

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended August 31, 2021

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board	1	
FINANCIAL SECTION		
Independent Auditors' Report on Financial Statements	2	
Management's Discussion and Analysis (Required Supplementary Information)	5	
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	14	A-1
Statement of Activities	15	B-1
Fund Financial Statements:		
Balance Sheet-Governmental Funds	16	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	17	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18	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	20	E-1
Statement of Changes in Fiduciary Net Position	21	E-2
Notes to the Financial Statements	22	
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedules:		
General Fund	55	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability – TRS	56	G-2
Schedule of the District Contributions for Pensions	57	G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability – TRS	58	G-4
Schedule of the District's OPEB Contributions	59	G-5

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended August 31, 2021

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>	<u>Exhibit</u>
OTHER SUPPLEMENTARY INFORMATION		
Schedule of Delinquent Taxes Receivable	60	J-1
Budgetary Comparison Schedules:		
Debt Service Fund	61	J-2
Capital Projects Fund	62	J-3
National School Breakfast/Lunch Program	63	J-4
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</i> <i>Auditing Standards</i>	64	
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	66	
Schedule of Findings and Questioned Costs	68	
Summary Schedule of Prior Audit Findings	69	
Corrective Action Plan	70	
Schedule of Expenditures of Federal Awards	71	K-1
Notes to the Schedule of Expenditures of Federal Awards	72	
OTHER TEA REQUIRED SCHEDULE		
School FIRST Questionnaire	73	L-1

## INTRODUCTORY SECTION

# CERTIFICATE OF BOARD

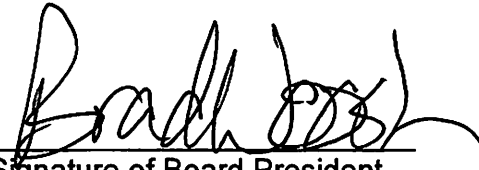
Denver City Independent School District  
Name of School District

Yoakum  
County

251-901  
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ☒ approved ☐ disapproved (check one) for the year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the 20th day of January, 2022.

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

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

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

(attach list as necessary):

## FINANCIAL SECTION

# Terry & King, CPAs, P.C.

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

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

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

## Independent Auditors' Report on Financial Statements

Board of Trustees  
Denver City Independent School District  
501 Mustang Avenue  
Denver City, Texas 79323

Members of the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Denver City Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Independent Auditors' Report  
Page 2

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Denver City Independent School District, as of August 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Denver City Independent School District's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

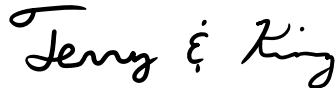
This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of the Denver City Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Denver City Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
January 18, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Denver City Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2021. 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 \$66,261,314 at August 31, 2021.
- During the year, the District's expenses were \$1,399,275 more than the \$25,179,536 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased \$772,920 or 3% from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$44,541,490.

### 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.

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.

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

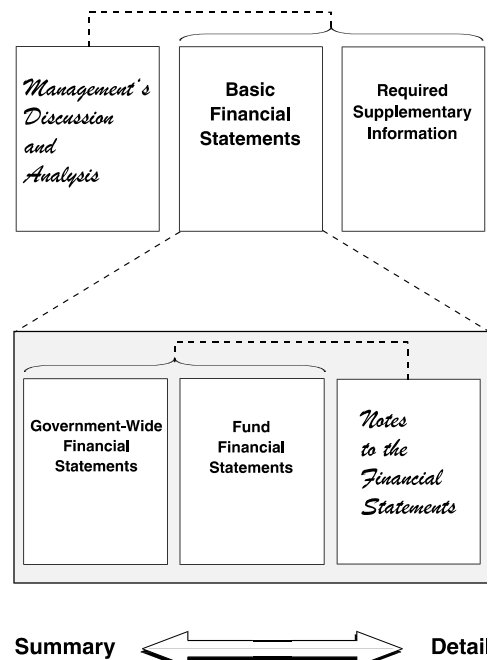


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	♦ Statement of net assets	♦ Balance sheet	♦ Statement of fiduciary net assets
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position is 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 non-financial 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 \$66,261,314 at August 31, 2021. (See Table A-1).

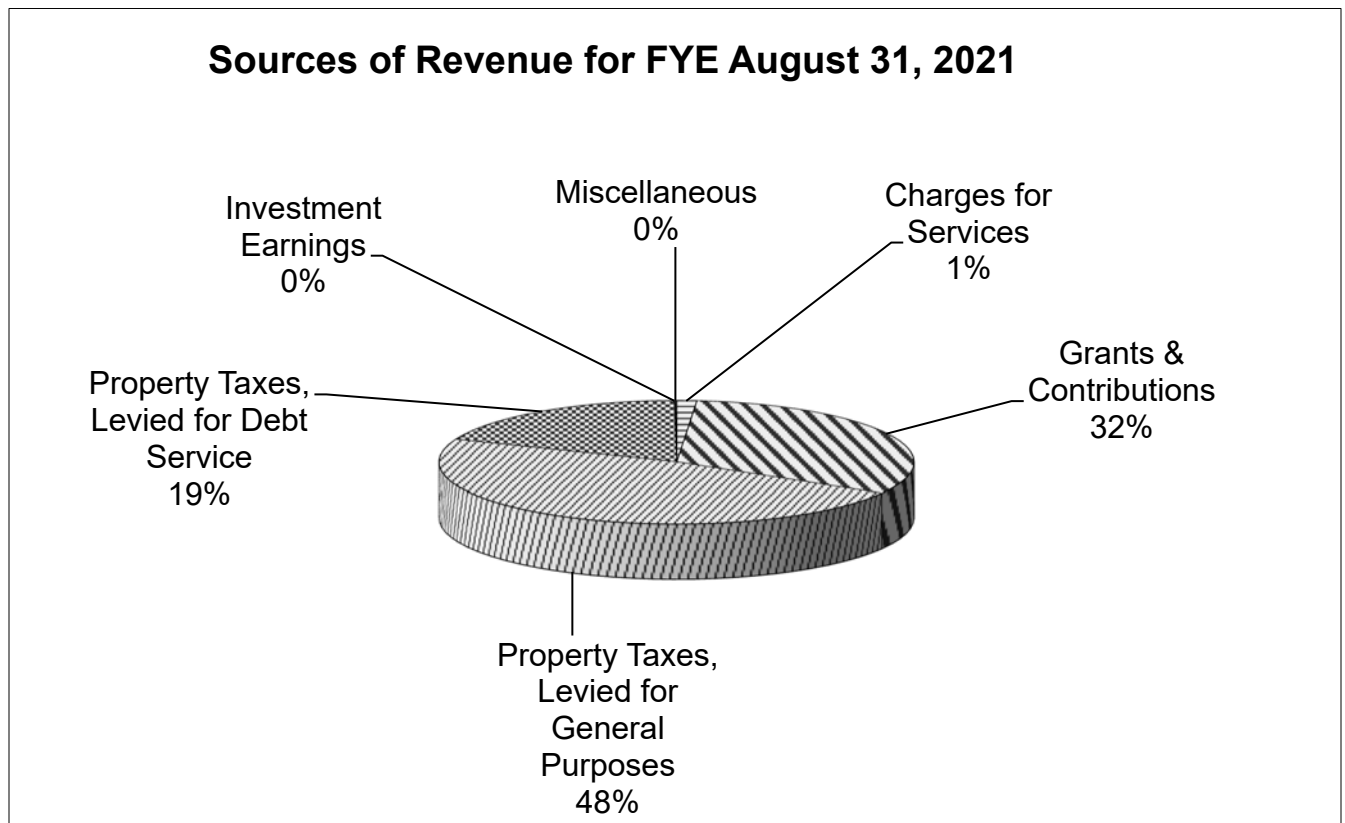
Table A-1  
Denver City Independent School District's Net Position

