

**RICHLAND SPRINGS
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

Introductory Section

Richland Springs Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	A-1
Statement of Activities.....	13	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	17	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	18	E-1
Notes to the Financial Statements	19	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	42	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Texas Teacher Retirement System.....	44	G-2
Schedule of District's Contributions - Texas Teacher Retirement System.....	45	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	46	G-4
Schedule of District's Contributions - OPEB Plan.....	47	G-5
Notes to Required Supplementary Information.....	48	
<u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	49	H-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	50	H-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	51	H-3
Combining Statement of Revenues, Expenditures and Changes		

Richland Springs Independent School District
 Annual Financial Report
 For The Year Ended August 31, 2020

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
in Fund Balances - Nonmajor Special Revenue Funds.....	53	H-4
Capital Projects Funds:		
Budgetary Comparison Schedule:		
Capital Projects Fund.....	55	H-5
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	56	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	58	J-2
Debt Service Fund.....	59	J-3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60	
Schedule of Findings and Questioned Costs	62	
Summary Schedule of Prior Audit Findings.....	63	
Corrective Action Plan.....	64	
Schedule of Required Responses to Selected School First Indicators.....	65	K-1

CERTIFICATE OF BOARD

Richland Springs Independent School District
Name of School District

San Saba
County

206-902
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 17th day of December, 2020.

Nancy Justice
Signature of Board Secretary

Ym Jim
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section

Burl D. Lowery
Certified Public Accountant
311 Center Avenue
Brownwood, Texas 76801

Independent Auditor's Report

To the Board of Trustees
Richland Springs Independent School District
One Coyote Trail
Richland Springs, Texas 76871

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Richland Springs 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

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

Opinions

In my 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 Richland Springs Independent School District as of August 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richland Springs Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

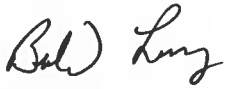
The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 my opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 25, 2020 on my consideration of Richland Springs Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland Springs Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
November 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$1790,319 at August 31, 2020.
- During the year, the District's expenses were \$143,700, more than the \$2,782,060 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased by \$538,281 and its revenues decreased by \$30,864 during the current year.
- The general fund reported a fund balance this year of \$1,289,854.
- The District issued \$2,670,000 of school building bonds in the 2014-2015 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no Proprietary Fund Types.
- We use *internal service funds* to report activities that provide workers compensation insurance for the District's other programs and activities. The District has no internal service funds.

- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. 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 assets and a statement of changes in fiduciary net assets. We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. These funds consist of student activity funds and belong to the individual clubs and organizations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$1,790,319 at August 31, 2020 and \$1,934,020 at August 31, 2019.

The District has restricted net assets of \$332,975 for debt service, and \$59 for state and federal programs. The \$307,112 of unrestricted net assets represents resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$2,782,060. A significant portion, 46%, of the District's revenue comes from taxes. 44% comes from state available and foundation grants, while only 1% relates to charges for services.

The total cost of all programs and services was \$2,925,760.54; 54% of these costs are for instruction and instructional related services. (Expenditure Functions 11 and 12).

Governmental Activities

- Property tax rates were \$1.0405 for general operation and \$0.33 for debt service and taxable value increased in the current year. This resulted in tax revenues to \$1,283,683.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types in the individual funds totaled \$2,710,847, a decrease of 2.2% over the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$458,361 below the final budget amounts of the General Fund.

On the other hand, resources available were \$1121,838 less than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested \$5,784,336 in a broad range of capital assets, including land, equipment buildings, and vehicles. There were \$70,978 of additions in the 2019-2020 fiscal year.

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

Long Term Debt

The District issued \$2,670,000 of bonds in the prior year to fund construction. These bonds have a balance of \$2,425,000 at August 31, 2020. More detailed information on the debt is included in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Budget preparation is approximately the same as the prior year.
- General operating fund spending increases in the 2020-2021 budget from \$2,802,545 to \$2,820,692 which is an increase of 0.65%.
- The District's 2020-2021 refined average daily attendance is expected to be approximately the same as the 2019-2020 average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2020-2021. Amounts available for appropriation in the general fund budget are \$2,291,941, a decrease of 1.5% over the final 2019-2020 budget of \$2,327,508. State revenue will increase or decrease as the student population changes in size.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by approximately \$528,751 by the end of 2020-2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

