-2035	2 530 000	475 501	3 005 501
2036-2039	2 280 000	133 601	2 413 601
<b>TOTAL</b>	<u>\$ 8 960 000</u>	<u>\$ 2 490 428</u>	<u>\$ 11 450 428</u>

D. Commitments Under Noncapitalized Leases

The District has various operating lease agreements for copiers. Rental expenditures recognized by the District for the fiscal year are as follows:

Rental expenditures in 2020 \$ 13 868

The following is a schedule of future minimum lease payments under noncancelable operating leases as of August 31, 2020:

YEAR ENDED AUGUST 31	COPIERS
2021	13 868
2022	13 868
<b>TOTAL MINIMUM RENTALS</b>	<u>\$ 27 736</u>

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Interfund Transactions

The following is a summary of the District's interfund transactions for the year:

DUE TO FUND	DUE FROM FUND	AMOUNT
General fund	Textbook fund	\$ 22 768
General fund	Title I	\$ 17 514
General fund	Title II	\$ 2 217

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Amount transferred between funds is related expenditures for temporary loan.

TRANSFERS FROM	TRANSFERS TO	AMOUNT
General fund	Debt service	\$ 30 000
		\$ 30 000

F. Oil and Gas Lease Agreement

On January 13, 2012, the District entered into a two-year lease agreement, (the "Agreement") with the option to extend for an additional year, with Petromax Production, LLC for purposes of exploring; drilling and operating for; and producing and owning oil, gas, and other minerals on District-owned property. The District has the option to extend the agreement each year. The District will receive royalties of 23% of the production of oil, gas, and other substances. During the year, the District received \$750 for the lease of these mineral rights.

NOTE 4 - OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

IOLA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan

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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefit and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service requirement is at age 65 five 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 five years of service credit or early 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 postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

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 six percent for the member's annual compensation and a state contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation paid to members of the system during the fiscal year. 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

CONTRIBUTION RATES	2019	2020
Member	7.7%	7.7%
Non-Employer Contribution Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2020 Employer Contributions	\$ 80 328	
2020 Member Contributions	\$ 289 735	
2019 NECE On-behalf Contributions	\$ 180 478	

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 GAA.

IOLA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

As the NECE 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 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

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

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

Discount Rate

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions from plan 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 pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

ASSET CLASS	TARGET ALLOCATION*	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**
<b>Global Equity</b>			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	- %	- %	- %
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	(0.30)%	- %
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	- %	- %	- %
<b>Risk Parity</b>			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			(0.79)%
<b>Total</b>	<u>100%</u>		<u>7.25%</u>

\* Target allocations are based on the FY2016 policy model.

\* The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

For the fiscal year ended August 31, 2019, the annual money-weighted rate of return on pension plan investments was 7.25 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate Sensitivity Analysis

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

	1% DECREASE IN DISCOUNT RATE (6.25%)	DISCOUNT RATE (7.25%)	1% INCREASE IN DISCOUNT RATE (8.25%)
District proportionate share of the net pension liability	\$ 1 693 941	\$ 1 102 004	\$ 622 422

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

At August 31, 2020, the District reported a liability of \$1,102,004 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	1 102 004
State's proportionate share that is associated with the District		<u>2 680 535</u>
TOTAL	\$	<u><u>3 782 539</u></u>

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District'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, 2018 thru August 31, 2019. At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0021% which was an increase of 0.0004% from its proportion measured as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation** - The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2018.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.

With the enactment of SB 3 by the 2019 Legislature, an assumption has been made about how this legislation would impact future salaries. We have assumed that eligible active members would each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

For the year ended August 31, 2020, the District recognized pension expense of \$421,074 and revenue of \$421,074 for support provided by the State.

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

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 4 629	\$ 38 263
Changes in actuarial assumptions	341 896	141 288
Difference between projected and actual investment earnings	66 253	55 187
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	143 559	174 158
Contributions paid to TRS subsequent to the measurement date	<u>80 328</u>	<u>-</u>
TOTAL	<u><u>\$ 636 665</u></u>	<u><u>\$ 408 896</u></u>



IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 4 - OTHER INFORMATION - CONTINUED**

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE
2020	\$ 63 961
2021	\$ 49 675
2022	\$ 42 842
2023	\$ 22 570
2024	\$ (12 306)
Thereafter	\$ (19 301)

D. Defined Other Post-Employment Benefit Plans

**Plan Description**

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

**OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

**Benefits Provided**

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare coverage.