	Governmental Activities		Percentage Change
	August 31, 2021	August 31, 2020	
Current assets:			
Cash and Investments	46,467,969	47,109,790	-1%
Due from other governments	1,564,931	907,997	72%
Taxes Receivable, net	282,642	157,913	79%
Other Receivables	276	276	0%
Total current assets:	48,315,818	48,175,976	0%
Noncurrent assets:			
Land	1,061,479	1,061,479	0%
Buildings & Improvements	129,565,705	129,565,705	0%
Less accumulated depreciation, buildings & improvements	(31,360,442)	(28,724,680)	9%
Vehicles	4,213,169	4,097,842	3%
Less accumulated depreciation, vehicles	(3,266,453)	(3,054,940)	7%
Furniture & Equipment	5,536,108	5,162,873	7%
Less accumulated depreciation, furniture & equipment	(4,280,323)	(3,893,553)	10%
Total noncurrent assets	101,469,243	104,214,726	-3%
Total Assets	149,785,061	152,390,702	-2%
Total Deferred Outflows of Resources	2,692,395	3,090,405	-13%
Current liabilities:			
Accounts Payable	367,756	376,985	-2%
Payroll Deductions & Withholdings	121,805	87,930	39%
Accrued Wages Payable	918,038	789,317	16%
Due to Other Governments	-	326,129	-100%
Unearned Revenue	971,099	1,870	51830%
Total Current Liabilities	2,378,698	1,582,231	50%
Non-current liabilities:			
Premium on Bond Issuance	7,754,173	6,833,449	13%
Due Within One Year	1,665,000	1,785,000	-7%
Due in More than One Year	59,000,350	62,719,325	-6%
Net Pension Liability	4,139,992	3,854,075	7%
Net OPEB Liability	5,096,078	6,974,312	-27%
Total Non-current Liabilities	77,655,593	82,166,161	-5%
Total Deferred Inflows of Resources	6,181,851	4,283,815	44%
Net Position:			
Net investment in capital assets	32,548,536	33,715,936	-3%
Restricted for Debt Service	1,001,326	667,635	50%
Unrestricted	32,711,452	33,065,329	-1%
Total Net Position	66,261,314	67,448,900	-2%

The \$32,711,452 of unrestricted net position represents resources available to fund the programs of the District next year.

**Changes in net position.** The District's total revenues were \$25,179,536. A significant portion, 67 percent, of the District's revenue comes from taxes. (See Figure A-3.) 32 percent comes from grants, while 1 percent relates to miscellaneous revenues and charges for services.

The total cost of all programs and services was \$26,578,811; 49 percent of these costs are for instructional and instruction-related services.



(Figure A-3)

#### **Governmental Activities**

- Property tax rates increased from \$1.282 per \$100 value to \$1.35 per \$100 value. The current tax levy decreased \$2,743,780, or 14%. Taxes collected in the year ending August 31, 2021 were \$16,531,212 compared to \$19,170,827 in FYE 2020.

Table A-2  
Changes in Denver City Independent School District's Net Position

	Governmental Activities		
	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>
Program Revenues:			
Charges for Services	340,997	187,120	82%
Operating Grants and Contributions	3,508,771	3,484,927	1%
General Revenues:			
Property Taxes, Levied for General Purposes	11,973,563	14,568,178	-18%
Property Taxes, Levied for Debt Service	4,745,187	4,681,254	1%
Grants and Contributions not restricted	4,570,284	3,015,490	52%
Investment Earnings	15,761	385,212	-96%
Other	24,973	13,267	88%
Total Revenues	25,179,536	26,335,448	-4%
Instruction	13,017,923	12,971,485	0%
Instructional Resources and Media Services	235,595	255,959	-8%
Curriculum Development and Instructional Staff Development	300,230	249,333	20%
Instructional Leadership	110,764	87,266	27%
School Leadership	1,364,287	1,462,985	-7%
Guidance, Counseling and Evaluation Services	840,959	983,170	-14%
Health Services	233,704	246,108	-5%
Student (Pupil) Transportation	704,139	649,039	8%
Food Services	1,272,980	1,161,700	10%
Curricular/Extracurricular Activities	1,513,892	1,333,849	13%
General Administration	1,057,713	996,781	6%
Plant Maintenance & Operation	3,209,605	3,054,677	5%
Security & Monitoring Services	182,809	123,014	49%
Data Processing Services	386,593	404,749	-4%
Community Services	27,493	255	10682%
Debt Service - Interest on Long-Term Debt	1,923,094	2,403,189	-20%
Debt Service - Bond Issuance Cost & Fees	197,031	1,300	15056%
Contracted Instructional Services			
Between Schools	-	966,872	-100%
Other Governmental Charges	-	-	0%
Total Expenses	26,578,811	27,351,731	-3%
Increase (Decrease) in Net Position	(1,399,275)	(1,016,283)	38%
Net Position - Beginning	67,448,900	68,465,183	-1%
Change in GASB Standard	211,689	-	100%
Net Position - Ending	66,261,314	67,448,900	-2%

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.

- The cost of all *governmental* activities this year was \$26,578,811.
- The amount that our taxpayers paid for these activities through property taxes was \$16,718,750.
- Some of the cost was paid by those who directly benefited from the programs \$340,997 or
- By grants and contributions \$8,079,055.

**Table A-3**  
Net Cost of Selected District Functions

	Total Cost of Services		% Change 2020-2021	Net Cost of Services		% Change 2020-2021
	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>	
Instruction	13,017,923	12,971,485	0%	11,005,218	11,054,568	0%
Extracurricular Activities	1,513,892	1,333,849	13%	1,227,029	1,195,634	3%
School administration	1,057,713	996,781	6%	1,012,941	939,006	8%
Plant Maintenance & Operations	3,209,605	3,054,677	5%	3,082,288	2,892,917	7%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$24,857,969 for the period ended August 31, 2021, a decrease of 3% from the preceding year. Local revenues decreased 14% (\$2,843,227), state program revenues increased 34% (\$1,309,324), and federal program revenues increased 48% (\$855,829).

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. Even with these adjustments, actual expenditures were \$331,071 below final budgeted amounts. The most significant positive variance resulted in expenditures for instruction.

Resources available were \$53,690 more than the final budgeted amount:

- Local and Intermediate revenues were \$44,929 more than expected.
- State Program Revenues were \$5,689 more than projected.
- Federal Program Revenues were \$3,072 more than projected.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2021, the District had invested \$140,376,461 in a broad range of capital assets, including, land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$488,562 or less than 1 percent over last year.