TABLE 1

	Governmental Activities	
	2020	2019
Current Assets:		
Cash and cash equivalents	\$1,833,787	\$1,606,566
Due from other governments	\$10,554	\$179,643
Property taxes receivable net of uncollectible	\$22,562	\$17,124
Other receivables	\$6,518	\$0
Unrealized expenditures	\$0	\$0
Total Current Assets	\$1,873,421	\$1,803,333
Noncurrent Assets:		
Land	\$9,031	\$9,031
Buildings & Improvements	\$5,264,863	\$5,235,488
Equipment and vehicles	\$510,442	\$469,019
Construction in progress	\$0	\$0
	<u>\$5,784,336</u>	<u>\$5,713,538</u>
Less accumulated depreciation	\$2,049,593	\$1,910,715
Total Noncurrent Assets	\$3,734,743	\$3,802,823
Total Assets	\$5,608,164	\$5,606,156
Deferred outflows of resources	\$387,056	\$332,934
Current Liabilities:		
Accounts payable and accrued expenses	\$96,463	\$98,359
Due to other governments	\$103,570	\$0
Unearned revenue	\$0	\$0
Total Current Liabilities	\$200,033	\$98,359
Long-term Liabilities:		
Bonds payable	\$2,425,000	\$2,485,000
Unamortized premium on bonds	\$159,570	\$165,953
Net OPEB liability	\$581,707	\$590,754
Net pension liability	\$481,481	\$452,839
Total Long-term Liabilities	\$3,647,758	\$3,694,546
Total Liabilities	\$3,847,791	\$3,792,905
Deferred Inflows of Resources	\$330,110	\$211,626
Net Assets:		
Invested in capital assets	\$1,150,173	\$1,151,871
Restricted for state and federal programs	\$59	\$0
Restricted for debt service	\$332,975	\$171,728
Restricted for capital projects	\$0	\$543
Unrestricted	\$307,112	\$609,878
Total Net Position	\$1,790,319	\$1,934,020

**RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES
TABLE 2**

CHANGES IN NET ASSETS

	Governmental Activities	
	2020	2019
Program Revenues:		
Charges for services	\$26,879	\$34,970
Operating grants and contributions	\$218,672	\$302,907
Capital grants and contributions		
General Revenues:		
Property taxes	\$1,283,683	\$1,169,966
State aid	\$1,213,322	\$1,256,230
Investment earnings	\$8,323	\$39,946
Other revenues	\$28,316	\$8,905
Special item in	\$2,865	\$0
Total Revenues	\$2,782,060	\$2,812,924
Expenditures:		
Instruction	\$1,518,679	\$1,045,747
Instructional resources and media services	\$48,563	\$42,576
Curriculum and staff development	\$1,003	\$1,592
Instructional leadership	\$0	\$0
School leadership	\$121,185	\$93,306
Guidance and counseling services	\$466	\$0
Social work services	\$0	\$0
Health services	\$3,349	\$2,490
Student transportation	\$58,005	\$79,360
Food services	\$178,928	\$186,801
Cocurricular/Extracurricular activities	\$207,694	\$204,851
General administration	\$234,041	\$231,591
Plant maintenance & operation	\$227,176	\$231,565
Security and monitoring services	\$64,594	\$14,337
Data processing services	\$89,280	\$83,868
Community services	\$0	\$0
Debt services	\$92,967	\$94,167
Payments to fiscal agent/member districts SSA	\$40,422	\$40,689
Payments to JAEP	\$0	\$0
Other intergovernmental charges	\$39,408	\$34,539
Total Expenditures	\$2,925,760	\$2,387,479
Excess (Deficiency) Before Other Resources, Uses, and Transfers	(\$143,700)	\$425,445
Other Resources (Uses)		
Extraordinary items - net	\$0	(\$59,668)
Increase (Decrease) in Net Assets	(\$143,700)	\$365,777
Net Position - Beginning	\$1,934,019	\$1,837,385
Prior period adjustments	\$0	(\$269,142)
Net Position - Ending	\$1,790,319	\$1,934,020

**RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES
TABLE 3**

CAPITAL ASSETS

	Governmental Activities	
	2020	2019
Land	\$9,031	\$9,031
Construction in Progress	\$0	\$0
Buildings and improvements	\$5,264,863	\$5,235,488
Equipment and vehicles	\$510,442	\$469,019
Total Capital Assets	\$5,784,336	\$5,713,538
Total Accumulated Depreciation	\$2,049,593	\$1,910,715
Net Capital Assets	\$3,734,743	\$3,802,823

TABLE 4

LONG-TERM DEBT

	Governmental Activities	
	2020	2019
Bonds payable	\$2,425,000	\$2,485,000
Premiums on bonds	\$159,570	\$165,953
Net pension liability	\$481,481	\$452,839
Net OPEB liability	\$581,707	\$590,754
Total Long-term Debt	\$3,647,758	\$3,694,546

Basic Financial Statements

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

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,833,787
1225	<i>Property Taxes Receivable (Net)</i>	22,562
1240	<i>Due from Other Governments</i>	10,554
1290	<i>Other Receivables (Net)</i>	6,518
Capital Assets:		
1510	<i>Land</i>	9,030
1520	<i>Buildings and Improvements, Net</i>	3,656,284
1530	<i>Furniture and Equipment, Net</i>	69,429
1000	Total Assets	<u>5,608,164</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	278,946
	<i>Deferred Outflow Related to OPEB</i>	108,110
1700	Total Deferred Outflows of Resources	<u>387,056</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	601
2165	<i>Accrued Liabilities</i>	95,862
2180	<i>Due to Other Governments</i>	130,570
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	60,000
2502	<i>Due in More Than One Year</i>	2,524,570
2540	<i>Net Pension Liability</i>	481,481
2545	<i>Net OPEB Liability</i>	581,707
2000	Total Liabilities	<u>3,874,791</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	78,454
	<i>Deferred Inflow Related to OPEB</i>	251,656
2600	Total Deferred Inflows of Resources	<u>330,110</u>
NET POSITION:		
3200	Net Investment in Capital Assets	1,150,173
Restricted For:		
3820	State and Federal Programs	59
3850	Debt Service	332,975
3900	Unrestricted	307,112
3000	Total Net Position	<u>\$ 1,790,319</u>