<b>TRS-Care Monthly for Retirees</b>			
January 1, 2018 - December 31, 2018			
	<b>Medicare</b>		<b>Non-Medicare</b>
Retiree*	\$ 135	\$	200
Retiree and Spouse	529		689
Retiree* and Children	468		408
Retiree and Family	1 020		999

\* or surviving spouse

**Contributions**

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

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

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

	<u>Contribution Rates</u>	
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
2020 Employer Contributions	\$ 28 221	
2020 Member Contributions	\$ 24 459	
2019 NECE On-behalf Contributions	\$ 33 421	

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

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

**Actuarial Assumptions**

The total OPEB liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

**Actuarial Methods and Assumptions:**

<b>Valuation Date</b>	August 31, 2019
<b>Methods and Assumptions:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90% 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 2019 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

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

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

IOLA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

**Discount Rate**

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a change of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Discount Rate Sensitivity Analysis**

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

1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
\$ 2 023 504	\$ 1 676 028	\$ 1 404 198

**Healthcare Cost Trend Rates Sensitivity Analysis**

The following schedule shows the impact of the Net OPEB Liability of TRS-Care using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percent less than or one percent higher than the assumed healthcare cost trend rate:

1% Decrease in Healthcare Cost Trend Rate 3.5%	Current Healthcare Cost Trend Rate 4.5%	1% Increase in Healthcare Cost Trend Rate 5.5%
\$ 1 367 245	\$ 1 676 028	\$ 2 089 656

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

At August 31, 2020, the District reported a liability of \$1,676,028 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide 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	\$ 1 676 028
State's proportionate share that is associated with the District	2 227 067
TOTAL	\$ <u>3 903 095</u>

The Net OPEB Liability was measured as of August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0035% which was a decrease of 0.0003 from August 31, 2018.

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

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

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

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

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$58,696 and revenue of \$58,696 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 82 223	\$ 274 264
Changes in actuarial assumptions	93 090	450 810
Difference between projected and actual investment earnings	217	37
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	96 150	167 123
Contributions paid to TRS subsequent to the measurement date	28 221	-
TOTAL	\$ 299 901	\$ 892 234

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:

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2020	\$ (99 616)
2021	\$ (99 616)
2022	\$ (99 675)
2023	\$ (99 708)
2024	\$ (99 700)
Thereafter	\$ (122 239)

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$17,915, \$13,155, and \$10,290, respectively.

E. Employee Health Care Coverage

During the year, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable and terms of coverage and premiums costs are included in the contractual provisions. The contract between the District and the insurer is renewable September 1, 2019 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended August 31, 2020, employees of the District were covered by a self-funded workers' compensation plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), is renewable September 1, 2018, and the terms of coverage and contributions costs are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual coverage or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the state of Texas in accordance with the Texas Insurance Code. Reinsurance coverage was in effect for individual loss claims exceeding \$1,000,000 and for aggregate claims with a statutory minimum of \$5,000,000. According to CAS, the District had a total of \$27,052 in unpaid claims and \$9,181 in claims incurred but not reported at August 31, 2020.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate of claims which have been incurred, but not reported based on historical experience. Changes in the claims liability for workers' compensation benefits for the current and prior fiscal years are summarized below:

	FISCAL YEAR	
	2020	2019
Claims liability at beginning of year	\$ 30 483	\$ 29 034
Current year claims and estimated changes	1 599	6 707
Claims payments	(5 030)	(5 258)
CLAIMS LIABILITY AT YEAR END	\$ 27 052	\$ 30 483

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2020, the Fund anticipates that the District 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, 2019 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

IOLA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

NOTE 4 - OTHER INFORMATION - CONTINUED

G. Shared Service Arrangements

The District participates in an SSA for the education of career and technology students, funded under Title II, Basic Grant Career and Technology Education Program. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center - Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the SSA. Region VI is reporting \$6,039 as expenditures incurred on behalf of the District.