**Table A-4**  
District's Capital Assets

	Governmental Activities		Total Percentage Change
	<u>2021</u>	<u>2020</u>	<u>2020-2021</u>
Land	\$ 1,061,479	\$ 1,061,479	0%
Buildings and improvements	129,565,705	129,565,705	0%
Vehicles	4,213,169	4,097,841	3%
Furniture & Equipment	5,536,108	5,162,874	7%
Totals at historical cost	140,376,461	139,887,899	0%
Total accumulated depreciation	(38,907,219)	(35,673,173)	9%
Net capital assets	101,469,242	104,214,726	(3%)

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

## Debt Administration

**Table A-5**  
District's Long-Term Obligations

	Governmental Activities		Total Percentage Change
	<u>2021</u>	<u>2020</u>	<u>2020-2021</u>
General Obligation Bonds	\$ 60,510,000	\$ 64,390,000	(6%)
Premium on Bonds	7,754,173	6,833,449	13%
Compensated Absences	155,350	114,325	36%
Net Pension Liability	4,139,992	3,854,075	7%
Net OPEB Liability	5,096,078	6,974,312	(27%)
Total Long-Term Obligations	<u>\$ 77,655,593</u>	<u>\$ 82,166,161</u>	<u>(5%)</u>

More detailed information about the District's long-term obligations is presented in the notes to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2022 budget preparation is approximately the same.
- General operating fund spending per student should remain approximately the same.
- The District's 2022 refined average daily attendance is expected to remain constant.

These indicators were taken into account when adopting the general fund budget for 2022. The District does not plan an increase in program revenues and estimates an increase in expenditures for staffing due to incremental salary increases.

The District's budgetary general fund balance is expected to decrease by the close of 2022.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## BASIC FINANCIAL STATEMENTS

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

STATEMENT OF NET POSITION  
August 31, 2021

Data Control Codes	1
	Governmental Activities
ASSETS:	
1110 Cash and Cash Equivalents	\$ 46,467,969
1225 Taxes Receivable, Net	282,642
1240 Due from Other Governments	1,564,931
1290 Other Receivables	276
Capital Assets:	
1510 Land	1,061,479
1520 Buildings & Improvements, net	98,205,263
1530 Furniture & Equipment, net	<u>2,202,501</u>
1000 TOTAL ASSETS	<u>\$ 149,785,061</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows - Pension	\$ 1,693,119
1706 Deferred Outflows - OPEB	<u>999,276</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,692,395</u>
LIABILITIES:	
Current Liabilities:	
2110 Accounts Payable	\$ 367,756
2150 Payroll Withholdings Payable	121,805
2160 Accrued Wages Payable	918,038
2300 Unearned Revenue	971,099
Noncurrent Liabilities:	
2501 Due within one year	1,665,000
2502 Due in more than one year	58,845,000
2516 Premium on bond issuance	7,754,173
2540 Net Pension Liability	4,139,992
2545 Net OPEB Liability	5,096,078
2590 Compensated Absences Payable	<u>155,350</u>
2000 <u>Total Liabilities</u>	<u>80,034,291</u>
DEFERRED INFLOWS OF RESOURCES	
2601 Deferred Gain on Bond Defeasance	656,533
2605 Deferred Inflows - Pension	763,126
2606 Deferred Inflows - OPEB	<u>4,762,192</u>
<u>Total Deferred Inflows of Resources</u>	<u>6,181,851</u>
NET POSITION:	
3200 Net investment in capital assets	32,548,536
Restricted for:	
3850 Debt Service	1,001,326
3900 Unrestricted	<u>32,711,452</u>
3000 <u>TOTAL NET POSITION</u>	<u>\$ 66,261,314</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2021

Data Control	Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
			Expenses	Charges for Services	Operating Grants and Contributions	
		Government Activities:				
	11	Instruction and Instruction-Related Services	\$ 13,017,923	\$ 8,525	\$ 2,004,180	\$ (11,005,218)
	12	Instructional Resources and Media Services	235,595	-	14,398	(221,197)
	13	Curriculum Development and Instructional Staff Development	300,230	-	128,179	(172,051)
	21	Instructional Leadership	110,764	-	28,557	(82,207)
	23	School Leadership	1,364,287	-	84,280	(1,280,007)
	31	Guidance, Counseling, & Evaluation Services	840,959	-	177,505	(663,454)
	33	Health Services	233,704	-	14,567	(219,137)
	34	Student (Pupil) Transportation	704,139	-	29,249	(674,890)
	35	Food Services	1,272,980	85,935	781,079	(405,966)
	36	Extracurricular Activities	1,513,892	244,137	42,726	(1,227,029)
	41	General Administration	1,057,713	-	44,772	(1,012,941)
	51	Plant Maintenance and Operations	3,209,605	2,400	124,917	(3,082,288)
	52	Security and Monitoring Services	182,809	-	3,043	(179,766)
	53	Data Processing	386,593	-	18,711	(367,882)
	61	Community Services	27,493	-	1,580	(25,913)
	72	Interest on Long-Term Debt	1,923,094	-	11,028	(1,912,066)
	73	Bond Issuance Costs and Fees	197,031	-	-	(197,031)
	91	Contracted Instructional Services Between Public Schools	-	-	-	-
	TG	<u>Total Government Activities</u>	<u>26,578,811</u>	<u>340,997</u>	<u>3,508,771</u>	<u>(22,729,043)</u>
	TP	Total Primary Government	<u>26,578,811</u>	<u>340,997</u>	<u>3,508,771</u>	<u>(22,729,043)</u>
		General Revenues:				
	MT	Property Taxes, Levied for General Purposes				11,973,563
	DT	Property Taxes, Levied for Debt Service				4,745,187
	IE	Investment Earnings				15,761
	GC	Grants and Contributions Not Restricted to Specific Programs				4,570,284
	MI	Miscellaneous				24,973
	TR	Total General Revenue				<u>21,329,768</u>
	CN	Change in Net Position				(1,399,275)
	NB	Net Position -- Beginning				67,448,900
	PA	Prior Period Adjustment				<u>211,689</u>
	NE	Net Position -- Ending				<u>\$ 66,261,314</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>					
1110 Cash and Cash Equivalents	\$ 45,371,874	\$ 909,792	\$ -	\$ 186,304	\$ 46,467,970
1225 Taxes Receivable, Net	208,001	74,641	-	-	282,642
1240 Due from Other Governments	21,163	16,893	-	1,526,875	1,564,931
1260 Due from Other Funds	1,458,273	-	-	-	1,458,273
1290 Other Receivables	66	-	-	210	276
1000 <u>TOTAL ASSETS</u>	<u>\$ 47,059,377</u>	<u>\$ 1,001,326</u>	<u>\$ -</u>	<u>\$ 1,713,389</u>	<u>\$ 49,774,092</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110 Accounts Payable	\$ 367,756	\$ -	\$ -	\$ -	\$ 367,756
2150 Withholdings Payable	121,805	-	-	-	121,805
2160 Accrued Wages Payable	849,226	-	-	68,812	918,038
2170 Due to Other Funds	-	-	-	1,458,273	1,458,273
2180 Due to Other Governments	-	-	-	-	-
2300 Unavailable Revenue	971,099	-	-	-	971,099
2000 <u>Total Liabilities</u>	<u>2,309,886</u>	<u>-</u>	<u>-</u>	<u>1,527,085</u>	<u>3,836,971</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
2601 Unavailable Revenue-Property Taxes	208,001	74,641	-	-	282,642
<u>Total Deferred Inflows of Resources</u>	<u>208,001</u>	<u>74,641</u>	<u>-</u>	<u>-</u>	<u>282,642</u>
<b>FUND BALANCES:</b>					
Restricted Fund Balances:					
3480 Retirement of Long-Term Debt	-	926,685	-	-	926,685
Committed Fund Balances:					
3510 Construction and Land Purchase	13,831,757	-	-	-	13,831,757
3530 Capital Expenditures for Equipment	6,969,219	-	-	-	6,969,219
3545 Other Purposes	16,925,905	-	-	-	16,925,905
Assigned Fund Balances:					
3590 Other Assigned Fund Balance	-	-	-	186,304	186,304
3600 Unassigned	6,814,609	-	-	-	6,814,609
3000 <u>Total Fund Balance</u>	<u>44,541,490</u>	<u>926,685</u>	<u>-</u>	<u>186,304</u>	<u>45,654,479</u>
4000 <u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 47,059,377</u>	<u>\$ 1,001,326</u>	<u>\$ -</u>	<u>\$ 1,713,389</u>	<u>\$ 49,774,092</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
August 31, 2021