The accompanying notes are an integral part of this statement.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues		Governmental Activities
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	<i>Instruction</i>	\$ 1,518,679	\$ --	\$ 70,678	\$ (1,448,001)
12	<i>Instructional Resources and Media Services</i>	48,563	--	182	(48,381)
13	<i>Curriculum and Staff Development</i>	1,003	--	4	(999)
23	<i>School Leadership</i>	121,185	--	445	(120,740)
31	<i>Guidance, Counseling, & Evaluation Services</i>	466	--	2	(464)
33	<i>Health Services</i>	3,349	--	13	(3,336)
34	<i>Student Transportation</i>	58,005	--	215	(57,790)
35	<i>Food Service</i>	178,928	15,428	42,928	(120,572)
36	<i>Cocurricular/Extracurricular Activities</i>	207,694	11,451	796	(195,447)
41	<i>General Administration</i>	234,041	--	884	(233,157)
51	<i>Facilities Maintenance and Operations</i>	227,176	--	878	(226,298)
52	<i>Security and Monitoring Services</i>	64,594	--	241	(64,353)
53	<i>Data Processing Services</i>	89,280	--	101,236	11,956
72	<i>Interest on Long-term Debt</i>	91,067	--	--	(91,067)
73	<i>Bond Issuance Costs and Fees</i>	1,900	--	--	(1,900)
93	<i>Payments Related to Shared Services Arrangements</i>	40,422	--	170	(40,252)
99	<i>Other Intergovernmental Charges</i>	39,408	--	--	(39,408)
TG	Total Governmental Activities	<u>2,925,760</u>	<u>26,879</u>	<u>218,672</u>	<u>(2,680,209)</u>
TP	Total Primary Government	<u>\$ 2,925,760</u>	<u>\$ 26,879</u>	<u>\$ 218,672</u>	<u>(2,680,209)</u>
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				961,622
DT	<i>Property Taxes, Levied for Debt Service</i>				322,061
IE	<i>Investment Earnings</i>				8,323
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				1,213,322
MI	<i>Miscellaneous</i>				28,316
	Special and Extraordinary Items:				
S1	<i>Special Item Inflow</i>				2,865
TR	Total General Revenues				<u>2,536,509</u>
CN	Change in Net Position				<u>(143,700)</u>
NB	Net Position - Beginning				1,934,019
NE	Net Position - Ending				<u>\$ 1,790,319</u>

The accompanying notes are an integral part of this statement.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110	\$ 1,497,513	\$ 330,883	\$ 5,391	\$ 1,833,787
1225	18,223	4,339	--	22,562
1240	--	--	10,554	10,554
1290	5,026	1,492	--	6,518
1000	<u>1,520,762</u>	<u>336,714</u>	<u>15,945</u>	<u>1,873,421</u>
LIABILITIES:				
Current Liabilities:				
2110	\$ 601	\$ --	\$ --	\$ 601
2160	79,886	--	13,064	92,950
2180	130,570	--	--	130,570
2200	1,628	--	1,284	2,912
2000	<u>212,685</u>	<u>--</u>	<u>14,348</u>	<u>227,033</u>
DEFERRED INFLOWS OF RESOURCES:				
	18,223	4,339	--	22,562
2600	<u>18,223</u>	<u>4,339</u>	<u>--</u>	<u>22,562</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	--	--	597	597
3480	--	332,375	--	332,375
3490	--	--	1,000	1,000
Committed Fund Balances:				
3510	323,004	--	--	323,004
3530	27,055	--	--	27,055
3600	939,795	--	--	939,795
3000	<u>1,289,854</u>	<u>332,375</u>	<u>1,597</u>	<u>1,623,826</u>
4000	<u>\$ 1,520,762</u>	<u>\$ 336,714</u>	<u>\$ 15,945</u>	<u>\$ 1,873,421</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 1,623,826
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,734,743
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	22,562
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,425,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(481,481)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(78,454)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	278,946
Bond premiums are amortized in the SNA but not in the funds.	(159,570)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(581,707)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(251,656)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>108,110</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,790,319</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES:					
5700	\$ 1,006,338	\$ 319,996	\$ 15,428	\$ 1,341,762	
5800	1,209,332	--	40,914	1,250,246	
5900	--	--	118,839	118,839	
5020	<u>2,215,670</u>	<u>319,996</u>	<u>175,181</u>	<u>2,710,847</u>	
EXPENDITURES:					
Current:					
0011	1,238,984	--	115,826	1,354,810	
0012	43,334	--	--	43,334	
0013	950	--	--	950	
0023	106,064	--	--	106,064	
0031	442	--	--	442	
0033	3,173	--	--	3,173	
0034	92,745	--	--	92,745	
0035	220	--	158,376	158,596	
0036	189,803	--	--	189,803	
0041	210,708	--	--	210,708	
0051	209,484	--	--	209,484	
0052	57,405	--	--	57,405	
0053	81,668	--	--	81,668	
0071	--	60,000	--	60,000	
0072	--	97,450	--	97,450	
0073	--	1,900	--	1,900	
0081	29,374	--	--	29,374	
0093	40,422	--	--	40,422	
0099	39,408	--	--	39,408	
6030	<u>2,344,184</u>	<u>159,350</u>	<u>274,202</u>	<u>2,777,736</u>	
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures				
	<u>(128,514)</u>	<u>160,646</u>	<u>(99,021)</u>	<u>(66,889)</u>	
Other Financing Sources and (Uses):					
7912	2,865	--	--	2,865	
7915	543	--	100,618	101,161	
8911	<u>(100,618)</u>	--	<u>(543)</u>	<u>(101,161)</u>	
7080	<u>(97,210)</u>	--	<u>100,075</u>	<u>2,865</u>	
1200	<u>(225,724)</u>	<u>160,646</u>	<u>1,054</u>	<u>(64,024)</u>	
0100	Fund Balances - Beginning	1,515,578	171,729	543	1,687,850
3000	Fund Balances - Ending	<u>\$ 1,289,854</u>	<u>\$ 332,375</u>	<u>\$ 1,597</u>	<u>\$ 1,623,826</u>