The District participates in an SSA for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center - Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the SSA. Region VI is reporting \$203 as expenditures incurred on behalf of the District.

NOTE 5 - FINANCIAL COMPLIANCE

At year end, the District exceeded budget in the following funds and functions:

Fund	Function	Excess Amount
240 - Child Nutrition	35 - Food Service	\$ 8 154

NOTE 6 - TAX ABATEMENTS

The District does not currently have any tax abatement agreements.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2020, the date the financial statements were available to be issued.

NOTE 8 - COVID-19 PANDEMIC IMPACT

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2020. However, the impact of response efforts on future operations cannot be predicted.

#### REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

IOLA INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2020

EXHIBIT G-1

DATA CONTROL CODES		1		2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS		FINAL	ACTUAL	
		ORIGINAL				
	Revenues:					
5700	Local and intermediate sources	\$ 3 400 000	\$	3 623 185	\$ 3 636 312	\$ 13 127
5800	State program revenues	2 450 000		2 290 377	2 427 428	137 051
5900	Federal program revenue	-		13 358	13 358	-
5020	TOTAL REVENUES	<u>5 850 000</u>		<u>5 926 920</u>	<u>6 077 098</u>	<u>150 178</u>
	Expenditures:					
	Current:					
0011	Instruction	3 096 822		3 096 822	3 038 468	58 354
0012	Instructional resources and media services	48 039		48 039	45 629	2 410
0013	Curriculum and instructional staff development	71 113		71 113	60 154	10 959
0023	School leadership	275 873		275 873	270 989	4 884
0031	Guidance, counseling and evaluation services	69 020		69 020	62 777	6 243
0033	Health services	64 100		64 100	62 010	2 090
0034	Student (pupil) transportation	313 224		313 224	285 678	27 546
0036	Extracurricular activities	257 848		257 848	186 628	71 220
0041	General administration	339 483		339 483	311 493	27 990
0051	Plant maintenance and operations	631 035		631 035	596 785	34 250
0052	Security and monitoring services	135 750		135 750	116 472	19 278
0053	Data processing services	19 400		19 400	17 329	2 071
0093	Payments to fiscal agent/member districts of SSA	82 000		82 000	80 572	1 428
0099	Other intergovernmental charges	118 780		118 780	100 975	17 805
6030	TOTAL EXPENDITURES	<u>5 522 487</u>		<u>5 522 487</u>	<u>5 235 959</u>	<u>286 528</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>327 513</u>		<u>404 433</u>	<u>841 139</u>	<u>436 706</u>
	Other Financing Sources (Uses):					
8911	Transfer out	-		(30 000)	(30 000)	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>		<u>(30 000)</u>	<u>(30 000)</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	<u>-</u>		<u>374 433</u>	<u>811 139</u>	<u>436 706</u>
0100	Fund balance - Beginning	<u>1 869 874</u>		<u>1 869 874</u>	<u>1 869 874</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 2 197 387</u>	\$	<u>2 244 307</u>	<u>\$ 2 681 013</u>	<u>\$ 436 706</u>

See independent auditors' report.



IOLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*

EXHIBIT G-2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0021%	0.0025%	0.0026936%	0.0027021%	0.0023701%	0.0013016%
District's proportionate share of the net pension liability (asset)	\$ 1 102 004	\$ 1 400 509	\$ 861 273	\$ 1 021 089	\$ 837 799	\$ 347 676
State's proportionate share of the net pension liability (asset) associated with the District	<u>2 680 535</u>	<u>3 015 474</u>	<u>1 734 937</u>	<u>2 153 921</u>	<u>2 073 449</u>	<u>1 786 364</u>
TOTAL	<u>\$ 3 782 539</u>	<u>\$ 4 415 983</u>	<u>\$ 2 596 210</u>	<u>\$ 3 175 010</u>	<u>\$ 2 911 248</u>	<u>\$ 2 134 040</u>
District's covered-employee payroll**	\$ 3 199 964	\$ 3 433 469	\$ 3 234 816	\$ 3 139 777	\$ 2 968 286	\$ 2 947 709
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.44%	40.79%	26.63%	32.52%	28.23%	11.79%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	78.00%	78.00%	78.43%	83.25%

**Notes to Required Supplementary Information for the Year Ended August 31, 2020:**

\* Only six years' worth of information are currently available.