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 45,654,479
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	101,469,243
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	282,641
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(60,665,350)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	(7,754,173)
5 The amount of deferred gain on defeasance of bonds is required to be recognized in the statement of net position.	(656,533)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$1,693,119, a deferred resource inflow in the amount of \$763,126, and a net pension liability in the amount of \$4,139,992. This resulted in a decrease in net position.	(3,209,999)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$999,276, a deferred resource in the amount of \$4,762,192, and a net OPEB liability in the amount of \$5,096,078. This resulted in a decrease in net position.	<u>(8,858,994)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 66,261,314</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
For the Year Ended August 31, 2021

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:					
5700	Local and Intermediate Sources	\$ 12,062,774	\$ 4,705,785	\$ 212	\$ 263,982	\$ 17,032,753
5800	State Program Revenues	5,128,106	11,028	-	42,117	5,181,251
5900	Federal Program Revenues	248,072	-	-	2,395,893	2,643,965
5020	<u>Total Revenues</u>	<u>17,438,952</u>	<u>4,716,813</u>	<u>212</u>	<u>2,701,992</u>	<u>24,857,969</u>
	EXPENDITURES:					
	Current:					
0011	Instruction and Instruction-Related Services	9,681,703	-	39,902	1,347,768	11,069,373
0012	Instructional Resources and Media Services	200,311	-	-	-	200,311
0013	Curriculum Development and Instructional					
	Staff Development	137,229	-	-	119,651	256,880
0021	Instructional Leadership	85,658	-	-	23,967	109,625
0023	School Leadership	1,159,669	-	-	-	1,159,669
0031	Guidance, Counseling, & Evaluation Services	578,013	-	-	137,623	715,636
0033	Health Services	198,812	-	-	-	198,812
0034	Student (Pupil) Transportation	705,372	-	-	-	705,372
0035	Food Services	-	-	-	1,167,996	1,167,996
0036	Cocurricular/Extracurricular Activities	1,121,153	-	-	203,432	1,324,585
0041	General Administration	904,254	-	-	-	904,254
0051	Plant Maintenance and Operations	2,719,906	-	-	28,371	2,748,277
0052	Security and Monitoring Services	182,243	-	-	-	182,243
0053	Data Processing Services	657,670	-	-	-	657,670
0061	Community Services	27,440	-	-	-	27,440
0071	Principal on Long-Term Debt	-	1,750,000	-	-	1,750,000
0072	Interest on Long-Term Debt	-	2,671,558	-	-	2,671,558
0073	Bond Issuance Costs and Fees	-	197,030	-	-	197,030
0081	Capital Outlay	-	-	-	-	-
0091	Contracted Instructional Services Between Public Schools	-	-	-	-	-
6030	<u>Total Expenditures</u>	<u>18,359,433</u>	<u>4,618,588</u>	<u>39,902</u>	<u>3,028,808</u>	<u>26,046,731</u>
1100	Excess (Deficiency) of Revenues Over (Under)					
	Expenditures	(920,481)	98,225	(39,690)	(326,816)	(1,188,762)
	Other Financing Sources and (Uses):					
7901	Refunding Bonds Issued	-	12,195,000	-	-	12,195,000
7915	Operating Transfers In	684,969	-	-	301,431	986,400
7916	Premium or Discount on Issuance of Bonds	-	2,477,753	-	-	2,477,753
8911	Operating Transfers Out	(301,431)	-	(684,969)	-	(986,400)
8949	Payment to Bond Refunding Escrow Agent	-	(14,477,033)	-	-	(14,477,033)
	<u>Total Other Financing Sources and (Uses)</u>	<u>383,538</u>	<u>195,720</u>	<u>(684,969)</u>	<u>301,431</u>	<u>195,720</u>
1200	Net Change in Fund Balances	(536,943)	293,945	(724,659)	(25,385)	(993,042)
0100	Fund Balances -- Beginning	45,078,433	632,740	724,659	-	46,435,832
1300	Prior Period Adjustment	-	-	-	211,689	211,689
3000	<u>Fund Balances -- Ending</u>	<u>\$ 44,541,490</u>	<u>\$ 926,685</u>	<u>\$ -</u>	<u>\$ 186,304</u>	<u>\$ 45,654,479</u>

The accompanying notes are an integral part of this statement.



DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2021

Net Change in Fund Balances -- Total Governmental Funds	\$ (993,042)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	488,563
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(3,234,046)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period.	124,729
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness.	1,750,000
Premiums received from the issuance of bonds is recorded in the governmental funds as an other source of current resources. For the statement of net position, these premiums are amortized and a portion recognized as revenue over the life of the bonds. This is the amortization of premium from the issuance of bonds.	668,784
Gains received from the defeasance of bonds is recorded in the governmental funds as an other source of current resources. For the statement of net position, these gains are amortized and a portion recognized as revenue over the life of the bonds.	(116,042)
Certain costs associated with the accrual of sick or personal leave are recognized as expenditures in the governmental funds when paid or due within the current period. For the statement of activities the amount identified as vested and payable in future periods is expensed and recorded as a long-term liability.	(41,025)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$340,774. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$318,976. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$334,341. The net result is a decrease in the change in net position.	(312,543)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$99,810. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$101,902. Finally, the proportionate share of the OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$267,439. The net result is a decrease in the change in net position.	265,347
Change in Net Position of Governmental Activities -- Statement of Activities	\$ (1,399,275)

The accompanying notes are an integral part of this statement.

EXHIBIT E-1

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2021

Data Control Codes		810 Private Purpose Trust Funds	860 Custodial Funds
		<u>Scholarships</u>	<u>Student Activity</u>
	ASSETS:		
1110	Cash and Cash Equivalents	\$ 17,256	\$ 54,311
1000	TOTAL ASSETS	<u>\$ 17,256</u>	<u>\$ 54,311</u>
	NET POSITION:		
	Restricted for:		
	Scholarships	\$ 17,256	\$ -
	Students	<u>-</u>	<u>54,311</u>
	TOTAL NET POSITION	<u>\$ 17,256</u>	<u>\$ 54,311</u>

The accompanying notes are an integral part of this statement.

EXHIBIT E-2

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended August 31, 2021

	810 Private Purpose Trust Funds	860 Custodial Funds
	<u>Scholarships</u>	<u>Student Activity</u>
ADDITIONS:		
Contributions/Gifts	\$ 27,257	\$ -
Fundraising Activity	<u>-</u>	<u>102,149</u>
Total Additions	<u>27,257</u>	<u>102,149</u>
DEDUCTIONS:		
Student Activities	-	69,532
Scholarships	<u>27,100</u>	<u>-</u>
Total Deductions	<u>27,100</u>	<u>69,532</u>
Net Increase (Decrease) in Fiduciary Net Position	157	32,617
Net Position - Beginning	<u>17,099</u>	<u>21,694</u>
Net Position - Ending	<u>\$ 17,256</u>	<u>\$ 54,311</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This is the District's fund for the collection of revenues from property taxes for the specific purpose of retiring loans and bonded indebtedness.