The accompanying notes are an integral part of this statement.

RICHLAND SPRINGS 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*

Net change in fund balances - total governmental funds	\$ (64,024)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	70,797
The depreciation of capital assets used in governmental activities is not reported in the funds.	(138,877)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	5,438
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	60,000
Bond premiums are reported in the funds but not in the SOA.	6,383
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(74,772)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(8,645)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (143,700)</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Agency Fund
		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 23,342
1000	Total Assets	<u>23,342</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 23,342
2000	Total Liabilities	<u>23,342</u>
	NET POSITION:	
3000	Total Net Position	<u>\$</u>

The accompanying notes are an integral part of this statement.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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

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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

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

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. **Deferred Outflows and Inflows of Resources**

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. **Receivable and Payable Balances**

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

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

f. **Interfund Activity**

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

g. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. **Data Control Codes**

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. 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 and proprietary 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 net position to have been depleted before unrestricted net position is applied.

k. 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.

4. Pensions

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,857,129 and the bank balance was \$1,909,416. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. Investments:

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

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

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investment at August 31, 2020 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
None	N/A	\$ --
		--
		--
Total Investments		\$ <u> --</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,031	\$ --	\$ --	\$ 9,031
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>9,031</u>	<u>--</u>	<u>--</u>	<u>9,031</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	5,235,488	29,374	--	5,264,863
Equipment	469,019	41,423	--	510,442
Vehicles	--	--	--	--
Total capital assets being depreciated	<u>5,704,507</u>	<u>70,797</u>	<u>--</u>	<u>5,775,304</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,487,297)	--	121,282	(1,608,579)
Equipment	(423,418)	--	17,595	(441,013)
Vehicles	--	--	--	--
Total accumulated depreciation	<u>(1,910,715)</u>	<u>--</u>	<u>138,877</u>	<u>(2,049,592)</u>
Total capital assets being depreciated, net	<u>3,793,792</u>	<u>70,797</u>	<u>138,877</u>	<u>3,725,712</u>
Governmental activities capital assets, net	<u>\$ 3,802,823</u>	<u>\$ 70,797</u>	<u>\$ 138,877</u>	<u>\$ 3,734,743</u>

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Depreciation was charged to functions as follows:

Instruction	\$ 74,968
Instructional Resources and Media Services	2,399
Curriculum and Staff Development	53
School Leadership	5,872
Guidance, Counseling, & Evaluation Services	24
Health Services	176
Student Transportation	5,135
Food Services	8,780
Extracurricular Activities	10,508
General Administration	11,665
Plant Maintenance and Operations	11,598
Security and Monitoring Services	3,178
Data Processing Services	4,521
	<u>\$ 138,877</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ --	Short-term loans
General Fund	Major fund (specify fund name)	--	For transfer of federal receipts
Major fund (specify fund name)	General Fund	--	Capital projects expenditures
Other Governmental Funds	General Fund	--	Specify purpose here
	Other Balances	--	
	Total	<u>\$ --</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Debt service fund	\$ --	Provide resources for repayment of certificates of participation
Other Governmental Funds	General Fund	543	Clost Fund
General fund	Other Governmental Funds	100,618	Supplement other funds sources
Major fund (specify fund name)	General Fund	--	Reimburse expenditures
Other Governmental Funds	Other Governmental Funds	--	Supplement other funds sources
	Total	<u>\$ 101,161</u>	

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. The District has no short-term debt.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

G. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,485,000	\$ --	\$ 60,000	\$ 2,425,000	\$ 60,000
Premium on bonds	165,953	--	6,383	159,570	--
Claims and judgments *	--	--	--	--	--
Net Pension Liability *	452,839	28,642	--	481,481	--
Net OPEB Liability	590,754	--	9,047	581,707	--
Notes from Direct Borrowings and Direct Placements	--	--	--	--	--
Total governmental activities	\$ 3,694,546	\$ 28,642	\$ 75,430	\$ 3,647,758	\$ 60,000

The District has outstanding school bonds of \$2,425,000. The interest rates on these bonds range from 2.0% to 4.5%. The bonds are payable in semi-annual payments and will mature in 2045.