\*\* As of the measurement date.

*Changes in Assumptions.* See Note 4 for changes.

*Changes in Benefit.* See Note 4 for changes.

See independent auditors' report.

IOLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS

EXHIBIT G-3

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 80 328	\$ 70 755	\$ 84 577	\$ 88 264	\$ 85 853	\$ 70 322	\$ 32 999
Contributions in relation to the contractually required contribution	<u>(80 328)</u>	<u>(70 755)</u>	<u>(84 577)</u>	<u>(88 264)</u>	<u>(85 853)</u>	<u>(70 322)</u>	<u>(32 999)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 3 762 797	\$ 3 199 964	\$ 3 433 469	\$ 3 234 816	\$ 3 139 777	\$ 2 968 286	\$ 2 947 709
Contributions as a percentage of covered employee payroll	2.13%	2.21%	2.46%	2.73%	2.73%	2.37%	1.12%

See independent auditors' report.

IOLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF OPEB LIABILITY  
AND DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*

EXHIBIT G-4

<b>District's Proportionate Share of Liability</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
District's proportion of the OPEBL	0.0035%	0.0038%	0.0036457%
District's proportionate share of the OPEBL	\$ 1 676 028	\$ 1 920 350	\$ 1 585 375
State share of the OPEBL associated with the District	<u>2 227 067</u>	<u>3 004 359</u>	<u>2 663 878</u>
TOTAL	<u>\$ 3 903 095</u>	<u>\$ 4 924 709</u>	<u>\$ 4 249 253</u>
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 3 199 964	\$ 3 433 469	\$ 3 234 816
Proportionate share/covered payroll	52.38%	55.93%	49.01%
Plan fiduciary net position/total OPEB liability	2.66%	1.57%	0.91%

  

<b>District Contributions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 28 221	\$ 24 596	\$ 26 741
Contributions to required contribution	<u>(28 221)</u>	<u>(24 596)</u>	<u>(26 741)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Current fiscal year TRS gross	\$ 3 762 797	\$ 3 199 964	\$ 3 433 469
Contributions to covered payroll	0.75%	0.77%	0.78%

Information provided by the Teacher Retirement System of Texas.

\* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Notes - See changes in assumptions - Note 4 D.

IOLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
August 31, 2020

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund and Debt Service Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District presented the General Fund budgetary comparison schedule as required supplementary information. The Child Nutrition Fund and Debt Service Fund budgetary comparison schedule is presented as required TEA schedules. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures.

See Note 2 for additional procedures followed in establishing the budget.

Pension and OPEB

See Note 4 for changes of assumptions and benefits that affect the pension and OPEB liability.

OTHER SUPPLEMENTARY INFORMATION

IOLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended August 31, 2020

<u>DATA CONTROL CODES</u>		<u>211 ESEA TITLE 1 IMPROVING BASIC SKILLS</u>	<u>240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM</u>	<u>255 TITLE II PART A TRAINING AND RECRUITING</u>
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ 44 672	\$ -
1240	Due from other government	17 514	5 092	2 217
1000	TOTAL ASSETS	<u>\$ 17 514</u>	<u>\$ 49 764</u>	<u>\$ 2 217</u>
	LIABILITIES			
	Current Liabilities:			
2170	Due to other funds	\$ 17 514	\$ -	\$ 2 217
3000	TOTAL LIABILITIES	<u>17 514</u>	<u>-</u>	<u>2 217</u>
	FUND BALANCES			
	Restricted Fund Balances:			
3490	Other restricted of fund balance	-	49 764	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>49 764</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17 514</u>	<u>\$ 49 764</u>	<u>\$ 2 217</u>

See independent auditors' report.

289	410	429	
RURAL SCHOOL ACHIEVEMENT PROGRAM	TEXTBOOK ALLOTMENT	ACHIEVEMENT ACADEMICS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
\$ 9 872	\$ -	\$ -	\$ 54 544
-	22 768	-	47 591
<u>\$ 9 872</u>	<u>\$ 22 768</u>	<u>\$ -</u>	<u>\$ 102 135</u>
\$ -	\$ 22 768	\$ -	\$ 42 499
-	22 768	-	42 499
<u>-</u>	<u>22 768</u>	<u>-</u>	<u>42 499</u>
9 872	-	-	59 636
<u>9 872</u>	<u>-</u>	<u>-</u>	<u>59 636</u>
<u>\$ 9 872</u>	<u>\$ 22 768</u>	<u>\$ -</u>	<u>\$ 102 135</u>

IOLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended August 31, 2020

DATA CONTROL CODES		211 ESEA TITLE 1 IMPROVING BASIC SKILLS	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	255 TITLE II PART A TRAINING AND RECRUITING
	Revenues:			
5700	Local, intermediate, and out-of-state	\$ -	\$ 116 998	\$ -
5800	State program revenues	-	12 861	-
5900	Federal program revenues	67 013	122 007	9 013
5020	TOTAL REVENUES	<u>67 013</u>	<u>251 866</u>	<u>9 013</u>
	Expenditures:			
	Current:			
0011	Instruction	67 013	-	9 013
0035	Food services	-	280 749	-
0052	Security and monitoring	-	-	-
6030	TOTAL EXPENDITURES	<u>67 013</u>	<u>280 749</u>	<u>9 013</u>
1100	EXCESS REVENUES OVER EXPENDITURES	<u>-</u>	<u>(28 883)</u>	<u>-</u>
	Other Financing Sources			
7915	Transfer in	-	30 000	-
1200	NET CHANGE IN FUND BALANCE	<u>-</u>	<u>1 117</u>	<u>-</u>
0100	Fund balance - Beginning	-	48 647	-
3000	ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 49 764</u>	<u>\$ -</u>

See independent auditors' report.



289	410	429	
RURAL SCHOOL ACHIEVEMENT PROGRAM	TEXTBOOK ALLOTMENT	ACHIEVEMENT ACADEMICS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	-	\$ 116 998
-	64 670	23 905	101 436
48 207	-	-	246 240
<u>48 207</u>	<u>64 670</u>	<u>23 905</u>	<u>464 674</u>
84 470	69 383	-	229 879
-	-	-	280 749
-	-	23 905	23 905
<u>84 470</u>	<u>69 383</u>	<u>23 905</u>	<u>534 533</u>
<u>(36 263)</u>	<u>(4 713)</u>	<u>-</u>	<u>(69 859)</u>
-	-	-	30 000
			<u>(39 859)</u>
46 135	4 713	-	99 495
<u>\$ 9 872</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 59 636</u>

IOLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 For the Year Ended August 31, 2020

LAST 10 YEARS	(1) TAX RATES			(2)	(3)
	MAINTENANCE	DEBT SERVICE			ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2011 and prior years	Various	Various		Various	
2012	1.04	0.4034	\$		157 053 047
2013	1.04	0.4339	\$		164 846 593
2014	0.9866	0.3039	\$		237 927 689
2015	1.0067	0.2889	\$		286 932 029
2016	1.04	0.2554	\$		300 714 274
2017	1.04	0.2811	\$		288 770 337
2018	1.04	0.3012	\$		258 525 074
2019	1.04	0.2256	\$		288 105 488
2020 (School year under audit)	0.97	1.16036	\$		194 720 564
TOTALS					

## EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2019	(20) CURRENT PERIOD'S TOTAL LEVY	(31) MAINTENANCE TOTAL COLLECTED	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE PERIOD'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2020
\$ 42 898	\$ -	\$ 563	\$ 218	\$ (2 204)	\$ 39 913
10 152	-	940	392	(69)	8 751
10 167	-	968	298	-	8 901
16 144	-	1 039	298	(268)	14 539
17 181	-	2 520	619	(266)	13 776
17 615	-	1 767	477	(119)	15 252
20 172	-	(1 359)	(394)	(6 374)	15 551
31 324	-	7 405	1 570	(353)	21 996
72 224	-	25 878	4 829	(4 233)	37 284
-	4 148 249	3 397 417	666 744	(162)	83 926
<u>\$ 237 877</u>	<u>\$ 4 148 249</u>	<u>\$ 3 437 138</u>	<u>\$ 675 051</u>	<u>\$ (14 048)</u>	<u>\$ 259 889</u>