Capital Projects Fund: This fund is used to report the District's construction and investment in physical plant and other capital assets.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's private-purpose trust funds are scholarship funds with annual scholarships to be awarded to past students of the District in accordance with donor stipulations.

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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

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, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

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

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

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

d. Pensions

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

e. 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.

3. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair value of the pool shares (Level 1 inputs).



DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

b. Property Taxes

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

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of August 31, 2021, the amount deemed uncollectible by this estimate was \$84,061. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items.

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of the period end.

e. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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

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

f. **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

g. **Interfund Activity**

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

h. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

i. Use of Estimates

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

j. Data Control Codes

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

B. Stewardship, Compliance and Accountability

1. Budgetary Information

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9  
Year Ended August 31, 2021

B. Stewardship, Compliance and Accountability

1. Budgetary Information (continued)

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

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

2. Fair Value Measurements

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

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

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

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

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

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

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10  
Year Ended August 31, 2021

C. Deposits and Investments

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

Cash Deposits

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$3,335,605 and the bank balance was \$3,531,942. The District's cash deposits at August 31, 2021 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11  
Year Ended August 31, 2021

C. Deposits and Investments (Continued)

necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

The District's investments at August 31, 2021 included investment pools in the amount of \$43,132,364.

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating (Standard &amp; Poor's)</u>	<u>Maturity</u>	<u>Amount</u>
Lone Star - GOF	General Fund	AAAm	Wtd Avg Maturity 45 days	\$ 41,627,502
Lone Star - GOF	Interest & Sinking	AAAm	Wtd Avg Maturity 45 days	909,792
Lone Star - GOF	Construction	AAAm	Wtd Avg Maturity 45 days	595,070
				<u>\$ 43,132,364</u>

Public Funds Investment Pools

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12  
Year Ended August 31, 2021

C. Deposits and Investments (continued)

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13  
Year Ended August 31, 2021

C. Deposits and Investments (continued)

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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



DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14  
Year Ended August 31, 2021

D. Interfund Balances and Activities

Interfund balances at August 31, 2021 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	\$ 1,458,273	-
<u>Total General Fund</u>	<u>1,458,273</u>	<u>-</u>
<u>Special Revenue Funds:</u>		
General Fund	-	1,458,273
<u>Total</u>	<u>\$ 1,458,273</u>	<u>\$ 1,458,273</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of various funds and to record balances not repaid as of year-end. All amounts due are scheduled to be repaid within one year.

E. Interfund Transfers

<u>Transfer From Fund</u>	<u>Transfer To Fund</u>	<u>Amount</u>
General Fund	Special Revenue Funds	\$ 301,431
Capital Projects Fund	General Fund	\$ 684,969

The District transferred \$301,431 from the General Fund to the Food Service Fund to cover the deficit from food service activities. The Capital Project fund transferred \$684,969 to the General Fund for reimbursement of expenditures for the completion of capital projects in the prior period and to close out the capital projects fund.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15  
Year Ended August 31, 2021

F. Capital Assets

Capital asset activity for the year ended August 31, 2021 was as follows:

<u>Government Activities</u>	<u>Balance</u> <u>09/01/20</u>	<u>Additions</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>08/31/21</u>
Land	\$ 1,061,479	\$ -	\$ -	\$ 1,061,479
Buildings & Improvements	129,565,705	-	-	129,565,705
Vehicles	4,097,841	115,328	-	4,213,169
Furniture & Equipment	<u>5,162,874</u>	<u>373,234</u>	<u>-</u>	<u>5,536,108</u>
Total Capital Assets	139,887,899	488,562	-	140,376,461
<u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	28,724,680	2,635,762	-	31,360,442
Vehicles	3,054,940	211,513	-	3,266,453
Furniture & Equipment	<u>3,893,553</u>	<u>386,771</u>	<u>-</u>	<u>4,280,324</u>
Total Accum. Depreciation	<u>35,673,173</u>	<u>3,234,046</u>	<u>-</u>	<u>38,907,219</u>
Net Capital Assets	<u>\$104,214,726</u>	<u>\$(2,745,484)</u>	<u>\$ -</u>	<u>\$ 101,469,242</u>

Depreciation was charges to functions as follows:

11-Instructions	\$ 1,767,526
12-Instructional Resources & Media Services	32,101
13-Curriculum Development	41,166
23-School Leadership	185,842
31-Guidance, Counseling & Evaluation Services	114,684
33-Health Services	31,861
34-Student (Pupil) Transportation	113,039
35-Food Service	182,822
36-Cocurricular/Extracurricular Activities	179,670
41-General Administration	144,911
51-Plant Maintenance & Operations	<u>440,424</u>
	<u>\$ 3,234,046</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16  
Year Ended August 31, 2021

G. Short-Term Debt Activity

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

H. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures. Interest expense of \$2,671,558 was charged to expense in the current period.

1. Changes in long-term obligations for the year ended August 31, 2021, are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 64,390,000	\$ 12,195,000	\$ 16,075,000	\$ 60,510,000	\$ 1,665,000
Premium on Bonds	6,833,449	2,477,753	1,557,029	7,754,173	-
Compensated Absences	114,325	41,025	-	155,350	-
Net Pension Liability	3,854,075	604,856	318,939	4,139,992	-
Net OPEB Liability	6,974,312	(1,776,342)	101,892	5,096,078	-
Total governmental activities	<u>\$ 82,166,161</u>	<u>\$ 13,542,292</u>	<u>\$ 18,052,860</u>	<u>\$ 77,655,593</u>	<u>\$ 1,665,000</u>

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount Of Original Issue</u>	<u>Amount Outstanding 8/31/2021</u>
Unlimited Tax School Building Bonds-Series 2016A	2.00% to 5.00%	2-15-2042	50,145,000	49,140,000
Unlimited Tax Refunding Bonds-Series 2020	3.00% to 5.00%	2-15-2033	12,195,000	11,370,000
				<u>\$ 60,510,000</u>

2. Debt service requirements on general obligation bonds at August 31, 2021, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,665,000	\$ 2,756,312	\$ 4,421,312
2023	1,730,000	2,689,263	4,419,263
2024	1,815,000	2,600,637	4,415,637
2025	1,910,000	2,507,513	4,417,513
2026	2,005,000	2,409,637	4,414,637
2027-2031	11,535,000	10,569,138	22,104,138
2032-2036	15,175,000	7,719,762	22,894,762
2037-2041	20,070,000	3,357,563	23,427,563
2042	4,605,000	74,831	4,679,831
	<u>\$ 60,510,000</u>	<u>\$ 34,684,656</u>	<u>\$ 95,194,656</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17  
Year Ended August 31, 2021

H. Long-Term Obligations

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt", provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements.

The District issued Unlimited Tax Refunding Bonds-Series 2020, delivered November 10, 2020, in the amount of \$12,195,000 which was used for the advance refunding of Unlimited Tax Refunding Bonds-Series 2016B.