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	N/A
Claims and judgments	Governmental	General
Net Pension Liability *	Governmental	General
Compensated absences	Business-type	N/A
Claims and judgments	Business-type	N/A

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2021	\$ 60,000	96,250		\$	\$ 156,250
2022	60,000	94,750			154,750
2023	65,000	92,875			157,875
2024	65,000	90,925			155,925
2025	70,000	88,550			158,550
2026-2030	385,000	398,650			783,650
2031-2035	460,000	319,725			779,725
2036-2040	555,000	222,338			777,338
2041-2045	705,000	82,013			787,013
2046-2050					--
Totals	\$ 2,425,000	\$ 1,486,075	\$ --	\$ --	\$ 3,911,075

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

3. Capital Leases

The District has no capital leases.

H. Commitments Under Noncapitalized Leases

The District has no noncapitalized leases.

I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

3. Benefits Provided

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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

4. Contributions

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

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

	<u>Contribution Rates</u>	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$ 37,940	
District's 2019 Member Contributions	\$ 106,387	
2019 NECE On-Behalf Contributions (state)	\$ 57,987	

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

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

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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- 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% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution

5. Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100.0%	100.0%	7.23%

* Target allocations are based on the Strategic Asset Allocation as of FY2019
** New allocations are based on the Strategic Asset Allocation to be implemented FY2020
*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%
**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds
***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 740,106	\$ 481,481	\$ 271,945

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

At August 31, 2020, the District reported a liability of \$481,481 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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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	\$ 481,481
State's proportionate share that is associated with District	<u>861,252</u>
Total	<u>\$ 1,342,733</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0009262252%. which was an increase (decrease) of 0.0001035157% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

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

For the year ended August 31, 2020, the District recognized pension expense of \$135,291 and revenue of \$135,291 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	\$ 2,023	\$ 16,718
Changes in actuarial assumptions	149,379	61,730
Difference between projected and actual investment earnings	4,835	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	84,769	6
Contributions paid to TRS subsequent to the measurement date	<u>37,940</u>	<u>--</u>
Total	<u>\$ 278,946</u>	<u>\$ 78,454</u>

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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Year Ended August 31	Pension Expense Amount
2021	\$ 41,200
2022	\$ 35,265
2023	\$ 37,382
2024	\$ 35,260
2025	\$ 15,646
Thereafter	\$ (2,203)

K. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

3. Benefits Provided

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

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

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

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

4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

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

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2020 Employer Contributions		\$ 10,362
District's 2020 Member Contributions		\$ 8,981
2019 NECE On-Behalf Contributions (state)		\$ 8,730

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

5. Actuarial Assumptions

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

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

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

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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

**7.3% for FY2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

*** 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase 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.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 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%)
District's proportionate share of net OPEB liability	\$ 702,309	\$ 581,709	\$ 487,363

8. 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 \$20,185 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 581,707
State's proportionate share that is associated with the District	\$ <u>772,961</u>

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Total \$ 1,354,668

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

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.001230057, compared to 0.001183146 at August 31, 2019.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 474,538	\$ 581,709	\$ 725,269

9. Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$20,372 and revenue of \$20,372 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 28,538	\$ 95,191
Changes in actuarial assumptions	32,309	156,465
Differences between projected and actual investment earnings	62	--

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Changes in proportion and difference between the District's contributions and the proportionate share of contributions

35,561 --

Contributions paid to TRS subsequent to the measurement date

11,640 --

Total

\$ 108,123 \$ 251,656
108,110

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

Year ended August 31,	OPEB Expense Amount
2021	\$ (27,500)
2022	\$ (27,500)
2023	\$ (27,521)
2024	\$ (27,532)
2025	\$ (27,529)
Thereafter	\$ (17,602)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$6,695.

L. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by TRS Active Care. 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 TRS Active Care.

M. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2020.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

N. Shared Services Arrangements

The District participates in a locally funded special education cooperative with the following districts:

Member Districts:

Brady ISD
Richland Springs ISD
Lohn ISD
Rochelle ISD
Cherokee ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Brady ISD, 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 manager is responsible for all financial activities of the SSA.

O. Subsequent Events

Management has reviewed all transactions and events from August 31, 2020 to November 25, 2020. There were no items identified that require disclosure.

P. Workers Compensation Insurance

During the year ended August 31, 2020, the Richland Springs ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

Richland Springs ISD participates in the Fund's reimburseable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined in the members' Contribution and Coverage Summary document. After the members' deductible is met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2019, the Fund carries a reserve of \$45,439,534 for future development of reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

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

Q. Unemployment Compensation

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

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

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

R. Property Insurance

During the year ended August 31, 2020, the Richland Springs Independent School District participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage in:

Auto Physical Damage
Auto Liability
Boiler
Property

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

The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2015, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions.