IOLA INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 For the Year Ended August 31, 2020

EXHIBIT J-2

DATA CONTROL CODES	1		2		3		VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
	BUDGETED AMOUNTS				ACTUAL AMOUNTS		
	ORIGINAL		FINAL				
Revenues:							
5700	Local and intermediate sources	\$ 145 000	\$ 112 435	\$ 116 998	\$ 4 563		4 563
5800	State program revenues	2 500	1 818	12 861	11 043		11 043
5900	Federal program revenue	148 500	123 310	122 007	(1 303)		(1 303)
5020	TOTAL REVENUES	<u>296 000</u>	<u>237 563</u>	<u>251 866</u>	<u>14 303</u>		<u>14 303</u>
Expenditures:							
Current:							
0035	Food service	316 000	272 595	280 749	(8 154)		(8 154)
6030	TOTAL EXPENDITURES	<u>316 000</u>	<u>272 595</u>	<u>280 749</u>	<u>(8 154)</u>		<u>(8 154)</u>
1200	EXCESS REVENUES OVER EXPENDITURES	<u>(20 000)</u>	<u>(35 032)</u>	<u>(28 883)</u>	<u>6 149</u>		<u>6 149</u>
Other Financing Sources							
7915	Transfer in	-	30 000	30 000	-		-
	NET CHANGE IN FUND BALANCE	<u>(20 000)</u>	<u>(5 032)</u>	<u>1 117</u>	<u>-</u>		<u>-</u>
0100	Fund balance - Beginning	<u>48 647</u>	<u>48 647</u>	<u>48 647</u>	<u>-</u>		<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 28 647</u>	<u>\$ 43 615</u>	<u>\$ 49 764</u>	<u>\$ 6 149</u>		<u>\$ 6 149</u>

See independent auditors' report.

IOLA INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 For the Year Ended August 31, 2020

EXHIBIT J-3

DATA CONTROL CODES		1		2		3		VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
		<u>BUDGETED AMOUNTS</u>				ACTUAL		
		<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>				
	Revenues:							
5700	Local and intermediate sources	\$ 603 850	\$ 603 850	\$ 685 776	\$	81 926		81 926
5800	State program revenues	-	-	11 928		11 928		11 928
5020	TOTAL REVENUES	<u>603 850</u>	<u>603 850</u>	<u>697 704</u>		<u>93 854</u>		<u>93 854</u>
	Expenditures:							
	Debt Service:							
0071	Principal	60 000	340 000	340 000		-		-
0072	Interest	528 850	268 450	262 825		5 625		5 625
0073	Bond issuance costs and fees	500	900	900		-		-
6030	TOTAL EXPENDITURES	<u>589 350</u>	<u>609 350</u>	<u>603 725</u>		<u>5 625</u>		<u>5 625</u>
1200	NET CHANGE IN FUND BALANCES	14 500	(5 500)	93 979		99 479		99 479
0100	Fund balance - Beginning	<u>476 710</u>	<u>476 710</u>	<u>476 710</u>		-		-
3000	FUND BALANCE - ENDING	<u>\$ 491 210</u>	<u>\$ 471 210</u>	<u>\$ 570 689</u>	\$	<u>99 479</u>		<u>99 479</u>

See independent auditors' report.

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

Board of Trustees  
Iola Independent School District  
Iola, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iola Independent School District (the "District") as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 30, 2020.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

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

**Purpose of this Report**

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

*Axley & Rode LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
November 30, 2020

IOLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2020

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes     No

Significant deficiencies identified that are  
not considered to be material weaknesses?

Yes     None reported

Noncompliance material to financial statements noted?

Yes     No

B. Financial Statement Findings

None



IOLA INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2020

FINDING	STATUS
None	

IOLA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2020

None

IOLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
 SCHOOL FIRST INDICATORS  
 As of August 31, 2020

Exhibit L-1

DATA CONTROL CODES		RESPONSES
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold?	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its Website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other Statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the schools district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	N/A