As a result of the advance refunding of principal maturities from the Unlimited Tax Refunding Bonds-Series 2016B, the District decreased its total debt service requirements by \$3,033,205, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,749,755.

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18  
Year Ended August 31, 2021

I. Pension Plan (continued)

3. Benefits Provided

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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

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.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19  
Year Ended August 31, 2021

I. Pension Plan (continued)

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

<u>Contribution Rates</u>		
	<u>2020</u>	<u>2021</u>
<b>Member</b>	<b>7.7%</b>	<b>7.7%</b>
<b>Non-Employer Contributing Entity (State)</b>	<b>7.5%</b>	<b>7.5%</b>
<b>Employers</b>	<b>7.5%</b>	<b>7.5%</b>
<b>Current Fiscal Year Employer Contributions</b>		<b>\$ 340,774</b>
<b>Current Fiscal Year Member Contributions</b>		<b>\$ 873,592</b>
<b>2020 Measurement Year NECE On-behalf Contributions</b>		<b>\$ 684,831</b>

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

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.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20  
Year Ended August 31, 2021

I. Pension Plan (continued)

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

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

5. Actuarial Assumptions

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

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21  
Year Ended August 31, 2021

I. Pension Plan (continued)

6. Discount Rate

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

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.



DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22  
Year Ended August 31, 2021

I. Pension Plan (continued)

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

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

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

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23  
Year Ended August 31, 2021

I. Pension Plan (continued)

7. Discount Rate Sensitivity Analysis

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

	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:	\$ 6,383,794	\$ 4,139,992	\$ 2,316,953

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

At August 31, 2021, the District reported a liability of \$4,139,992 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 4,139,992
State's proportionate share that is associated with the District	<u>\$ 8,889,468</u>
Total	<u>\$ 13,029,460</u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0077299294% which was an increase of 0.0003158418% from its proportion measured as of August 31, 2019.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24  
Year Ended August 31, 2021

I. Pension Plan (continued)

**Changes Since the Prior Actuarial Valuation**

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

For the year ended August 31, 2021, the District recognized pension expense of \$1,722,523 and revenue of \$1,069,206 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 7,559	\$ 115,536
Changes in actuarial assumptions	\$ 960,626	\$ 408,451
Difference between projected and actual investment earnings	\$ 83,810	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>\$ 300,350</u>	<u>\$ 239,139</u>
Total as of August 31, 2020 measurement date	\$ 1,352,345	\$ 763,126
Contributions paid to TRS subsequent to the measurement date	<u>\$ 340,774</u>	<u>\$ -</u>
Total as of fiscal year-end	<u><u>\$ 1,693,119</u></u>	<u><u>\$ 763,126</u></u>

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2022	\$ 167,174
2023	212,429
2024	163,010
2025	61,488
2026	(20,445)
Thereafter	5,563

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25  
Year Ended August 31, 2021

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26  
Year Ended August 31, 2021

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

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

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

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

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

4. Contributions

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 27  
Year Ended August 31, 2021

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

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions	\$ 99,810	
Current Fiscal Year Member Contributions	\$ 73,744	
2020 Measurement Year NECE On-behalf Contributions	\$ 136,917	

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

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

5. Actuarial Assumptions

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 28  
Year Ended August 31, 2021

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

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

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

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

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

**Actuarial Methods and Assumptions**

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 29  
Year Ended August 31, 2021

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

6. Discount Rate

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

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

7. Discount Rate Sensitivity Analysis

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

	<u>1% Decrease in Discount Rate (1.33%)</u>	<u>Discount Rate (2.33%)</u>	<u>1% Increase in Discount Rate (3.33%)</u>
District's proportionate Share of the OPEB liability:	\$ 6,115,281	\$ 5,096,078	\$ 4,291,053

8. Healthcare Cost Trend Rates Sensitivity Analysis

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate Share of the OPEB liability:	\$ 4,162,843	\$ 5,096,078	\$ 6,339,015



DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 30  
Year Ended August 31, 2021

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

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

At August 31, 2021, the District reported a liability of \$5,096,078 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	\$ 5,096,078
State's proportionate share that is associated with the District	<u>\$ 6,847,907</u>
Total	<u>\$ 11,943,985</u>

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

At August 31, 2020 the employer's proportion of the collective net OPEB liability was 0.0134056097% which was a decrease of 0.0013419710% from its proportion measured as of August 31, 2019.

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 31  
Year Ended August 31, 2021

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

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

For the year ended August 31, 2021, the District recognized OPEB expense of \$(213,086) and revenue of \$(47,549) for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 266,829	\$ 2,332,226
Changes in actuarial assumptions	\$ 314,322	\$ 1,399,409
Difference between projected and actual Investment earnings	\$ 1,656	\$ -
Changes in proportion and difference between The employer's contributions and the Proportionate share of contributions	\$ 316,659	\$ 1,030,557
Total as of August 31, 2020 measurement date	\$ 899,466	\$ 4,762,192
Contributions paid to TRS subsequent to the measurement date	\$ 99,810	\$ -
Total as of fiscal year-end	<u>\$ 999,276</u>	<u>\$ 4,762,192</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2022	\$ (618,701)
2023	(618,923)
2024	(619,049)
2025	(619,020)
2026	(482,900)
Thereafter	(904,133)

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 32  
Year Ended August 31, 2021

J. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended August 31, 2021, 2020, and 2019 were \$51,125, \$48,770, and \$43,699, respectively.

K. Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$645 per month per employee participating in the plan. Employees, at their option, authorized payroll deductions to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

L. Workers' Compensation

During the year ended August 31, 2021, the District was unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. Therefore, the District joined together with several other school districts in the region to form South Plains School Workers' Compensation Program (SPSWCP), a public entity risk pool currently operating as a common risk management and insurance program for the school districts. The District pays an annual premium to SPSWCP for its workers' compensation insurance coverage. The agreement for formation of the SPSWCP provides that SPSWCP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$350,000 for each insured event. Also, should claims exceed the aggregate attachment level of \$2,006,829; an additional \$1 million of coverage is available.

O. Litigation

There was no litigation pending or in progress against the District at August 31, 2021.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 33  
Year Ended August 31, 2021

P. Commitments and Contingencies

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

Q. Defined Contribution Retirement Plan

The District contributes to tax-sheltered annuity plans (403(b) plans) for participating employees. A 403(b) plan is a defined contribution retirement plan for certain employees of public schools, employees of certain tax-exempt organizations, and certain ministers. The District's matching and vesting schedules are shown below. The District contributed \$494,994 to employee 403(b) accounts in the fiscal year ending August 31, 2021.

District Matching Formula		Vesting Schedule for District Match	
Based on Contract or Base Salary		Years of Service	% Vested
Employee	Employer		
1%	2%	1 Year	0%
2%	2%	2 Years	0%
3%	3%	3 Years	25%
4%	4%	4 Years	50%
5%	5%	5 Years	100%

R. Vacation and Sick Leave Benefits

An employee with at least ten years of service with the District who voluntarily separates from employment with the District is eligible for reimbursement for state and local leave. The employee shall be reimbursed for each day of unused state and local leave, to a maximum of 100 days, at a rate of \$50 per day. The estimated liability at August 31, 2021 was \$155,350. This liability is included in the government-wide financial statements.

S. Prior Period Adjustment

The District reported a prior period adjustment which increased fund balance in Other Governmental Funds by \$211,689. The increase in fund balance resulted from reclassifying activity fund accounts from fiduciary activities to a special revenue fund in accordance with GASB Statement No. 84, Fiduciary Activities.

## REQUIRED SUPPLEMENTARY INFORMATION

## EXHIBIT G-1

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	REVENUES:				
5700	Local and Intermediate Sources	\$ 11,817,845	\$ 12,017,845	\$ 12,062,774	\$ 44,929
5800	State Program Revenues	5,502,417	5,122,417	5,128,106	5,689
5900	Federal Program Revenues	-	245,000	248,072	3,072
5020	Total Revenues	17,320,262	17,385,262	17,438,952	53,690
	EXPENDITURES:				
	Current:				
0011	Instruction	10,197,780	9,747,780	9,681,703	66,077
0012	Instructional Resources and Media Services	226,160	226,160	200,311	25,849
0013	Curriculum Dev. & Instructional Staff Dev.	147,836	147,836	137,229	10,607
0021	Instructional Leadership	89,890	89,890	85,658	4,232
0023	School Leadership	1,205,975	1,205,975	1,159,669	46,306
0031	Guidance, Counseling & Evaluation Services	677,806	587,806	578,013	9,793
0033	Health Services	214,120	214,120	198,812	15,308
0034	Student (Pupil) Transportation	929,482	729,482	705,372	24,110
0036	Curricular/Extracurricular Activities	1,138,984	1,138,984	1,121,153	17,831
0041	General Administration	1,006,700	931,700	904,254	27,446
0051	Plant Maintenance and Operations	3,031,941	2,781,941	2,719,906	62,035
0052	Security and Monitoring Services	147,450	192,450	182,243	10,207
0053	Data Processing Services	440,700	665,700	657,670	8,030
0061	Community Services	680	30,680	27,440	3,240
6030	Total Expenditures	19,455,504	18,690,504	18,359,433	331,071
	Other Financing Sources (Uses):				
7915	Operating Transfers In	-	680,000	684,969	4,969
8911	Operating Transfers Out	-	(325,000)	(301,431)	23,569
	Total Other Financing Sources and (Uses)	-	355,000	383,538	28,538
1200	Net Change in Fund Balance	(2,135,242)	(950,242)	(536,943)	413,299
0100	Fund Balance - Beginning	45,078,433	45,078,433	45,078,433	-
3000	Fund Balance - Ending	\$ 42,943,191	\$ 44,128,191	\$ 44,541,490	\$ 413,299

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
For the Year Ended August 31, 2021

	Measurement Year Ended August 31,						
	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0077299294%	0.0074140876%	0.0075130308%	0.0081300624%	0.0087876535%	0.7762600000%	0.0057364000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,139,992	\$ 3,854,075	\$ 4,135,354	\$ 2,599,556	\$ 3,320,724	\$ 2,743,976	\$ 1,532,271
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,889,468	8,824,921	9,960,311	6,684,668	7,697,643	6,563,672	5,660,095
Total	<u>\$ 13,029,460</u>	<u>\$ 12,678,996</u>	<u>\$ 14,095,665</u>	<u>\$ 9,284,224</u>	<u>\$ 11,018,367</u>	<u>\$ 9,307,648</u>	<u>\$ 7,192,366</u>
District's Covered Employee Payroll	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047	\$ 12,171,729	\$ 11,930,433	\$ 10,113,116	\$ 9,940,929
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	37.30%	34.98%	36.63%	21.36%	27.83%	27.13%	15.41%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules 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 many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM  
For the Year Ended August 31, 2021

	Fiscal Year Ended August 31,						
	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 340,774	\$ 318,976	\$ 274,730	\$ 258,240	\$ 266,455	\$ 279,204	\$ 229,855
Contribution in Relation to the Contractually Required Contribution	<u>(340,774)</u>	<u>(318,976)</u>	<u>(274,730)</u>	<u>(258,240)</u>	<u>(266,455)</u>	<u>(279,204)</u>	<u>(229,855)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 11,345,330	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047	\$ 12,171,729	\$ 11,930,433	\$ 10,113,116
Contributions as a percentage of Covered Employee Payroll	3.00%	2.87%	2.49%	2.29%	2.19%	2.34%	2.27%

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



DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended August 31, 2021

	Ended August, 31			
	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0134056097%	0.0147475807%	0.0140939340%	0.0147737709%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 5,096,078	\$ 6,974,312	\$ 7,037,230	\$ 6,424,559
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	6,847,907	9,267,300	9,709,320	9,306,193
<b>Total</b>	<b>\$ 11,943,985</b>	<b>\$ 16,241,612</b>	<b>\$ 16,746,550</b>	<b>\$ 15,730,752</b>
District's Covered Payroll	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047	\$ 12,171,729
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	45.91%	63.30%	62.34%	52.78%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended August 31, 2021

	Fiscal Year Ended August 31,			
	2021	2020	2019	2018
Contractually Required Contribution	\$ 99,810	\$ 101,902	\$ 89,152	\$ 91,877
Contribution in Relation to the Contractually Required Contribution	(99,810)	(101,902)	(89,152)	(91,877)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 11,345,330	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047
Contributions as a percentage of Covered Payroll	0.88%	0.92%	0.81%	0.81%

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

## OTHER SUPPLEMENTARY INFORMATION

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended August 31, 2021

	1	2		3	10	20	31	32	40	50
Last Ten Years Ended	Tax Rates			Assessed/Appraised Value for School	Beginning Balance	Current Year's	Maintenance Total	Debt Service Total	Entire Year's	Ending Balance
August 31*	Maintenance	Debt Service	Total	Tax Purposes	09/01/20	Total Levy	Collections	Collections	Adjustments	08/31/21
2012 and Prior Years	Various	Various	Various	--	\$ 10,944	\$ -	\$ 240	\$ -	\$ 596	\$ 11,300
2013	1.04000	0.21330	1.2533	3,356,070,055	2,295	-	19	4	-	2,272
2014	1.04000	0.21330	1.2533	3,001,983,324	2,822	-	63	13	-	2,746
2015	1.04000	0.21330	1.2533	3,087,613,580	4,801	-	636	131	-	4,034
2016	1.04000	0.21330	1.2533	1,987,070,773	7,472	-	(3,356)	(688)	(5,117)	6,399
2017	1.04000	0.21330	1.2533	1,238,730,950	28,414	-	2,583	530	(3,661)	21,640
2018	1.04000	0.21330	1.2533	1,346,223,091	24,063	-	(383)	(79)	(2,406)	22,119
2019	1.04000	0.28000	1.3200	1,344,110,455	38,314	-	9,805	2,640	97	25,966
2020	0.97000	0.31200	1.2820	1,499,987,832	108,630	-	33,959	10,923	(12,511)	51,237
2021-School Year Under Audit	0.96640	0.38360	1.3500	1,221,189,926	-	16,486,064	11,793,067	4,681,105	207,098	218,990
1000	TOTALS				\$ 227,755	\$ 16,486,064	\$ 11,836,633	\$ 4,694,579	\$ 184,096	\$ 366,703

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Column 3 - Assessed/Appraised Value for School Tax Purposes:  
This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 20 - Current Year's Levy:  
This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 40 - Entire Year's Adjustments:  
Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 50 - Ending Balance 8/31/21

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

EXHIBIT J-2

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2021

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 4,608,775	\$ 4,705,785	\$ 97,010
5800	State Program Revenues	10,000	11,028	1,028
5020	Total Revenues	<u>4,618,775</u>	<u>4,716,813</u>	<u>98,038</u>
	EXPENDITURES:			
	Current:			
	Debt Service			
0071	Principal on Long-Term Debt	1,750,000	1,750,000	-
0072	Interest on Long-Term Debt	2,706,862	2,671,558	35,304
0073	Bond Issuance Costs and Fees	198,500	197,030	1,470
	Total Debt Service	<u>4,655,362</u>	<u>4,618,588</u>	<u>36,774</u>
6030	Total Expenditures	<u>4,655,362</u>	<u>4,618,588</u>	<u>36,774</u>
	Other Financing Sources (Uses):			
7901	Refunding Bonds Issued	12,195,000	12,195,000	-
7916	Premium or Discount on Issuance of Bonds	2,450,000	2,477,753	27,753
8949	Payment to Bond Refunding Escrow Agent	(14,480,000)	(14,477,033)	2,967
	Total Other Financing Sources and (Uses)	<u>165,000</u>	<u>195,720</u>	<u>30,720</u>
1200	Net Change in Fund Balance	128,413	293,945	165,532
0100	Fund Balance - Beginning	<u>632,740</u>	<u>632,740</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 761,153</u>	<u>\$ 926,685</u>	<u>\$ 165,532</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

EXHIBIT J-3

CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2021

Data Control Codes		1	2	3 Variance with Final Budget Positive (Negative)
		<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
	REVENUES:			
5700	Local and Intermediate Sources	\$ -	\$ 212	\$ 212
5020	Total Revenues	<u>-</u>	<u>212</u>	<u>212</u>
	EXPENDITURES:			
	Current:			
0011	Instruction and Instruction-Related Services	40,000	39,902	98
0081	Capital Outlay	<u>15,000</u>	<u>-</u>	<u>15,000</u>
6030	Total Expenditures	<u>55,000</u>	<u>39,902</u>	<u>15,098</u>
	Other Financing Sources (Uses):			
8911	Transfers Out	<u>(669,659)</u>	<u>(684,969)</u>	<u>(15,310)</u>
	Total Other Financing Sources and (Uses)	<u>(669,659)</u>	<u>(684,969)</u>	<u>(15,310)</u>
1200	Net Change in Fund Balance	(724,659)	(724,659)	-
0100	Fund Balance - Beginning	<u>724,659</u>	<u>724,659</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2021

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 80,000	\$ 85,935	\$ 5,935
5800	State Program Revenues	17,500	17,797	297
5900	Federal Program Revenues	745,000	749,276	4,276
5020	Total Revenues	842,500	853,008	10,508
	EXPENDITURES:			
	Current:			
	Support Services-Student (Pupil):			
0035	Food Services	1,160,000	1,154,439	5,561
	Total Support Services - Student (Pupil)	1,160,000	1,154,439	5,561
6030	Total Expenditures	1,160,000	1,154,439	5,561
	Other Financing Sources (Uses):			
7915	Operating Transfers In	317,500	301,431	(16,069)
	Total Other Financing Sources and (Uses)	317,500	301,431	(16,069)
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - Beginning	-	-	-
3000	Fund Balance - Ending	\$ -	\$ -	\$ -

# Terry & King, CPAs, P.C.

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

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

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

## Independent Auditors' Report

### 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  
Denver City Independent School District  
501 Mustang Avenue  
Denver City, Texas 79323

Members of the Board of Trustees:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Denver City Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Denver City Independent School District's basic financial statements, and have issued our report thereon dated January 18, 2022.

#### ***Internal Control over Financial Reporting***

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





Independent Auditors' Report  
Page 2

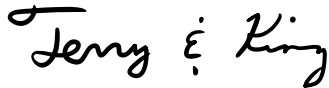
***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Denver City 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 financial statements. 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,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
January 18, 2022

# Terry & King, CPAs, P.C.

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

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

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

## Independent Auditors' Report

### REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Denver City Independent School District  
501 Mustang Avenue  
Denver City, Texas 79323

Members of the Board of Trustees:

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Denver City 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 District's major federal programs for the year ended August 31, 2021. Denver City 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 Denver City 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 Denver City 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 District's compliance.



Independent Auditors' Report  
Page 2

***Opinion on Each Major Federal Program***

In our opinion, Denver City 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, 2021.

***Report on Internal Control Over Compliance***

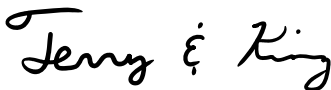
Management of Denver City Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control 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 Denver City 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
January 18, 2022

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2021

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?      Yes   X   No

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

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?      Yes   X   No

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

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

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

Identification of major programs:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	COVID-19: ESSER (CARES Act)
84.425U	COVID-19: ESSER (ARP Act)

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

Auditee qualified as low-risk auditee?   X   Yes      No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SUMMARY OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2021

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2021

Not Applicable – None Required

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2021

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Adult Education (ABE)-Federal	84.002	214100017110254	\$ 52,331
ESEA Title 1, Part A - Improving Basic Programs	84.010A	20610101251901	17,192
ESEA Title 1, Part A - Improving Basic Programs	84.010A	21610101251901	253,156
ESEA Title 1, Part A - Improving Basic Programs	84.010A	22610101251901	23,569
IDEA-B Formula*	84.027A	206600012519016600	2,149
IDEA-B Formula*	84.027A	216600012519016600	265,687
IDEA-B Formula*	84.027A	226600012519016600	23,797
IDEA-B Preschool*	84.173A	206610012519016610	750
IDEA-B Preschool*	84.173A	216610012519016610	5,651
Total Special Education Cluster (IDEA)			298,034
Carl D. Perkins - Basic Grant	84.048A	21420006251901	26,048
Title III, Part A-English Language Acquisition	84.365	20671001251901	725
Title III, Part A-English Language Acquisition	84.365	21671001251901	26,151
Title II, Part A - Supporting Effective Instruction	84.367A	20694501251901	3,296
Title II, Part A - Supporting Effective Instruction	84.367A	21694501251901	44,956
COVID-19: Elementary & Secondary School Emergency Relief Fund	84.425D	20521001251901	5,658
COVID-19: ARP ESSER III	84.425U	21528001251901	881,944
Total U.S. Department of Education			1,633,060
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	71302101	390,159
School Breakfast Program*	10.553	71402101	174,322
Passed Through State Department of Health and Human Services			
Summer Food Service Program for Children*	10.559	N/A	13,558
Passed Through State Department of Agriculture:			
NSLP Equipment Assistance Grant*	10.579	01177	71,975
COVID-19: Emergency Costs*	10.555	N/A	43,549
Total Child Nutrition Cluster			693,563
Direct Program:			
Commodity Supplemental Food Program	10.565	N/A	69,270
Total Food Distribution Cluster			69,270
Total U.S. Department of Agriculture			762,833
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Medicare/Medicaid Reimbursement*	93.778	N/A	248,072
Total Medicaid Cluster			248,072
Total U.S. Department of Health and Human Services			248,072
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 2,643,965</u>

\* - Indicates a cluster program under Uniform Guidance.

The accompanying notes are an integral part of this schedule.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2021

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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

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

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

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

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



DENVER CITY INDEPENDENT SCHOOL DISTRICT  
Denver City, Texas

SCHOOLS FIRST QUESTIONNAIRE  
For the Year Ended August 31, 2021

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	N/A