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

S. Liability Insurance

Management Fund's (the Fund's) Liability Program with coverage in:

General Liability
SP Legal Liability

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

determine the adequacy of the reserves and fully funds those reserves. For the year ended August 31, 2019, the Fund anticipates District has no additional liability beyond the contractual obligations for payment of contributions.

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

T. Due from Other Governments

The District has the following amounts due from other governments at August 31, 2020:

General Fund:	
State Sources	--
Special Revenue Fund:	
State Sources	--
Federal Sources	<u>\$10,554</u>
Total	<u><u>\$10,554</u></u>

U. Unearned Revenue in Individual Funds

The District has the following amounts of deferred revenue in its individual funds at August 31, 2020:

General Fund:	
Property taxes	\$18,223
State Foundation	--
Debt Service Fund:	
Property taxes	<u>\$4,339</u>
Total	<u><u>\$22,562</u></u>

The District has an amount due to the state in addition to the above unearned revenue for overpaid 2019-2020 foundation revenue in the amount of \$130,570 at August 31, 2020.

V. Committed Fund Balance

The District's Board of Trustees have made the following commitments of fund balance:

Committed for construction	\$323,004
Committed for equipment purchases	\$27,055

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.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1
Page 1 of 2

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	1 Original	2 Final		
REVENUES:				
5700	\$ 1,065,213	\$ 1,081,695	\$ 1,006,338	\$ (75,357)
5800	1,206,468	1,245,813	1,209,332	(36,481)
5020	<u>2,271,681</u>	<u>2,327,508</u>	<u>2,215,670</u>	<u>(111,838)</u>
EXPENDITURES:				
Current:				
Instruction & Instructional Related Services:				
0011	1,330,848	1,338,936	1,238,984	99,952
0012	46,799	49,299	43,334	5,965
0013	1,650	5,950	950	5,000
	<u>1,379,297</u>	<u>1,394,185</u>	<u>1,283,268</u>	<u>110,917</u>
Instructional and School Leadership:				
0023	109,884	111,384	106,064	5,320
	<u>109,884</u>	<u>111,384</u>	<u>106,064</u>	<u>5,320</u>
Support Services - Student (Pupil):				
0031	1,500	5,500	442	5,058
0033	6,500	8,000	3,173	4,827
0034	115,547	115,547	92,745	22,802
0035	12,905	12,905	220	12,685
0036	223,893	237,832	189,803	48,029
	<u>360,345</u>	<u>379,784</u>	<u>286,383</u>	<u>93,401</u>
Administrative Support Services:				
0041	264,988	264,988	210,700	54,280
	<u>264,988</u>	<u>264,988</u>	<u>210,700</u>	<u>54,280</u>
Support Services - Nonstudent Based:				
0051	290,670	290,670	209,484	81,186
0052	67,812	67,812	57,405	10,407
0053	89,044	89,044	81,668	7,376
	<u>447,526</u>	<u>447,526</u>	<u>348,557</u>	<u>98,969</u>
Capital Outlay:				
0081	110,000	110,000	29,374	80,626
	<u>110,000</u>	<u>110,000</u>	<u>29,374</u>	<u>80,626</u>
Intergovernmental Charges:				
0093	39,822	44,822	40,422	4,400
0095	4,000	4,000	-	4,000
0099	40,856	45,856	39,408	6,448
	<u>84,678</u>	<u>94,678</u>	<u>79,830</u>	<u>14,848</u>
6030	<u>2,756,718</u>	<u>2,802,545</u>	<u>2,344,184</u>	<u>458,361</u>
1100				
1100	(485,037)	(475,037)	(128,514)	346,523
Other Financing Sources (Uses):				
7912	--	--	2,865	2,865

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1
Page 2 of 2

Data Control Codes		Budgeted Amounts		3 Actual	Variance with Final Budget Positive (Negative)
		1 Original	2 Final		
7915	Transfers In	(101,020)	--	543	543
8911	Transfers Out	--	(111,020)	(100,618)	10,402
7080	Total Other Financing Sources and (Uses)	(101,020)	(111,020)	(97,210)	13,810
1200	Net Change in Fund Balance	(586,057)	(586,057)	(225,724)	360,333
0100	Fund Balance - Beginning	1,515,579	1,515,579	1,515,578	(1)
3000	Fund Balance - Ending	\$ 929,522	\$ 929,522	\$ 1,289,854	\$ 360,332

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

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0008227095%	0.0008227095%	0.0007768100%	0.0007200000%	0.0007603000%	0.0003748100%
\$	481,481 \$	452,839 \$	248,379 \$	272,063 \$	268,756 \$	100,462
District's proportionate share of the net pension liability (asset)	861,252	851,406	549,967	653,347	616,181	524,611
State's proportionate share of the net pension liability (asset) associated with the District	1,342,733 \$	1,304,245 \$	798,346 \$	925,410 \$	884,937 \$	625,073
Total	1,062,682 \$	996,447 \$	1,001,139 \$	945,199 \$	906,127 \$	863,933
District's covered-employee payroll	45.31%	45.45%	24.81%	28.78%	29.66%	11.63%
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.24%	73.74%	82.17%	76.23%	78.43%	83.25%

