

EXHIBIT 3

**WEST OSO
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

This page is left blank intentionally.

WEST OSO INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2020

BOARD OF TRUSTEES

CELLA BOYD	PRESIDENT
ROSE SOTO	VICE PRESIDENT
VELMA RODRIGUEZ	SECRETARY
SHIRLEY JORDAN	MEMBER
LIZ GUTIERREZ	MEMBER
LONIE ALEXANDER	MEMBER
OSCAR ARREDONDO	MEMBER

OTHER OFFICIALS

CONRADO GARCIA	SUPERINTENDENT
DAVID PALACIOS	ASSISTANT SUPERINTENDENT OF BUSINESS FINANCE AND SCHOOL OPERATIONS

This page is left blank intentionally.

West Oso 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.....	16	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	19	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	20	E-1
Notes to the Financial Statements	21	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	45	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System.....	47	G-2
Schedule of District's Contributions - Teacher Retirement System.....	48	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - TRS-Care OPEB Plan.....	49	G-4
Schedule of District's Contributions - TRS-Care OPEB Plan.....	50	G-5
Notes to Required Supplementary Information.....	51	
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	52	J-1
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	54	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
Debt Service Fund.....	55	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>	56	

West Oso Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

TABLE OF CONTENTS

	Page	Exhibit
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	58	
Schedule of Findings and Questioned Costs	60	
Summary Schedule of Prior Audit Findings.....	61	
Corrective Action Plan.....	62	
Schedule of Expenditures of Federal Awards	63	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	64	

Introductory Section

This page is left blank intentionally.

CERTIFICATE OF BOARD

West Oso Independent School District
Name of School District

Nueces
County

178915
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 23rd day of February, 2021.

Velma Rodriguez
Board Secretary

Cella Boyd
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)

This page is left blank intentionally.

Financial Section

This page is left blank intentionally.

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
West Oso Independent School District
5050 Rockford Drive
Corpus Christi, Texas 78416

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Oso 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Oso Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. 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 other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2021 on our consideration of West Oso Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Oso Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
February 12, 2021

This page is left blank intentionally.

Management's Discussion and Analysis

This page is left blank intentionally.

**WEST OSO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020
UNAUDITED**

This section of West Oso 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

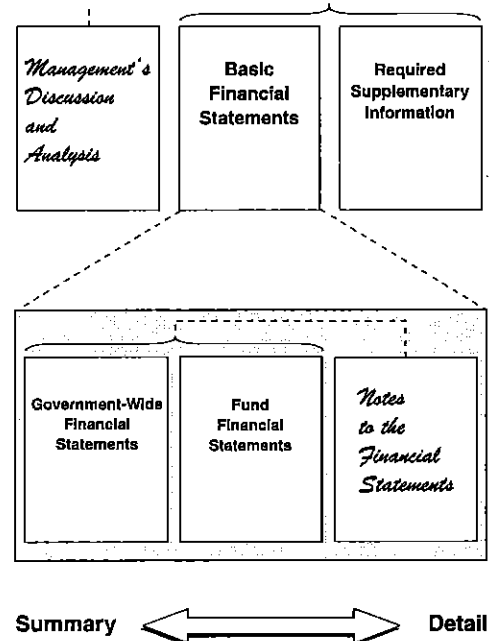
- The District's total combined net position was (\$1,937,452) at August 31, 2020.
- The District's current long-term obligations include \$36,433,984 in bonds and maintenance tax notes at August 31, 2020.
- During the year, the District's expenses were \$1,964,153 less than the \$29,515,524 generated in taxes and other revenues for governmental activities.
- The general fund, at August 31, 2020, reported a fund balance this year of \$4,701,996.
- In May 2020, the District issued \$6,785,000 Unlimited Tax School Building and Refunding Bonds, Series 2020, to advance refund Series 2009 and 2011A School Building Bonds and construct, renovate, acquire and equip school buildings.

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.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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



The 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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

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.
- *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 position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was (\$1,937,452). (See Table A-1.)

Table A-1
West Oso Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Total Percentage Change 2020-2019
	2020	2019*	
Current and Other Assets	12.2	12.0	1.7%
Capital and Non-Current Assets	41.5	36.9	12.5%
Total Assets	<u>53.7</u>	<u>48.9</u>	9.8%
Deferred Outflows of Resources	<u>4.3</u>	<u>5.8</u>	-25.9%
Current Liabilities	2.3	0.9	155.6%
Noncurrent Liabilities	<u>50.4</u>	<u>53.8</u>	-6.3%
Total Liabilities	<u>52.7</u>	<u>54.7</u>	-3.7%
Deferred Inflows of Resources	<u>7.3</u>	<u>3.9</u>	87.2%
Net Position			
Net Invested in Capital Assets	11.3	11.0	2.7%
Restricted	0.4	0.4	0.0%
Unrestricted	<u>(13.6)</u>	<u>(15.5)</u>	-12.3%
Total Net Position	<u>(1.9)</u>	<u>(3.9)</u>	18.0%

*Restated.

The (\$13.6) million of unrestricted net position represents the remainder of net position that is not restricted by parties outside the district.

Changes in Net Position

The District's total revenues were \$29,515,524. A significant portion 41%, of the District's revenue comes from taxes, 44% comes from state aid—formula grants, while 14% of the revenue came from the operating grants, and 1% relates to investments, charges for services, and miscellaneous.

The total cost of all programs and services was \$27,551,371; 54% of these costs are for instructional and student services.

Governmental Activities

- Property tax rates were \$1.0684 for M & O (Maintenance & Operations) and \$.3397 for I & S (Interest and Sinking) for a total rate of \$1.4081.

Table A-2
Changes in West Oso Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Program Revenues:			
Operating Grants and Contributions	4.2	4.5	-6.7%
Charges for Services	0.1	0.1	0.0%
General Revenues:			
Property Taxes	12.0	11.5	4.3%
State Aid; Grants	13.2	11.0	20.0%
Total Revenues	29.5	27.1	8.9%
Expenses:			
Instruction	14.3	13.6	5.1%
Instructional Resources and Media Services	0.4	0.5	-20.0%
Curriculum Dev. and Instructional Staff Dev.	0.5	0.2	150.0%
Instructional Leadership	0.3	0.2	50.0%
School Leadership	1.2	1.2	0.0%
Guidance, Counseling and Evaluation Services	1.1	0.9	22.2%
Health Services	0.2	0.2	0.0%
Student (Pupil) Transportation	0.5	0.3	66.7%
Food Services	1.4	1.4	0.0%
Curricular/Extracurricular Activities	0.9	0.9	0.0%
General Administration	1.5	1.5	0.0%
Plant Maintenance & Oper.	3.2	3.2	0.0%
Security & Monitoring Services	0.2	0.3	-33.3%
Data Processing Services	0.3	0.3	0.0%
Interest on Long-term Debt	1.0	0.9	11.1%
Bond Issuance Costs & Fees	0.3	0.2	0.0%
Payment Related to Shared Service Arrangements	0.2	0.1	0.0%
Payment to Juvenile Justice Alternative Ed. Programs	-	0.1	-100.0%
Other Intergovernmental Charges	0.1	0.1	0.0%
Total Expenses	27.6	26.1	5.7%
Increase/Decrease in Net Position	1.9	1.0	90.0%

- The cost of all *governmental* activities this year was \$27.6 million.
- However, the amount that our taxpayers paid for these activities through property taxes was \$12.0 million.

- Some of the cost that was paid by those who directly benefited from the programs amounted to \$61 thousand, or
- By grants and contributions \$4.2 million.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-3
Net Cost of Selected West Osco Independent School District Functions
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2020	2019	% Change	2020	2019	% Change
Instruction	14.3	13.6	5.1%	12.0	11.3	6.2%
School Leadership	1.2	1.2	0.0%	1.1	1.1	0.0%
Food Services	1.4	1.4	0.0%	0.3	(0.1)	-400.0%
General Administration	1.5	1.5	0.0%	1.4	1.4	0.0%
Plant Maintenance & Operations	3.2	3.2	0.0%	3.0	2.9	3.4%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$28.8 million, a \$2.4 million increase from the preceding year. The increase is primarily due to an increase in state funds.

General Fund Budgetary Highlights

Actual expenditures were \$1,334,120 below the \$23,702,299 final budget amounts: The most significant variance resulted from the plant maintenance and operations function.

On the other hand, resources available were \$382,791 above the \$23,435,492 final budgeted amount. The variance resulted from increases in state sources and federal program revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of August 31, 2020, the District had invested \$63.6 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
West Oso Independent School District's Capital Assets
(in millions of dollars)

	Governmental Activities		Total
	2020	2019*	Percentage Change 2020-2019
Intangibles	0.1	0.1	0.0%
Land	0.9	0.9	0.0%
Construction in progress	4.2	2.1	0.0%
Buildings and improvements	55.2	51.8	6.6%
Equipment	1.2	1.1	9.1%
Vehicles	2.0	1.7	17.6%
Totals at historical cost	<u>63.6</u>	<u>57.7</u>	10.2%
Total accumulated depreciation	<u>(22.1)</u>	<u>20.9</u>	-205.7%
Net capital assets	<u><u>41.5</u></u>	<u><u>36.8</u></u>	12.8%

*Restated.

Long-Term Obligations

At year-end August 31, 2020, the District had \$36.4 million in bonds and maintenance tax notes outstanding as shown in Table A-5. More detailed information about the District's obligations is presented in the notes to the financial statements.

In May 2020, the District issued \$6,785,000 Unlimited Tax School Building and Refunding Bonds, Series 2020, to advance refund Series 2009 and 2011A School Building Bonds and construct, renovate, acquire and equip school buildings.

The District had the following obligations at August 31, 2020:

Table A-5
West Oso Independent School District's Long-Term Obligations
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Bonds Payable	36.4	36.0	1.1%
Capital Leases	0.2	-	0.0%
Net Pension Liability	6.1	8.0	-23.8%
Net OPEB Liability	7.7	9.8	-21.4%
Total Long-Term Obligations	50.4	53.8	-6.3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified Tax Values used for the 2020-2021 budget preparation decreased by \$8,023,031, reflecting Certified Values at \$794,491,124 or 1.0% decrease from prior-year values of \$802,514,155.
- The District's 2020-2021 average daily attendance is projected to be 1,917, up by 0.3%.
- The District's Tax Rate changed to \$1.300207 (from 1.4081), with Maintenance & Operation at \$0.9664 (House Bill 3 approved a compressed tax rate) and Interest and Sinking at \$0.333807. The Interest and Sinking rate reflects the District voters' approval in November 2018 of \$12,000,000 bond issue for seven (7) projects to add Synthetic Turf to the football stadium and overlay the current track and construct a new District Administration Building, Renovations of the boys and girls Junior High Locker Rooms, and replace new roof top HVAC units at West Oso Elementary School (plus 3 other projects).

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 \$22.7 million, a decrease of 3.1% from the 2019-2020 budget of \$23.4 million.

Expenditures are budgeted to decrease 1.3% to \$22.7 million. Significant changes are related to reflecting a general increase for all qualifying full-time employees of \$500 from last year's schedules.

If these estimates are realized, the District's budgetary general fund balance should increase marginally by the close of 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 Administration Business Department.

This page is left blank intentionally.

Basic Financial Statements

WEST OSO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,576,262
1120	<i>Current Investments</i>	9,417,212
1225	<i>Property Taxes Receivable (Net)</i>	358,256
1240	<i>Due from Other Governments</i>	865,087
Capital Assets:		
1510	<i>Land</i>	899,642
1520	<i>Buildings and Improvements, Net</i>	35,698,293
1530	<i>Furniture and Equipment, Net</i>	743,727
1580	<i>Construction in Progress</i>	4,167,441
1000	Total Assets	<u>53,725,919</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1701	<i>Deferred Charge for Refunding</i>	363,914
1705	<i>Deferred Outflow Related to Pensions</i>	3,036,606
1706	<i>Deferred Outflow Related to OPEB</i>	933,529
1700	Total Deferred Outflows of Resources	<u>4,334,049</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	660,301
2140	<i>Interest Payable</i>	49,481
2165	<i>Accrued Liabilities</i>	543,844
2180	<i>Due to Other Governments</i>	954,741
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	2,054,666
2502	<i>Due in More Than One Year</i>	34,555,330
2540	<i>Net Pension Liability</i>	6,128,169
2545	<i>Net OPEB Liability</i>	7,705,344
2000	Total Liabilities	<u>52,651,876</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	<i>Deferred Inflow Related to Pensions</i>	2,043,112
2606	<i>Deferred Inflow Related to OPEB</i>	5,302,432
2600	Total Deferred Inflows of Resources	<u>7,345,544</u>
NET POSITION:		
3200	Net Investment in Capital Assets	11,280,759
Restricted For:		
3820	Federal and State Programs	359,971
3890	Other	5,633
3900	Unrestricted	(13,583,815)
3000	Total Net Position	<u>\$ (1,937,452)</u>

The accompanying notes are an integral part of this statement.

WEST OSO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 14,285,194	\$ --	\$ 2,273,541	\$ (12,011,653)
12	Instructional Resources and Media Services	458,749	--	30,345	(428,404)
13	Curriculum and Staff Development	461,156	--	182,621	(278,535)
21	Instructional Leadership	310,767	--	36,038	(274,729)
23	School Leadership	1,193,275	--	84,618	(1,108,657)
31	Guidance, Counseling, & Evaluation Services	1,062,100	--	78,257	(983,843)
32	Social Work Services	1,272	--	43	(1,229)
33	Health Services	192,296	--	13,998	(178,298)
34	Student Transportation	462,417	--	25,758	(436,659)
35	Food Service	1,372,297	18,710	1,080,855	(272,732)
36	Cocurricular/Extracurricular Activities	850,200	42,385	44,182	(763,633)
41	General Administration	1,508,998	--	90,045	(1,418,953)
51	Facilities Maintenance and Operations	3,172,736	--	182,646	(2,990,090)
52	Security and Monitoring Services	246,629	--	5,256	(241,373)
53	Data Processing Services	256,407	--	15,722	(240,685)
61	Community Services	30,489	--	26,166	(4,323)
72	Interest on Long-term Debt	1,047,412	--	37,925	(1,009,487)
73	Bond Issuance Costs and Fees	260,999	--	--	(260,999)
93	Payments Related to Shared Services Arrangements	209,153	--	4,474	(204,679)
95	Payments to Juvenile Justice Alternative Ed. Programs	38,002	--	825	(37,177)
99	Other Intergovernmental Charges	130,823	--	--	(130,823)
TG	Total Governmental Activities	<u>27,551,371</u>	<u>61,095</u>	<u>4,213,315</u>	<u>(23,276,961)</u>
TP	Total Primary Government	<u>\$ 27,551,371</u>	<u>\$ 61,095</u>	<u>\$ 4,213,315</u>	<u>(23,276,961)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				9,152,838
DT	Property Taxes, Levied for Debt Service				2,859,797
IE	Investment Earnings				158,973
GC	Grants and Contributions Not Restricted to Specific Programs				12,905,854
MI	Miscellaneous				163,653
TR	Total General Revenues				<u>25,241,114</u>
CN	Change in Net Position				1,964,153
NB	Net Position - Beginning (restated)				<u>(3,901,605)</u>
NE	Net Position - Ending				<u>\$ (1,937,452)</u>

The accompanying notes are an integral part of this statement.

WEST OSO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 <u>General Fund</u>	50 <u>Debt Service Fund</u>
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 1,396,486	\$ 132,615
1120 <i>Current Investments</i>	4,111,043	228,221
1225 <i>Taxes Receivable, Net</i>	279,067	79,189
1240 <i>Due from Other Governments</i>	502,025	--
1260 <i>Due from Other Funds</i>	315,196	--
1000 Total Assets	<u>6,603,817</u>	<u>440,025</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 125,948	\$ --
2150 <i>Payroll Deductions & Withholdings</i>	81,293	--
2160 <i>Accrued Wages Payable</i>	462,532	--
2170 <i>Due to Other Funds</i>	--	--
2180 <i>Due to Other Governments</i>	952,981	1,760
2000 Total Liabilities	<u>1,622,754</u>	<u>1,760</u>
DEFERRED INFLOWS OF RESOURCES:		
2601 <i>Unearned Revenue - Property Taxes</i>	279,067	79,189
2600 Total Deferred Inflows of Resources	<u>279,067</u>	<u>79,189</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	294,505	--
3480 <i>Retirement of Long-Term Debt</i>	--	359,076
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Assigned Fund Balances:		
3590 <i>Other Assigned Fund Balance</i>	75,000	--
3600 <i>Unassigned</i>	4,332,491	--
3000 Total Fund Balances	<u>4,701,996</u>	<u>359,076</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 6,603,817</u>	<u>\$ 440,025</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 27,065	\$ 20,096	\$ 1,576,262
5,073,839	4,109	9,417,212
--	--	358,256
--	363,062	865,087
--	--	315,196
<u>5,100,904</u>	<u>387,267</u>	<u>12,532,013</u>
\$ 534,353	\$ --	\$ 660,301
--	19	81,312
--	--	462,532
--	315,197	315,197
--	--	954,741
<u>534,353</u>	<u>315,216</u>	<u>2,474,083</u>
<u>--</u>	<u>--</u>	<u>358,256</u>
<u>--</u>	<u>--</u>	<u>358,256</u>
--	15,262	309,767
--	--	359,076
4,566,551	55,837	4,622,388
--	952	75,952
--	--	4,332,491
<u>4,566,551</u>	<u>72,051</u>	<u>9,699,674</u>
<u>\$ 5,100,904</u>	<u>\$ 387,267</u>	<u>\$ 12,532,013</u>

This page is left blank intentionally.

WEST OSO 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	\$ 9,699,674
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.	41,509,103
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	358,256
Payables for bond principal which are not due in the current period are not reported in the funds.	(31,678,513)
Payables for capital leases which are not due in the current period are not reported in the funds.	(176,016)
Payables for bond interest which are not due in the current period are not reported in the funds.	(49,481)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,451,190)
Deferred charge for refunding is expensed in the funds, but is amortized in the statement of net position.	363,914
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(6,128,169)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(2,043,112)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,036,606
Bond premiums are amortized in the SNA but not in the funds.	(3,304,277)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(7,705,344)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(5,302,432)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>933,529</u>
Net position of governmental activities - Statement of Net Position	<u>\$ (1,937,452)</u>

The accompanying notes are an integral part of this statement.

WEST OSO 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
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 9,502,625	\$ 2,879,052
5800 <i>State Program Revenues</i>	12,750,525	37,925
5900 <i>Federal Program Revenues</i>	1,565,133	--
5020 Total Revenues	<u>23,818,283</u>	<u>2,916,977</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	11,108,184	--
0012 <i>Instructional Resources and Media Services</i>	415,533	--
0013 <i>Curriculum and Staff Development</i>	280,774	--
0021 <i>Instructional Leadership</i>	254,609	--
0023 <i>School Leadership</i>	1,042,015	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	950,321	--
0032 <i>Social Work Services</i>	1,272	--
0033 <i>Health Services</i>	166,282	--
0034 <i>Student Transportation</i>	651,881	--
0035 <i>Food Service</i>	1,156,756	--
0036 <i>Cocurricular/Extracurricular Activities</i>	805,384	--
0041 <i>General Administration</i>	1,388,223	--
0051 <i>Facilities Maintenance and Operations</i>	2,983,691	--
0052 <i>Security and Monitoring Services</i>	246,629	--
0053 <i>Data Processing Services</i>	222,821	--
0061 <i>Community Services</i>	154	--
0071 <i>Principal on Long-term Debt</i>	302,058	908,168
0072 <i>Interest on Long-term Debt</i>	13,614	1,721,061
0073 <i>Bond Issuance Costs and Fees</i>	--	260,999
0081 <i>Capital Outlay</i>	--	--
0093 <i>Payments to Shared Service Arrangements</i>	209,153	--
0095 <i>Payments to Juvenile Justice Alternative</i>	--	--
0095 <i>Education Programs</i>	38,002	--
0099 <i>Other Intergovernmental Charges</i>	130,823	--
6030 Total Expenditures	<u>22,368,179</u>	<u>2,890,228</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>1,450,104</u>	<u>26,749</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	4,272,680
7913 <i>Issuance of Capital Leases</i>	268,074	--
7916 <i>Premium on Issuance of Bonds</i>	--	1,049,846
8940 <i>Payment to Bond Refunding Escrow Agent</i>	--	(5,115,389)
7080 Total Other Financing Sources and (Uses)	<u>268,074</u>	<u>207,137</u>
1200 Net Change in Fund Balances	<u>1,718,178</u>	<u>233,886</u>
0100 Fund Balances - Beginning	<u>2,983,818</u>	<u>125,190</u>
3000 Fund Balances - Ending	<u>\$ 4,701,996</u>	<u>\$ 359,076</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 91,990	\$ 30,134	\$ 12,503,801
--	593,590	13,382,040
--	1,395,472	2,960,605
<u>91,990</u>	<u>2,019,196</u>	<u>28,846,446</u>
--	1,739,111	12,847,295
--	--	415,533
--	162,292	443,066
--	12,895	267,504
--	--	1,042,015
--	--	950,321
--	--	1,272
--	--	166,282
--	--	651,881
--	56,788	1,213,544
--	4,441	809,825
--	--	1,388,223
--	--	2,983,691
--	--	246,629
--	--	222,821
--	25,617	25,771
--	--	1,210,226
--	--	1,734,675
--	--	260,999
5,542,253	--	5,542,253
--	--	209,153
--	--	38,002
--	--	130,823
<u>5,542,253</u>	<u>2,001,144</u>	<u>32,801,804</u>
<u>(5,450,263)</u>	<u>18,052</u>	<u>(3,955,358)</u>
2,512,320	--	6,785,000
--	--	268,074
--	--	1,049,846
--	--	(5,115,389)
<u>2,512,319</u>	<u>--</u>	<u>2,987,530</u>
(2,937,944)	18,052	(967,828)
7,504,495	53,999	10,667,502
<u>\$ 4,566,551</u>	<u>\$ 72,051</u>	<u>\$ 9,699,674</u>

WEST OSO 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	\$ (967,828)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,862,819
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,184,786)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(103,319)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,118,168
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	92,058
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	155,346
The accretion of interest on capital appreciation bonds is not reported in the funds.	533,652
(Increase) decrease in accrued interest from beginning of period to end of period.	(1,735)
Payments to an escrow agent on refunding bonds are not reported as an other financing use in the SOA.	5,115,389
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(6,785,000)
Bond premiums are reported in the funds but not in the SOA.	(1,049,846)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(268,074)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(715,978)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	163,286
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,964,153</u>

The accompanying notes are an integral part of this statement.

WEST OSO INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2020

Data Control Codes		Agency Funds
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 151,717
1000	Total Assets	151,717
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 151,717
2000	Total Liabilities	151,717
	NET POSITION:	
3000	Total Net Position	\$ --

The accompanying notes are an integral part of this statement.

This page is left blank intentionally.

WEST OSO 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 West Oso 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.

Debt Service Fund: This fund is used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated.

Capital Projects Fund: This fund is used to account for construction activities.

In addition, the District reports the following fund types:

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

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

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

plant maintenance and operation supplies as well as instructional supplies.

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	5-20
Vehicles	10
Office Equipment	3-10
Computer Equipment	5
Intangibles	3

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.

Except for delinquent taxes, 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.

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 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

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

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.

At August 31, 2020, the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	6,128,169

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.

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

GASB Statement No. 92, Omnibus 2020

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 3

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (For example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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.

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*

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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>
In the General Fund and Debt Service Funds, certain functional expenditures and other uses exceeded the appropriated amounts.	In the future, the budget will be amended before overspending, including budgeting for issuance of refunding bonds and capital leases.

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

Legal and Contractual Provisions Governing Deposits and Investments

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

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.

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 \$1,727,979 and the bank balance was \$2,131,603. 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.

2. Investments:

As of August 31, 2019 the District had the following investments and maturities:

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less than 1	1 to 2	2 to 3
Investment in TexPool	\$ 9,417,212	\$ 9,417,212	\$ --	\$ --
Total Fair Value	\$ 2,417,212	\$ 9,417,212	\$ --	\$ --

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

The local government investment pool such as TexPool is not evidenced by securities in physical form. It are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pool seeks to maintain a \$1 value per share as required by the Texas Public Funds Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from TexPool are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from TexPool requires two signatures from authorized representatives in order to be processed.

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

D. Capital Assets

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

	Beginning Balances *	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 899,642	\$ --	\$ --	\$ 899,642
Construction in progress	2,078,897	4,015,322	1,926,778	4,167,441
Total capital assets not being depreciated	<u>2,978,539</u>	<u>4,015,322</u>	<u>1,926,778</u>	<u>5,067,083</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	51,770,360	3,484,305	--	55,254,665
Equipment	1,131,221	21,496	--	1,152,717
Vehicles	1,707,473	268,474	14,144	1,961,803
Intangibles	113,796	--	--	113,796
Total capital assets being depreciated	<u>54,722,850</u>	<u>3,774,275</u>	<u>14,144</u>	<u>58,482,981</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,448,018)	(1,108,354)	--	(19,556,372)
Equipment	(1,033,411)	(15,940)	--	(1,049,351)
Vehicles	(1,275,094)	(60,492)	(14,144)	(1,321,442)
Intangibles	(113,796)	--	--	(113,796)
Total accumulated depreciation	<u>(20,870,319)</u>	<u>(1,184,786)</u>	<u>(14,144)</u>	<u>(22,040,961)</u>
Total capital assets being depreciated, net	<u>33,852,531</u>	<u>2,589,489</u>	<u>--</u>	<u>36,442,020</u>
Governmental activities capital assets, net	<u>\$ 36,831,070</u>	<u>\$ 6,604,811</u>	<u>\$ 1,926,778</u>	<u>\$ 41,509,103</u>

* Restated

Depreciation was charged to functions as follows:

Instruction	\$ 651,494
Instructional Resources and Media Services	18,614
Instructional Leadership	26,060
School Leadership	78,179
Guidance, Counseling, & Evaluation Services	44,674
Health Services	14,891
Student Transportation	60,492
Food Services	96,794
Extracurricular Activities	3,723
General Administration	37,228
Plant Maintenance and Operations	130,299
Data Processing Services	22,338
	<u>\$ 1,184,786</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	\$ 315,196	Short-term loans
	Total	<u>\$ 315,196</u>	

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2020.

F. 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

Refunding Bonds

On May 21, 2020, the District issued \$6,785,000 Unlimited Tax School Building & Refunding Bonds, Series 2020 in part as serial bonds and part term bonds with interest rates of 4.00%. The District issued the bonds to advance refund \$665,000 of outstanding series 2009 Unlimited Tax School Building Bonds with interest rates of 4.00% and \$4,410,000 of outstanding series 2011A Unlimited Tax Refunding Bonds with interest rates of 3.00% to 4.00%. The District used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portions of the 2009 and 2011A series bonds. As a result, that portion of the 2009 and 2011A series bonds are considered defeased, and the District has removed the liability from its accounts. The advance refunding reduced total debt service payments over the next 15 years by approximately \$716,805. This results in an economic gain (difference between the present values of the debt service payments of old and new debt) of \$612,947. The average interest rates of the bonds refunded is 3.50%. The net proceeds from the refunding were \$5,115,389 after payment of \$219,456 in issuance costs and underwriting fees.

The District also utilized part of the proceeds for the construction, renovation, acquisition and equipment of school buildings in the District and the purchase of necessary sites.

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:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/19	Issued	Retired	Amounts Outstanding 8/31/20	Amounts Due Within One Year
Bonds:							
Unlimited Tax Refunding Bonds, Series 2007	3.60% to 4.125%	9,259,994	44,682	--	23,168	21,514	21,514
Unlimited Tax School Building Bonds, Series 2009	1.50% to 4.83%	6,499,998	665,000	--	665,000	--	--
Unlimited Tax Refunding Bonds, Series 2011	2.00% to 3.00%	4,025,000	110,000	--	110,000	--	--
Unlimited Tax Refunding Bonds, Series 2011A	2.00% to 4.00%	4,910,000	4,485,000	--	4,460,000	25,000	--

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Limited Maintenance Tax Notes Series 2012	1.99%	2,000,000	642,000	--	210,000	432,000	214,000
Unlimited Tax Refunding Bonds, Series 2016	3.00% to 4.00%	8,315,000	8,315,000	--	245,000	8,070,000	250,000
Unlimited Tax Refunding Bonds, Series 2017	2.00% to 4.00%	7,670,000	7,575,000	--	--	7,575,000	--
Unlimited Tax School Building Bonds, Series 2019	3.50% to 4.00%	9,250,000	9,250,000	--	165,000	9,085,000	175,000
Unlimited Tax School Building & Refunding Bonds Series 2020	4.00%	6,785,000	--	6,785,000	315,000	6,470,000	360,000
Sub-Totals			<u>31,086,682</u>	<u>6,785,000</u>	<u>6,193,168</u>	<u>31,678,514</u>	<u>1,020,514</u>
Bond Accretion on Refundings			1,984,843	88,180	621,832	1,451,191	748,486
Bond Premiums			2,862,887	1,049,846	608,454	3,304,279	199,248
Capital Leases			--	268,074	92,058	176,016	86,418
Net Pension Liability			8,029,527	(1,488,737)	412,621	6,128,169	--
Net OPEB Liability			9,813,820	(1,992,838)	115,638	7,705,344	--
Total Governmental Activities			<u>\$ 53,777,759</u>	<u>\$ 4,709,525</u>	<u>\$ 8,043,771</u>	<u>\$ 50,443,513</u>	<u>\$ 2,054,666</u>

2. Debt Service Requirements

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

Year Ending August 31	Governmental Activities					
	General Obligation Bonds			Maintenance Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 806,514	\$ 1,927,448	\$ 2,733,962	\$ 214,000	\$ 8,597	\$ 222,597
2022	1,605,000	1,150,062	2,755,062	218,000	4,338	222,338
2023	1,655,000	1,093,312	2,748,312	--	--	--
2024	1,715,000	1,034,712	2,749,712	--	--	--
2025	1,775,000	974,012	2,749,012	--	--	--
2026-2030	9,450,000	3,886,560	13,336,560	--	--	--
2031-2035	7,190,000	3,321,110	10,511,110	--	--	--
2036-2040	2,115,000	1,154,710	3,269,710	--	--	--
2041-2045	2,550,000	726,238	3,276,238	--	--	--
2046-2049	2,385,000	224,728	2,609,728	--	--	--
Totals	<u>\$ 31,246,514</u>	<u>\$ 15,492,892</u>	<u>\$ 46,739,406</u>	<u>\$ 432,000</u>	<u>\$ 12,935</u>	<u>\$ 444,935</u>

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

General Obligation Bonds are paid by the Debt Service Fund with supplemental support from the General Fund. Maintenance Tax Notes are paid by the General Fund.

Defeased Bonds Outstanding -
 The District had no defeased bonds outstanding as of August 31, 2020.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

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

3. Capital Leases

During 2020, the District entered into a lease agreement to purchase 3 buses at a cost of \$268,074. The initial lease payment of \$92,896 was made on November 25, 2019 with subsequent payments due annually on November 25. The lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of future minimum lease payments as of the date of inception.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments from the General Fund as of August 31, 2020 as follows:

<u>Year Ending August 31:</u>	
2021	92,896
2022	92,896
Total Minimum Rentals	\$ 185,792
Less amount representing interest	(9,776)
Present value of future minimum lease payments	<u>\$ 176,016</u>

The effective interest rate on capital leases is 3.68%.

G. 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.

H. 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.

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

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%	7.5%
Employers	6.8%	7.5%
District's 2020 Employer Contributions	\$ 464,899	
District's 2020 Member Contributions	\$ 1,081,502	
2019 NECE On-Behalf Contributions (state)	\$ 640,595	

Contributors to the plan include members, employers and the State of Texas as the only non-employer

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.
- 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 explained above.

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

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

assumptions used in the actuarial valuation as of August 31, 2018. For a full descriptions 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 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%

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

**** 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:	\$ 9,419,886	\$ 6,128,169	\$ 3,461,243

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 \$6,128,169 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 6,128,169
State's proportionate share that is associated with District	<u>9,514,391</u>
Total	<u>\$ 15,642,560</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 0.0117887655%, which was an increase (decrease) of -0.0027991213% 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 \$2,675,454 and revenue of \$1,494,577 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

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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	\$ 25,744	\$ 212,780
Changes in actuarial assumptions	1,901,259	785,690
Difference between projected and actual investment earnings	61,533	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	583,171	1,044,642
Contributions paid to TRS subsequent to the measurement date	<u>464,899</u>	<u>--</u>
Total	<u>\$ 3,036,606</u>	<u>\$ 2,043,112</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:

Year Ended August 31	Pension Expense Amount
2021	\$ 270,858
2022	\$ 189,492
2023	\$ 154,397
2024	\$ 113,400
2025	\$ (82,751)
Thereafter	\$ (116,801)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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.

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 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		\$ 126,686
District's 2020 Member Contributions		\$ 91,293
2019 NECE On-Behalf Contributions (state)		\$ 153,648

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.

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
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

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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	\$ 9,302,825	\$ 7,705,344	\$ 6,455,637

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 \$7,705,344 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	\$ 7,705,344
State's proportionate share that is associated with the District	<u>\$ 10,238,681</u>
Total	<u>\$ 17,944,025</u>

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, 2019 the District's proportion of the collective net OPEB liability was 0.0162933946%, which was an increase (decrease) of -0.0033614015% from its proportion measured as of August 31, 2018.

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	\$ 6,285,751	\$ 7,705,344	\$ 9,606,951

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 a 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,

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 \$233,250 and revenue of \$269,850 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	\$ 378,013	\$ 1,260,898
Changes in actuarial assumptions	427,972	2,072,549
Differences between projected and actual investment earnings	831	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	27	1,968,985
Contributions paid to TRS subsequent to the measurement date	126,686	
Total	<u>\$ 933,529</u>	<u>\$ 5,302,432</u>

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	\$ (672,127)
2022	\$ (672,127)
2023	\$ (672,396)
2024	\$ (672,550)
2025	\$ (672,511)
Thereafter	\$ (1,133,878)

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 \$67,741.

J. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$325 per month per employee and dependents to the Plan. Employees, at their

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2020, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. 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

At August 31, 2020, the District was not involved in any lawsuits or other legal actions which, in Administration's opinion (based on discussions with legal counsel) would result in any direct loss to the District which would be material to its financial position.

L. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020, are reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 438,921	\$ 63,104	\$ 502,025
Other Governmental Funds	35,891	327,171	363,062
Total	<u>\$ 474,812</u>	<u>\$ 390,275</u>	<u>\$ 865,087</u>

M. Food Service Operations Reported in General Fund

The District participates in a Texas Department of Agriculture Food and Nutrition Community Engagement Program. Under this program, the District does not charge students for meals. As required by the Financial Accountability System Resource Guide, revenues and expenditures for the Child Nutrition Program have been reported in the General Fund for 2019-2020. The following is a summary of the Food Service Operations included in the General Fund:

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenue:				
5700	Local	\$ 34,189	\$ 34,189	\$ 23,098	\$ (11,091)
5800	State Program	7,000	7,000	11,304	4,304
5900	Federal Program	1,390,000	1,390,000	1,130,784	(259,216)
5020	Total Revenue	<u>1,431,189</u>	<u>1,431,189</u>	<u>1,165,186</u>	<u>(266,003)</u>
	Expenditures:				
0035	Food Services	1,335,189	1,335,189	1,155,408	179,781
0051	Plant Maintenance and Operations	96,000	96,000	74,534	21,466
6030	Total Expenditures	<u>1,431,189</u>	<u>1,431,189</u>	<u>1,229,942</u>	<u>201,247</u>
7915	Operating Transfer In from Fund 199	--	--	--	--
1200	Net Change in Fund Balance	--	--	(64,756)	(64,756)
0100	Fund Balance - Beginning	359,261	359,261	359,261	--
3000	Fund Balance - Ending	<u>\$ 359,261</u>	<u>\$ 359,261</u>	<u>\$ 294,505</u>	<u>\$ (64,756)</u>

N. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2020:

General Fund		
Restricted:		
Child Nutrition		<u>\$ 294,505</u>
Assigned:		
Other Assigned		<u>75,000</u>
Unassigned:		<u>4,332,491</u>
Total General Fund fund balance		<u>4,701,996</u>
Debt Service Fund		
Restricted:		
Retirement of Long-Term Debt		<u>359,076</u>
Capital Projects Fund		
Restricted:		
Construction of Facilities		<u>4,566,551</u>
Other Governmental Funds		
Assigned:		
Campus Activity Funds		<u>952</u>

WEST OSO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

Restricted:	
Summer Feeding Program	15,262
Advanced Placement Incentive	4
College and Career Readiness	10,000
State Funded Special Revenue	40,200
Citgo Petroleum Corporation	5,633
Total Restricted	<u>71,099</u>
Total Other Governmental Fund Balance	<u>72,051</u>
Total Governmental Fund balance	\$ <u>9,699,674</u>

O. Construction Commitments

The District has several construction projects in various stages of development:

- * New central administration building (completed by December 14, 2020)
- * Renovations of the boys and girls locker rooms at the Junior High School (completed by August, 2020)
- * New synthetic turf for the football field and track overlay for the high school stadium (synthetic turf completed by August, 2020; track overlay completed by October 2020)
- * New HVAC rooftop units at West Oso Elementary (completed by January 31, 2020)
- * Other bond projects in progress to be completed in 2021.

Each of these projects are part of a voter approved bond issue for \$12,000,000 that are managed by the District's administrative personnel with the support from architects, construction managers, legal counsel and other related service providers. The school board is providing the review required by law and board policy. Any additional information may be requested from the administration office at (361) 806-5900.

P. COVID - 19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The District is closely monitoring the situation, but the extent of financial impact to the District is unknown at this time.

Q. Prior Period Adjustment

During fiscal year 2020, the District determined capital assets had been understated in the prior year. The restatement is as follows:

	<u>Government- wide Net Position</u>
Beginning equity, as originally stated	(4,048,972)
Restatement for capital assets	147,367
Beginning equity, restated	<u>(3,901,605)</u>

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.

WEST OSO 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		1		2		3		Variance with Final Budget Positive (Negative)
		Budgeted Amounts				Actual		
		Original	Final					
REVENUES:								
5700	Local and Intermediate Sources	\$ 8,987,784	\$ 8,987,784	\$ 9,502,625	\$ 514,841			\$ 514,841
5800	State Program Revenues	11,954,708	12,807,708	12,750,525	(57,183)			(57,183)
5900	Federal Program Revenues	2,493,000	1,640,000	1,565,133	(74,867)			(74,867)
5020	Total Revenues	<u>23,435,492</u>	<u>23,435,492</u>	<u>23,818,283</u>	<u>382,791</u>			<u>382,791</u>
EXPENDITURES:								
Current:								
Instruction & Instructional Related Services:								
0011	Instruction	10,974,177	11,423,989	11,108,184	315,805			315,805
0012	Instructional Resources and Media Services	408,061	408,061	415,533	(7,472)			(7,472)
0013	Curriculum and Staff Development	376,297	376,297	280,774	95,523			95,523
	Total Instruction & Instr. Related Services	<u>11,758,535</u>	<u>12,208,347</u>	<u>11,804,491</u>	<u>403,856</u>			<u>403,856</u>
Instructional and School Leadership:								
0021	Instructional Leadership	305,152	305,152	254,609	50,543			50,543
0023	School Leadership	993,815	997,815	1,042,015	(44,200)			(44,200)
	Total Instructional & School Leadership	<u>1,298,967</u>	<u>1,302,967</u>	<u>1,296,624</u>	<u>6,343</u>			<u>6,343</u>
Support Services - Student (Pupil):								
0031	Guidance, Counseling and Evaluation Services	934,635	934,635	950,321	(15,686)			(15,686)
0032	Social Work Services	--	--	1,272	(1,272)			(1,272)
0033	Health Services	157,612	157,612	166,282	(8,670)			(8,670)
0034	Student (Pupil) Transportation	466,765	466,765	651,881	(185,116)			(185,116)
0035	Food Services	1,335,189	1,335,189	1,156,756	178,433			178,433
0036	Cocurricular/Extracurricular Activities	741,316	828,204	805,384	22,820			22,820
	Total Support Services - Student (Pupil)	<u>3,635,517</u>	<u>3,722,405</u>	<u>3,731,896</u>	<u>(9,491)</u>			<u>(9,491)</u>
Administrative Support Services:								
0041	General Administration	1,213,772	1,302,272	1,388,223	(85,951)			(85,951)
	Total Administrative Support Services	<u>1,213,772</u>	<u>1,302,272</u>	<u>1,388,223</u>	<u>(85,951)</u>			<u>(85,951)</u>
Support Services - Nonstudent Based:								
0051	Plant Maintenance and Operations	3,620,506	3,620,506	2,983,691	636,815			636,815
0052	Security and Monitoring Services	349,000	349,000	246,629	102,371			102,371
0053	Data Processing Services	235,161	235,161	222,821	12,340			12,340
	Total Support Services - Nonstudent Based	<u>4,204,667</u>	<u>4,204,667</u>	<u>3,453,141</u>	<u>751,526</u>			<u>751,526</u>
Ancillary Services:								
0061	Community Services	6,800	6,800	154	6,646			6,646
	Total Ancillary Services	<u>6,800</u>	<u>6,800</u>	<u>154</u>	<u>6,646</u>			<u>6,646</u>
Debt Service:								
0071	Principal on Long-Term Debt	315,776	296,500	302,058	(5,558)			(5,558)
0072	Interest on Long-Term Debt	--	19,276	13,614	5,662			5,662
	Total Debt Service	<u>315,776</u>	<u>315,776</u>	<u>315,672</u>	<u>104</u>			<u>104</u>
Intergovernmental Charges:								
0093	Payments to Fiscal Agent/Member Dist.-SSA	198,755	278,755	209,153	69,602			69,602
0095	Payments to Juvenile Justice Alternative							
0095	Education Programs	53,300	53,300	38,002	15,298			15,298
0099	Other Intergovernmental Charges	307,010	307,010	130,823	176,187			176,187
	Total Intergovernmental Charges	<u>559,065</u>	<u>639,065</u>	<u>377,978</u>	<u>261,087</u>			<u>261,087</u>

WEST OSO 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	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
6030 Total Expenditures	<u>22,993,099</u>	<u>23,702,299</u>	<u>22,368,179</u>	<u>1,334,120</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>442,393</u>	<u>(266,807)</u>	<u>1,450,104</u>	<u>1,716,911</u>
Other Financing Sources (Uses):				
7913 Issuance of Capital Leases	<u>--</u>	<u>--</u>	<u>268,074</u>	<u>268,074</u>
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>268,074</u>	<u>268,074</u>
1200 Net Change in Fund Balance	<u>442,393</u>	<u>(266,807)</u>	<u>1,718,178</u>	<u>1,984,985</u>
0100 Fund Balance - Beginning	<u>2,983,818</u>	<u>2,983,818</u>	<u>2,983,818</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 3,426,211</u>	<u>\$ 2,717,011</u>	<u>\$ 4,701,996</u>	<u>\$ 1,984,985</u>

WEST OSO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year Ended August 31,					
	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0117887655%	0.0145878868%	0.0150743737%	0.0152242825%	0.0152823000%	0.0088287000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,128,169	\$ 8,029,527	\$ 4,819,973	\$ 5,753,030	\$ 5,402,090	\$ 2,358,268
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,514,391	10,174,741	6,058,904	6,963,557	6,406,677	6,526,597
Total	<u>\$ 15,642,560</u>	<u>\$ 18,204,268</u>	<u>\$ 10,878,877</u>	<u>\$ 12,716,587</u>	<u>\$ 11,808,767</u>	<u>\$ 8,884,865</u>
District's Covered Payroll	\$ 13,139,117	\$ 13,421,309	\$ 13,042,523	\$ 13,042,523	\$ 12,056,623	\$ 11,893,310
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	46.64%	59.83%	36.96%	44.11%	44.81%	19.83%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

WEST OSO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,					
	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 464,899	\$ 419,221	\$ 492,417	\$ 496,728	\$ 483,714	\$ 453,217
Contribution in Relation to the Contractually Required Contribution	<u>(464,899)</u>	<u>(419,221)</u>	<u>(492,417)</u>	<u>(496,728)</u>	<u>(483,714)</u>	<u>(453,217)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 14,045,448	\$ 13,139,117	\$ 13,421,309	\$ 13,431,483	\$ 13,042,523	\$ 12,056,623
Contributions as a percentage of Covered Payroll	3.31%	3.19%	3.67%	3.70%	3.71%	3.76%

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

WEST OSO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year Ended August 31,		
	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0162933946%	0.0196547961%	0.0198805112%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 7,705,344	\$ 9,813,820	\$ 8,645,289
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>10,238,681</u>	<u>10,591,141</u>	<u>9,423,732</u>
Total	<u>\$ 17,944,025</u>	<u>\$ 20,404,961</u>	<u>\$ 18,069,021</u>
District's Covered Payroll	\$ 13,139,117	\$ 13,421,309	\$ 13,042,523
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	58.64%	73.12%	66.29%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

WEST OSO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,		
	2020	2019	2018
Contractually Required Contribution	\$ 126,686	\$ 117,473	\$ 136,377
Contribution in Relation to the Contractually Required Contribution	<u>(126,686)</u>	<u>(117,473)</u>	<u>(136,377)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 14,045,448	\$ 13,139,117	\$ 13,421,309
Contributions as a percentage of Covered Payroll	0.90%	0.89%	1.02%

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

WEST OSO 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.

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.

WEST OSO INDEPENDENT SCHOOL DISTRICT

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

Year Ended August 31	1 Tax Rates		2	3 Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service		
2011 and Prior Years	\$ Various	\$ Various		\$ Various
2012	1.04	.38		531,629,809
2013	1.04	.33		608,747,966
2014	1.17	.33		691,253,984
2015	1.17	.28		726,901,002
2016	1.17	.28		771,248,263
2017	1.17	.28		786,411,626
2018	1.17	.28		783,670,166
2019	1.17	.28		819,166,571
2020 (School Year Under Audit)	1.0684	.3397		837,834,440
1000 Totals				

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
\$ 190,745	\$ --	\$ 6,054	\$ 2,213	\$ (28,788)	\$ 153,690
67,042	--	1,517	554	(1,368)	63,603
41,763	--	2,035	646	(1,318)	37,764
46,098	--	2,720	465	(718)	42,195
110,802	--	46,831	11,207	9	52,773
107,204	--	37,517	8,978	(41)	60,668
141,904	--	30,967	7,411	1,716	105,242
209,039	--	42,218	10,103	(781)	155,937
733,882	--	427,535	102,316	(6,427)	197,604
--	11,559,044	8,387,227	2,666,735	(95,074)	410,008
<u>\$ 1,648,479</u>	<u>\$ 11,559,044</u>	<u>\$ 8,984,621</u>	<u>\$ 2,810,628</u>	<u>\$ (132,790)</u>	<u>\$ 1,279,484</u>

Levies and Collections

Fiscal Year End	Levy Year	Adjusted Tax Levy	Current Collections	Percent of Levy
08/31/11	2011	7,416,502	7,185,305	96.88%
08/31/12	2012	7,282,876	7,023,818	96.44%
08/31/13	2013	8,115,716	7,854,847	96.79%
08/31/14	2014	9,158,151	8,989,939	98.16%
08/31/15	2015	10,273,620	10,004,396	97.38%
08/31/16	2016	10,873,839	10,521,161	96.78%
08/31/17	2017	10,987,255	10,671,213	97.12%
08/31/18	2018	11,011,062	10,684,170	97.03%
08/31/19	2019	11,600,124	10,866,242	93.67%
08/31/20	2020	11,463,970	11,053,962	96.42%

WEST OSO INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2020

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2020 (Exhibit C-1 object 3000 for the General Fund only)	\$ 4,701,996
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	294,505
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	75,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	3,782,855
8	Estimate of delayed payments from state sources (58XX)	474,812
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	390,275
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	5,017,447
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ (315,451)

If Item 13 is a Positive Number

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

WEST OSO INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,771,185	\$ 2,771,185	\$ 2,879,052	\$ 107,867
5800	State Program Revenues	--	--	37,925	37,925
5020	Total Revenues	<u>2,771,185</u>	<u>2,771,185</u>	<u>2,916,977</u>	<u>145,792</u>
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	918,169	918,169	908,168	10,001
0072	Interest on Long-Term Debt	1,754,974	1,754,974	1,721,061	33,913
0073	Bond Issuance Costs and Fees	--	--	260,999	(260,999)
	Total Debt Service	<u>2,673,143</u>	<u>2,673,143</u>	<u>2,890,228</u>	<u>(217,085)</u>
6030	Total Expenditures	<u>2,673,143</u>	<u>2,673,143</u>	<u>2,890,228</u>	<u>(217,085)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>98,042</u>	<u>98,042</u>	<u>26,749</u>	<u>(71,293)</u>
Other Financing Sources (Uses):					
7911	Capital-Related Debt Issued (Regular Bonds)	--	--	4,272,680	4,272,680
7916	Premium on Issuance of Bonds	--	--	1,049,846	1,049,846
8949	Payment to Escrow Agent	--	--	(5,115,389)	(5,115,389)
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>207,137</u>	<u>207,137</u>
1200	Net Change in Fund Balance	<u>98,042</u>	<u>98,042</u>	<u>233,886</u>	<u>135,844</u>
0100	Fund Balance - Beginning	125,190	125,190	125,190	--
3000	Fund Balance - Ending	<u>\$ 223,232</u>	<u>\$ 223,232</u>	<u>\$ 359,076</u>	<u>\$ 135,844</u>

This page is left blank intentionally.

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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
West Oso Independent School District
5050 Rockford Drive
Corpus Christi, Texas 78416

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Oso Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise West Oso Independent School District's basic financial statements, and have issued our report thereon dated February 12, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
February 12, 2021

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
West Oso Independent School District
5050 Rockford Drive
Corpus Christi, Texas 78416

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
February 12, 2021

WEST OSO 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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

Version of compliance supplement used in audit: August 2020

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Feeding Program
	IDEA-B Cluster:
84.027A	IDEA-B Formula
84.173A	IDEA-B Preschool

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

WEST OSO 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>
N/A - No prior findings		

WEST OSO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

Program

Corrective Action

N/A

No corrective action required

WEST OSO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT K-1

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. Department of Education				
Passed Through State Department of Education:				
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	2061010117	\$ --	\$ 687,640
IDEA-B Cluster:				
<i>IDEA-B Formula</i>	84.027A	2066000117891	--	467,215
<i>IDEA-B Preschool</i>	84.173A	2066100117891	--	3,724
Total IDEA-B Cluster			--	470,939
<i>Career and Technical - Basic Grant</i>	84.048A	2042000617891	--	33,597
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	2069450117891	--	84,462
<i>ESSER Grant</i>	84.425D	2052100117891	--	1,470
<i>Title IV, Part A, Subpart 1</i>	84.424A	2068010117891	--	24,989
<i>Federally Funded Special Revenue Funds</i>	84.938A	1851170117891	--	45,405
Total Passed Through State Department of Education			--	1,348,502
Total U. S. Department of Education			--	1,348,502
U. S. Department of Agriculture				
Passed Through Texas Department of Agriculture:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	00877	--	356,375
National School Lunch Program	10.555	00877	--	718,106
Summer Feeding Program	10.559	00877	--	46,970
Total Child Nutrition Cluster			--	1,121,451
Commodity Supplemental Food Program	10.565	00877	--	56,303
Total Passed Through Texas Department of Agriculture			--	1,177,754
Total U. S. Department of Agriculture			--	1,177,754
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 2,526,256

The accompanying notes are an integral part of this schedule.

WEST OSO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	2,960,605
Less: School Health & Related Services (SHARS) reported in General Fund	<u>(434,349)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>2,526,256</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of West Oso Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

West Oso Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.