* This schedule is presented to 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.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

EXHIBIT G-3

	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 37,940	\$ 32,948	\$ 27,443	\$ 25,459	\$ 22,947	\$ 22,514
Contributions in relation to the contractually required contribution	(37,940)	(32,948)	(27,433)	(25,459)	(22,947)	(22,514)
Contribution deficiency (excess)	\$ --	\$ --	\$ 10	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 1,391,649	\$ 1,062,682	\$ 996,447	\$ 1,001,138	\$ 945,199	\$ 906,127
Contributions as a percentage of covered-employee payroll	2.73%	3.10%	2.75%	2.54%	2.43%	2.48%

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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEXAS TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

EXHIBIT G-4

	Measurement Year Ended		
	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0000123005700%	0.0000118314360%	0.0000116310260%
District's proportionate share of the collective net OPEB liability	\$ 581,707	\$ 590,754	\$ 505,791
State proportionate share of the collective net OPEB liability associated with the District	\$ 772,961	\$ 846,659	\$ 787,386
Total	\$ 1,354,668	\$ 1,437,413	\$ 1,293,627
District's covered-employee payroll	\$ 1,062,682	\$ 996,447	\$ 1,001,139
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	54.74%	41.10%	50.52%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

* This schedule is presented to 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.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEXAS TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

EXHIBIT G-5

	Fiscal Year Ended		
	2020	2019	2018
Statutorily or contractually required District contribution	\$ 11,640	\$ 8,675	\$ 8,169
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(11,640)	(8,675)	(8,169)
Contribution deficiency (excess)	\$ 23,280	\$ --	\$ --
District's covered-employee payroll	\$ 1,381,649	\$ 1,062,682	\$ 996,447
Contributions as a percentage of covered-employee payroll	0.84%	0.82%	0.82%

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

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020*

Budget

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

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 5,391	\$ --	\$ 5,391
1240 <i>Due from Other Governments</i>	10,554	--	10,554
1000 Total Assets	<u>15,945</u>	<u>--</u>	<u>15,945</u>
LIABILITIES:			
Current Liabilities:			
2160 <i>Accrued Wages Payable</i>	\$ 13,064	\$ --	\$ 13,064
2200 <i>Accrued Expenditures</i>	1,284	--	1,284
2000 Total Liabilities	<u>14,348</u>	<u>--</u>	<u>14,348</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	597	--	597
3490 <i>Other Restrictions of Fund Balance</i>	1,000	--	1,000
3000 Total Fund Balances	<u>1,597</u>	<u>--</u>	<u>1,597</u>
4000 Total Liabilities and Fund Balances	<u>\$ 15,945</u>	<u>\$ --</u>	<u>\$ 15,945</u>

RICHLAND SPRINGS 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	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 15,428	\$ --	\$ 15,428
5800 <i>State Program Revenues</i>	40,914	--	40,914
5900 <i>Federal Program Revenues</i>	118,839	--	118,839
5020 Total Revenues	<u>175,181</u>	<u>--</u>	<u>175,181</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	115,826	--	115,826
0035 <i>Food Service</i>	158,376	--	158,376
6030 Total Expenditures	<u>274,202</u>	<u>--</u>	<u>274,202</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(99,021)</u>	<u>--</u>	<u>(99,021)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	100,618	--	100,618
8911 <i>Transfers Out</i>	--	(543)	(543)
7080 Total Other Financing Sources and (Uses)	<u>100,618</u>	<u>(543)</u>	<u>100,075</u>
1200 Net Change in Fund Balances	<u>1,597</u>	<u>(543)</u>	<u>1,054</u>
0100 Fund Balances - Beginning	--	543	543
3000 Fund Balances - Ending	<u>\$ 1,597</u>	<u>\$ --</u>	<u>\$ 1,597</u>

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2020

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	266 ESSER Fund
ASSETS:				
1110				
1240				
1000				
LIABILITIES:				
Current Liabilities:				
2160				
2200				
2000				
FUND BALANCES:				
Restricted Fund Balances:				
3450				
3490				
3000				
4000				

EXHIBIT H-3

270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Other Federal Programs	410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ --	\$ --	\$ --	\$ 5,391
\$ --	990	\$ --	\$ --	10,554
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	990			15,945
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ --	\$ 976	\$ --	\$ --	\$ 13,064
\$ --	14	\$ --	\$ --	1,284
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	990			14,348
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
--	--	--	--	597
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	--	--	--	1,000
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	--	--	--	1,597
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	990			15,945
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 15,428	\$ --
5800 <i>State Program Revenues</i>	--	362	--
5900 <i>Federal Program Revenues</i>	50,518	42,565	3,785
5020 Total Revenues	<u>50,518</u>	<u>58,355</u>	<u>3,785</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	49,518	--	3,785
0035 <i>Food Service</i>	--	158,376	--
6030 Total Expenditures	<u>49,518</u>	<u>158,376</u>	<u>3,785</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>1,000</u>	<u>(100,021)</u>	<u>--</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	100,618	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>100,618</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>1,000</u>	<u>597</u>	<u>--</u>
0100 Fund Balances - Beginning	--	--	--
9000 Fund Balances - Ending	<u>\$ 1,000</u>	<u>\$ 597</u>	<u>\$ --</u>

EXHIBIT H-4

270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Other Federal Programs	410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ --	\$ --	\$ 15,428
--	--	15,202	25,350	40,914
11,783	10,188	--	--	118,839
<u>11,783</u>	<u>10,188</u>	<u>15,202</u>	<u>25,350</u>	<u>175,181</u>
11,783	10,188	15,202	25,350	115,826
--	--	--	--	158,376
<u>11,783</u>	<u>10,188</u>	<u>15,202</u>	<u>25,350</u>	<u>274,202</u>
--	--	--	--	(99,021)
--	--	--	--	100,618
--	--	--	--	100,618
--	--	--	--	1,597
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,597</u>

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT H-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5020 Total Revenues	\$ --	\$ --	\$ --
EXPENDITURES:			
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	--	--	--
Other Financing Sources (Uses):			
8911 Transfers Out	--	(543)	(543)
7080 Total Other Financing Sources and (Uses)	--	(543)	(543)
1200 Net Change in Fund Balance	--	(543)	(543)
0100 Fund Balance - Beginning	--	543	543
3000 Fund Balance - Ending	\$ --	\$ --	\$ --

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2011 and Prior Years	\$	Various	\$	Various	\$	Various
2012		1.17		--		52,513,388
2013		1.17		--		53,301,983
2014		1.17		--		54,310,530
2015		1.17		--		58,675,417
2016		1.17		.33		59,009,250
2017		1.17		.33		62,538,114
2018		1.17		.33		65,700,693
2019		1.1273		.18		88,746,278
2020 (School Year Under Audit)		1.0405		.33		92,990,078

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

EXHIBIT J-1

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 3,539	\$ --	\$ --	\$ --	\$ (553)	\$ 2,986
393	--	--	--	--	393
85	--	--	--	(1)	85
24	--	--	--	(1)	24
467	--	--	--	(1)	466
1,453	--	415	--	104	1,141
1,723	--	336	95	179	1,471
6,488	--	2,714	766	274	3,282
14,368	--	6,932	1,118	1,074	7,393
--	1,274,429	938,437	315,120	(508)	20,364
<u>\$ 28,540</u>	<u>\$ 1,274,429</u>	<u>\$ 948,834</u>	<u>\$ 317,098</u>	<u>\$ 568</u>	<u>\$ 37,604</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 35,000	\$ 15,428	\$ (19,572)
5800 <i>State Program Revenues</i>	400	362	(38)
5900 <i>Federal Program Revenues</i>	56,094	42,565	(13,529)
5020 Total Revenues	<u>91,494</u>	<u>58,355</u>	<u>(33,139)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	202,514	158,376	44,138
Total Support Services - Student (Pupil)	<u>202,514</u>	<u>158,376</u>	<u>44,138</u>
6030 Total Expenditures	<u>202,514</u>	<u>158,376</u>	<u>44,138</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(111,020)</u>	<u>(100,021)</u>	<u>10,999</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	111,020	100,618	(10,402)
7080 Total Other Financing Sources and (Uses)	<u>111,020</u>	<u>100,618</u>	<u>(10,402)</u>
1200 Net Change in Fund Balance	--	597	597
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ 597</u>	<u>\$ 597</u>

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

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 303,000	\$ 319,996	\$ 16,996
5020 Total Revenues	<u>303,000</u>	<u>319,996</u>	<u>16,996</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	60,000	60,000	--
0072 <i>Interest on Long-Term Debt</i>	97,450	97,450	--
0073 <i>Bond Issuance Costs and Fees</i>	2,300	1,900	400
Total Debt Service	<u>159,750</u>	<u>159,350</u>	<u>400</u>
6030 Total Expenditures	<u>159,750</u>	<u>159,350</u>	<u>400</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	143,250	160,646	17,396
1200 Net Change in Fund Balance	143,250	160,646	17,396
0100 Fund Balance - Beginning	171,728	171,728	1
3000 Fund Balance - Ending	<u>\$ 314,978</u>	<u>\$ 332,375</u>	<u>\$ 17,397</u>

Burl D. Lowery
Certified Public Accountant
311 Center Avenue
Brownwood, Texas 76801

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Richland Springs Independent School District
One Coyote Trail
Richland Springs, Texas 76871

Members of the Board of Trustees:

I 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 Richland Springs Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Richland Springs Independent School District's basic financial statements, and have issued my report thereon dated November 25, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Richland Springs 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Richland Springs Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Richland Springs 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Richland Springs Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
November 25, 2020

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

NONE

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
The prior audit had no findings or questioned costs.		

RICHLAND SPRINGS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

No corrective action plan is required as the audit has no findings or questioned costs.

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

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 Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school 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 school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --