

DENVER CITY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2022

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DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2022

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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, 2022 at a meeting of the Board of Trustees of such school district on the 23rd day of May, 2023.



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 114th 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 Audit of the Financial Statements

Qualified and Unmodified Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinion on the Governmental Activities and General Fund

In our opinion, except for the effects of the matters described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and General Fund of the Denver City Independent School District as of August 31, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Debt Service Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the Denver City Independent School District as of August 31, 2022, and the changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.



Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Denver City Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matters Giving Rise to the Qualified Opinion on the Governmental Activities and General Fund

As described further in Notes S and T, there is an unreconciled difference of \$181,045 in the District's General Fund for the year ended August 31, 2022. Therefore, revenues and/or expenditures are misstated by \$181,045.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, identified as required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

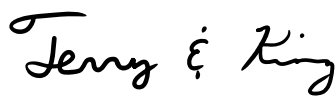
Supplementary Information

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 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2023, 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 Denver City Independent School 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 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.
May 22, 2023

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, 2022. 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 \$63,467,789 at August 31, 2022.
- During the year, the District's expenses were \$2,818,995 more than the \$22,852,420 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased \$907,396 or 3% from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$41,460,362.

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

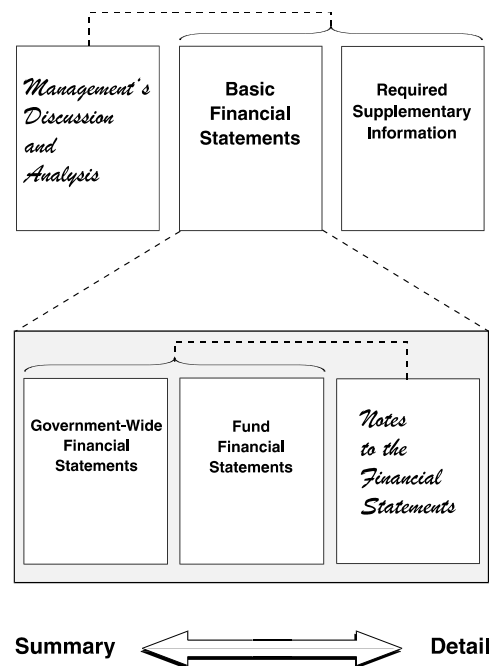


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
<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 \$63,467,789 at August 31, 2022. (See Table A-1).

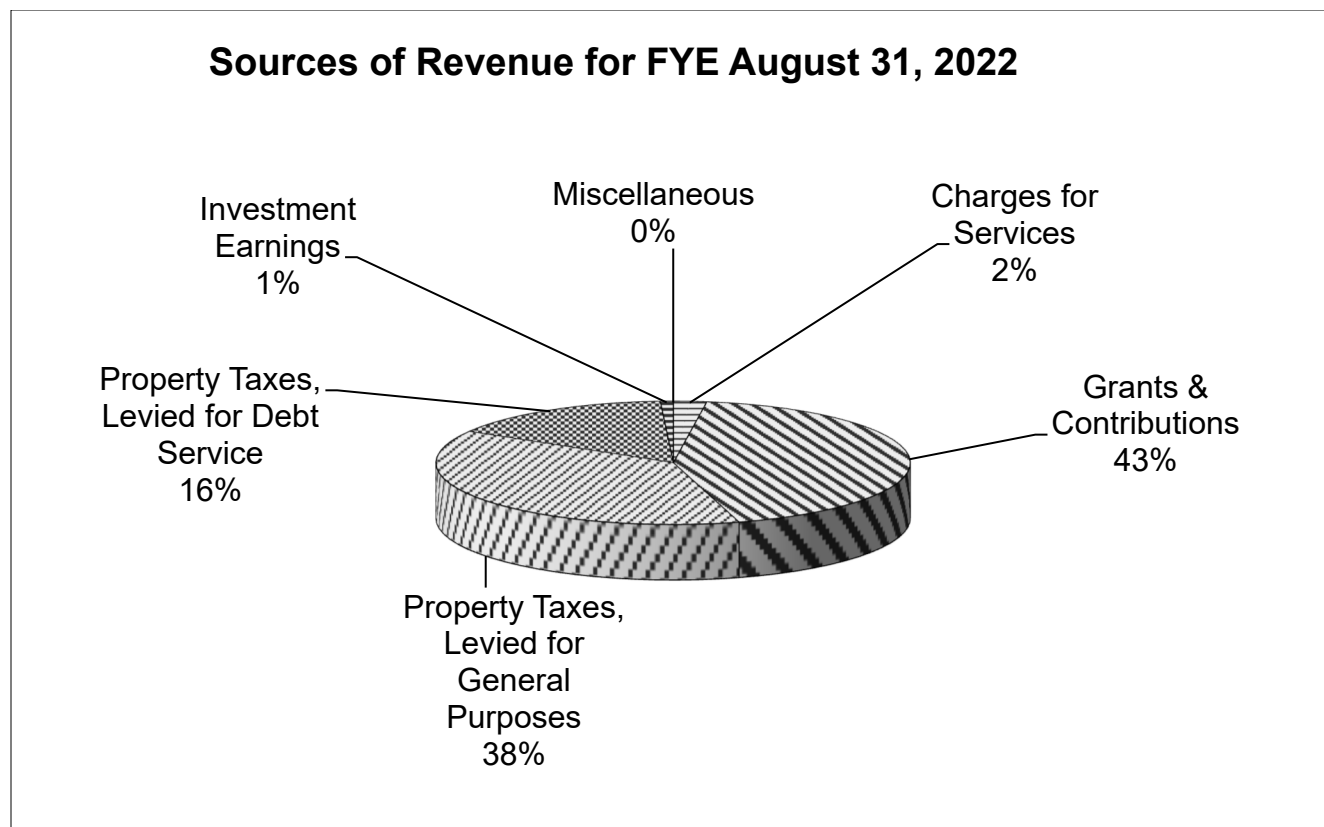
Table A-1
Denver City Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>August 31, 2022</u>	<u>August 31, 2021</u>	<u>Change</u>
Current assets:			
Cash and Investments	43,268,386	46,467,969	-7%
Due from other governments	2,613,265	1,564,931	67%
Taxes Receivable, net	333,791	282,642	18%
Other Receivables	276	276	0%
Total current assets:	46,215,718	48,315,818	-4%
Noncurrent assets:			
Land	1,061,479	1,061,479	0%
Buildings & Improvements, net	96,459,931	98,205,263	-2%
Furniture & Equipment, net	1,773,026	2,202,501	-19%
Right to Use Assets, net	74,192	-	100%
Total noncurrent assets	99,368,628	101,469,243	-2%
Total Assets	145,584,346	149,785,061	-3%
Total Deferred Outflows of Resources	2,523,457	2,692,395	-6%
Current liabilities:			
Accounts Payable	1,027,892	367,756	180%
Payroll Deductions & Withholdings	1,558,551	121,805	1180%
Accrued Wages Payable	859,480	918,038	-6%
Unearned Revenue	585,455	971,099	-40%
Total Current Liabilities	4,031,378	2,378,698	69%
Non-current liabilities:			
Premium on Bond Issuance	7,020,811	7,754,173	-9%
Due Within One Year	1,763,370	1,665,000	6%
Due in More than One Year	57,280,800	59,000,350	-3%
Net Pension Liability	2,046,790	4,139,992	-51%
Net OPEB Liability	4,947,898	5,096,078	-3%
Total Non-current Liabilities	73,059,669	77,655,593	-6%
Total Deferred Inflows of Resources	7,548,967	6,181,851	22%
Net Position:			
Net investment in capital assets	32,912,766	32,548,536	1%
Restricted for Debt Service	220,539	1,001,326	-78%
Unrestricted	30,334,484	32,711,452	-7%
Total Net Position	63,467,789	66,261,314	-4%

The \$30,334,484 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 \$22,852,420. A significant portion, 54 percent, of the District's revenue comes from taxes. (See Figure A-3.) 43 percent comes from grants, while 3 percent relates to miscellaneous revenues and charges for services.

The total cost of all programs and services was \$25,671,415; 47 percent of these costs are for instructional and instruction-related services.



(Figure A-3)

Governmental Activities

- Property tax rates increased from \$1.35 per \$100 value to \$1.36 per \$100 value. The current tax levy decreased \$4,064,910, or 25%. Taxes collected in the year ending August 31, 2022 were \$12,291,050 compared to \$16,531,212 in FYE 2021.

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

	Governmental Activities		
	<u>2022</u>	<u>2021</u>	<u>Percentage Change</u>
Program Revenues:			
Charges for Services	524,726	340,997	54%
Operating Grants and Contributions	2,629,328	3,508,771	-25%
General Revenues:			
Property Taxes, Levied for General Purposes	8,808,194	11,973,563	-26%
Property Taxes, Levied for Debt Service	3,622,504	4,745,187	-24%
Grants and Contributions not restricted	7,410,447	4,570,284	62%
Investment Earnings	204,608	15,761	1198%
Other	(347,387)	24,973	-1491%
Total Revenues	22,852,420	25,179,536	-9%
Instruction	12,098,964	13,017,923	-7%
Instructional Resources and Media Services	217,782	235,595	-8%
Curriculum Development and Instructional Staff Development	299,456	300,230	0%
Instructional Leadership	95,715	110,764	-14%
School Leadership	1,280,665	1,364,287	-6%
Guidance, Counseling and Evaluation Services	865,651	840,959	3%
Health Services	203,985	233,704	-13%
Student (Pupil) Transportation	759,924	704,139	8%
Food Services	1,235,481	1,272,980	-3%
Curricular/Extracurricular Activities	1,673,590	1,513,892	11%
General Administration	964,806	1,057,713	-9%
Plant Maintenance & Operation	3,402,411	3,209,605	6%
Security & Monitoring Services	147,287	182,809	-19%
Data Processing Services	474,007	386,593	23%
Community Services	23,624	27,493	-14%
Debt Service - Interest on Long-Term Debt	1,926,356	1,923,094	0%
Debt Service - Bond Issuance Cost & Fees	1,400	197,031	-99%
Contracted Instructional Services			
Between Schools	311	-	100%
Other Governmental Charges	-	-	0%
Total Expenses	25,671,415	26,578,811	-3%
Increase (Decrease) in Net Position	(2,818,995)	(1,399,275)	101%
Net Position - Beginning	66,261,314	67,448,900	-2%
Change in GASB Standard	25,470	211,689	-88%
Net Position - Ending	63,467,789	66,261,314	-4%

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 \$25,671,415.
- The amount that our taxpayers paid for these activities through property taxes was \$12,430,698.
- Some of the cost was paid by those who directly benefited from the programs \$524,726 or
- By grants and contributions \$10,039,775.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change 2021-2022	Net Cost of Services		% Change 2021-2022
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
Instruction	12,098,964	13,017,923	(7%)	10,395,916	11,005,218	(6%)
Extracurricular Activities	1,673,590	1,513,892	11%	1,305,932	1,227,029	6%
School administration	964,806	1,057,713	(9%)	968,969	1,012,941	(4%)
Plant Maintenance & Operations	3,402,411	3,209,605	6%	3,406,169	3,082,288	11%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$24,445,886 for the period ended August 31, 2022, a decrease of 2% from the preceding year. Local revenues decreased 22% (\$3,673,374), state program revenues increased 55% (\$2,841,237), and federal program revenues increased 16% (\$420,266).

General Fund Budgetary Highlights

Over the course of the year, the District did not revise its budget. Actual expenditures were \$305,327 more than budgeted amounts. The most significant positive variance resulted in expenditures for instruction. The most significant negative variance resulted from expenditures for plant maintenance and operations.

Resources available were \$155,892 more than the budgeted amount:

- Local and Intermediate revenues were \$414,412 more than expected.
- State Program Revenues were \$688,946 more than projected.
- Federal Program Revenues were \$430,426 more than projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$141,356,376 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 \$847,317 or less than 1 percent over last year.

Table A-4

District's Capital Assets

	Governmental Activities		Total Percentage Change 2021-2022
	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
Land	\$ 1,061,479	\$ 1,061,479	0%
Buildings and improvements	130,465,736	129,565,705	1%
Furniture & Equipment	9,696,563	9,749,277	(1%)
Leased Equipment	132,598	132,598	0%
Totals at historical cost	141,356,376	140,509,059	1%
Total accumulated depreciation	(41,987,748)	(38,946,683)	8%
Net capital assets	99,368,628	101,562,376	(2%)

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 2021-2022
	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
General Obligation Bonds	\$ 58,845,000	\$ 60,510,000	(3%)
Premium on Bonds	7,020,811	7,754,173	(9%)
Compensated Absences	165,800	155,350	7%
Leases	33,370	67,664	(51%)
Net Pension Liability	2,046,790	4,139,992	(51%)
Net OPEB Liability	4,947,898	5,096,078	(3%)
Total Long-Term Obligations	<u>\$ 73,059,669</u>	<u>\$ 77,723,257</u>	<u>(6%)</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 2023 budget preparation is approximately the same.
- General operating fund spending per student should remain approximately the same.
- The District's 2023 refined average daily attendance is expected to remain constant.

These indicators were taken into account when adopting the general fund budget for 2023. 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 2023.

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, 2022

		1
Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 43,268,386
1225	Taxes Receivable, Net	333,791
1240	Due from Other Governments	2,613,265
1290	Other Receivables	276
	Capital Assets:	
1510	Land	1,061,479
1520	Buildings & Improvements, net	96,459,931
1530	Furniture & Equipment, net	1,773,026
1550	Right to Use Assets, net	74,192
1000	TOTAL ASSETS	<u>\$ 145,584,346</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Outflows - Pension	\$ 1,375,500
1706	Deferred Outflows - OPEB	1,147,957
	TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,523,457</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 1,027,892
2150	Payroll Withholdings Payable	1,558,551
2160	Accrued Wages Payable	859,480
2300	Unearned Revenue	585,455
	Noncurrent Liabilities:	
2501	Due within one year	1,763,370
2502	Due in more than one year	57,115,000
2516	Premium on bond issuance	7,020,811
2540	Net Pension Liability	2,046,790
2545	Net OPEB Liability	4,947,898
2590	Compensated Absences Payable	165,800
2000	<u>Total Liabilities</u>	<u>77,091,047</u>
	DEFERRED INFLOWS OF RESOURCES	
2601	Deferred Gain on Bond Defeasance	556,681
2605	Deferred Inflows - Pension	2,342,040
2606	Deferred Inflows - OPEB	4,650,246
	<u>Total Deferred Inflows of Resources</u>	<u>7,548,967</u>
	NET POSITION:	
3200	Net investment in capital assets	32,912,766
	Restricted for:	
3850	Debt Service	220,539
3900	Unrestricted	30,334,484
3000	<u>TOTAL NET POSITION</u>	<u>\$ 63,467,789</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, 2022

Data Control	Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Charges for Services			
		Government Activities:					
11		Instruction and Instruction-Related Services	\$ 12,098,964	\$ 9,450		\$ 1,693,598	\$ (10,395,916)
12		Instructional Resources and Media Services	217,782	-		3,632	(214,150)
13		Curriculum Development and Instructional Staff Development	299,456	-		87,140	(212,316)
21		Instructional Leadership	95,715	-		27,363	(68,352)
23		School Leadership	1,280,665	16,955		(1,093)	(1,264,803)
31		Guidance, Counseling, & Evaluation Services	865,651	2,438		116,001	(747,212)
33		Health Services	203,985	-		(2,174)	(206,159)
34		Student (Pupil) Transportation	759,924	-		(5,403)	(765,327)
35		Food Services	1,235,481	110,539		724,830	(400,112)
36		Extracurricular Activities	1,673,590	374,836		(7,178)	(1,305,932)
41		General Administration	964,806	-		(4,163)	(968,969)
51		Plant Maintenance and Operations	3,402,411	10,508		(14,266)	(3,406,169)
52		Security and Monitoring Services	147,287	-		251	(147,036)
53		Data Processing	474,007	-		(3,489)	(477,496)
61		Community Services	23,624	-		(368)	(23,992)
72		Interest on Long-Term Debt	1,926,356	-		14,647	(1,911,709)
73		Bond Issuance Costs and Fees	1,400	-		-	(1,400)
91		Contracted Instructional Services Between Public Schools	311	-		-	(311)
TG		<u>Total Government Activities</u>	<u>25,671,415</u>	<u>524,726</u>		<u>2,629,328</u>	<u>(22,517,361)</u>
TP		Total Primary Government	<u>25,671,415</u>	<u>524,726</u>		<u>2,629,328</u>	<u>(22,517,361)</u>
		General Revenues:					
MT		Property Taxes, Levied for General Purposes					8,808,194
DT		Property Taxes, Levied for Debt Service					3,622,504
IE		Investment Earnings					204,608
GC		Grants and Contributions Not Restricted to Specific Programs					7,410,447
MI		Miscellaneous					204,285
S1		Gain on Sale of Assets					20,204
S2		Special Items (Note S)					(571,876)
TR		Total General Revenue					<u>19,698,366</u>
CN		Change in Net Position					(2,818,995)
NB		Net Position -- Beginning					66,261,314
PA		Prior Period Adjustment					<u>25,470</u>
NE		Net Position -- Ending					<u>\$ 63,467,789</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, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:				
1110	Cash and Cash Equivalents	\$ 42,941,516	\$ 40,685	\$ 286,186	\$ 43,268,387
1225	Taxes Receivable, Net	240,489	93,302	-	333,791
1240	Due from Other Governments	-	3,677	2,609,588	2,613,265
1260	Due from Other Funds	2,502,148	82,875	-	2,585,023
1290	Other Receivables	66	-	210	276
1000	<u>TOTAL ASSETS</u>	<u>\$ 45,684,219</u>	<u>\$ 220,539</u>	<u>\$ 2,895,984</u>	<u>\$ 48,800,742</u>
	LIABILITIES:				
	Current Liabilities:				
2110	Accounts Payable	\$ 1,027,892	\$ -	\$ -	\$ 1,027,892
2150	Withholdings Payable	1,497,909	-	60,642	1,558,551
2160	Accrued Wages Payable	795,882	-	63,598	859,480
2170	Due to Other Funds	82,875	-	2,502,148	2,585,023
2300	Unavailable Revenue	578,810	-	6,645	585,455
2000	<u>Total Liabilities</u>	<u>3,983,368</u>	<u>-</u>	<u>2,633,033</u>	<u>6,616,401</u>
	DEFERRED INFLOWS OF RESOURCES:				
2601	Unavailable Revenue-Property Taxes	240,489	93,302	-	333,791
	<u>Total Deferred Inflows of Resources</u>	<u>240,489</u>	<u>93,302</u>	<u>-</u>	<u>333,791</u>
	FUND BALANCES:				
	Restricted Fund Balances:				
3480	Retirement of Long-Term Debt	-	127,237	-	127,237
	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	16,925,906	-	-	16,925,906
	Assigned Fund Balances:				
3590	Other Assigned Fund Balance	-	-	262,951	262,951
3600	Unassigned	3,733,480	-	-	3,733,480
3000	<u>Total Fund Balance</u>	<u>41,460,362</u>	<u>127,237</u>	<u>262,951</u>	<u>41,850,550</u>
4000	<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 45,684,219</u>	<u>\$ 220,539</u>	<u>\$ 2,895,984</u>	<u>\$ 48,800,742</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, 2022

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 41,850,550
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.	99,368,628
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	333,790
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(59,044,170)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	(7,020,811)
5 The amount of deferred gain on defeasance of bonds is required to be recognized in the statement of net position.	(556,681)
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 \$1,375,500, a deferred resource inflow in the amount of \$2,342,040, and a net pension liability in the amount of \$2,046,790. This resulted in a decrease in net position.	(3,013,330)
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 \$1,147,957, a deferred resource in the amount of \$4,650,246, and a net OPEB liability in the amount of \$4,947,898. This resulted in a decrease in net position.	<u>(8,450,187)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 63,467,789</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, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:					
5700	Local and Intermediate Sources	\$ 9,345,868	\$ 3,608,618	\$ 404,681	\$ 13,359,167
5800	State Program Revenues	7,830,830	14,647	177,011	8,022,488
5900	Federal Program Revenues	430,426	-	2,633,805	3,064,231
5020	<u>Total Revenues</u>	<u>17,607,124</u>	<u>3,623,265</u>	<u>3,215,497</u>	<u>24,445,886</u>
EXPENDITURES:					
Current:					
0011	Instruction and Instruction-Related Services	9,703,591	-	1,810,538	11,514,129
0012	Instructional Resources and Media Services	198,886	-	5,594	204,480
0013	Curriculum Development and Instructional Staff Development	188,781	-	89,099	277,880
0021	Instructional Leadership	77,187	-	28,324	105,511
0023	School Leadership	1,188,826	-	28,824	1,217,650
0031	Guidance, Counseling, & Evaluation Services	704,408	-	125,254	829,662
0033	Health Services	194,284	-	-	194,284
0034	Student (Pupil) Transportation	772,272	-	-	772,272
0035	Food Services	-	-	1,174,857	1,174,857
0036	Cocurricular/Extracurricular Activities	1,324,691	-	198,001	1,522,692
0041	General Administration	892,849	-	3,492	896,341
0051	Plant Maintenance and Operations	3,619,955	-	-	3,619,955
0052	Security and Monitoring Services	149,777	-	660	150,437
0053	Data Processing Services	703,007	-	-	703,007
0061	Community Services	26,509	-	-	26,509
0071	Principal on Long-Term Debt	34,294	1,665,000	-	1,699,294
0072	Interest on Long-Term Debt	3,258	2,756,313	-	2,759,571
0073	Bond Issuance Costs and Fees	-	1,400	-	1,400
0081	Capital Outlay	77,697	-	-	77,697
0091	Contracted Instructional Services Between Public Schools	311	-	-	311
6030	<u>Total Expenditures</u>	<u>19,860,583</u>	<u>4,422,713</u>	<u>3,464,643</u>	<u>27,747,939</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,253,459)	(799,448)	(249,146)	(3,302,053)
Other Financing Sources and (Uses):					
7915	Sale of Assets	70,000	-	-	70,000
7915	Operating Transfers In	-	-	325,793	325,793
8911	Operating Transfers Out	(325,793)	-	-	(325,793)
	<u>Total Other Financing Sources and (Uses)</u>	<u>(255,793)</u>	<u>-</u>	<u>325,793</u>	<u>70,000</u>
Special Items:					
8912	Special Items (Note S)	(571,876)	-	-	(571,876)
1200	Net Change in Fund Balances	(3,081,128)	(799,448)	76,647	(3,803,929)
0100	Fund Balances -- Beginning	44,541,490	926,685	186,304	45,654,479
3000	<u>Fund Balances -- Ending</u>	<u>\$ 41,460,362</u>	<u>\$ 127,237</u>	<u>\$ 262,951</u>	<u>\$ 41,850,550</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, 2022

Net Change in Fund Balances -- Total Governmental Funds \$ (3,803,929)

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. 1,040,077

The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets. (3,184,029)

Proceeds from the sale of assets are reported in the funds. In the statement of activities, only the gain on sale of assets is reported. (49,796)

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. 51,148

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. 1,699,294

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. 733,362

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. 99,852

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. (10,450)

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. 196,669

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. 408,807

Change in Net Position of Governmental Activities -- Statement of Activities \$ (2,818,995)

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, 2022

	Private Purpose Trust Funds	Custodial Funds
	Scholarships	Student Activity
ASSETS:		
Cash and Cash Equivalents	\$ 20,697	\$ 92,250
TOTAL ASSETS	\$ 20,697	\$ 92,250
NET POSITION:		
Restricted for:		
Scholarships	\$ 20,697	\$ -
Students	-	92,250
TOTAL NET POSITION	\$ 20,697	\$ 92,250

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, 2022

	Private Purpose Trust Funds	Custodial Funds
	Scholarships	Student Activity
ADDITIONS:		
Contributions/Gifts	\$ 3,441	\$ -
Fundraising Activity	-	124,254
Total Additions	<u>3,441</u>	<u>124,254</u>
DEDUCTIONS:		
Student Activities	-	86,315
Scholarships	-	-
Total Deductions	<u>-</u>	<u>86,315</u>
Net Increase (Decrease) in Fiduciary Net Position	3,441	37,939
Net Position - Beginning	<u>17,256</u>	<u>54,311</u>
Net Position - Ending	<u>\$ 20,697</u>	<u>\$ 92,250</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, 2022

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, 2022

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.

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, 2022

A. Summary of Significant Accounting Policies (Continued)

Custodial Fund: A fiduciary fund type, accounts for resources held for others in a custodial capacity. The District's custodial fund is the student activity funds.

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 custodial 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, 2022

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, 2022

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, 2022

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 1st 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 1st of the year following the year in which imposed. On January 1st 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, 2022, the amount deemed uncollectible by this estimate was \$103,903. 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, 2022

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, 2022

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, 2022

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, 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, 2022

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, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$5,294,665 and the bank balance was \$5,513,425. The District's cash deposits at August 31, 2022 were not 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, 2022

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, 2022 included investment pools in the amount of \$38,052,193.

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating (Standard & Poor's)</u>	<u>Maturity</u>	<u>Amount</u>
Lone Star - GOF	General Fund	AAAm	Wtd Avg Maturity < 1 year	\$ 38,021,365
Lone Star - GOF	Interest & Sinking	AAAm	Wtd Avg Maturity < 1 year	30,814
Lone Star - GOF	Construction	AAAm	Wtd Avg Maturity < 1 year	14
				<u>\$ 38,052,193</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
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NOTES TO THE FINANCIAL STATEMENTS, Page 12
Year Ended August 31, 2022

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, 2022

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 exposed to custodial credit risk as there was \$289,584 of cash deposits not covered by FDIC insurance or pledged collateral.

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, 2022

D. Interfund Balances and Activities

Interfund balances at August 31, 2022 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>		
Debt Service Fund	\$ -	\$ 82,875
Special Revenue Funds	<u>2,502,148</u>	<u>-</u>
<u>Total General Fund</u>	<u>2,502,148</u>	<u>82,875</u>
<u>Debt Service Fund:</u>		
General Fund	<u>82,875</u>	<u>-</u>
<u>Special Revenue Funds:</u>		
General Fund	<u>-</u>	<u>2,502,148</u>
<u>Total</u>	<u>\$ 2,585,023</u>	<u>\$ 2,585,023</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	\$ 325,793

The District transferred \$322,414 from the General Fund to the Food Service Fund to cover the deficit from food service activities. \$3,379 was transferred from the General Fund to a Special Revenue Fund to cover the excess of expenditures over grant revenues.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS, Page 15
Year Ended August 31, 2022

F. Capital Assets

Capital asset activity for the year ended August 31, 2022 was as follows:

	Beginning		Reclassifications/	Ending
	Balance	Increases	Decreases	Balance
Capital assets not being depreciated				
Land	\$ 1,061,479	\$ -	\$ -	\$ 1,061,479
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,061,479	-	-	1,061,479
Other capital assets				
Buildings and improvements	129,565,705	900,031	-	130,465,736
Furniture and equipment	9,749,277	140,046	(192,760)	9,696,563
Leased equipment	132,598	-	-	132,598
Total other capital assets at historical cost	139,447,580	1,040,077	(192,760)	140,294,897
Less accumulated depreciation for				
Buildings and improvements	(31,360,442)	(2,645,363)	-	(34,005,805)
Furniture and equipment	(7,546,777)	(519,724)	142,964	(7,923,537)
Leased equipment	(39,464)	(18,942)	-	(58,406)
Total accumulated depreciation and amortization	(38,946,683)	(3,184,029)	142,964	(41,987,748)
Other capital assets, net	100,500,897	(2,143,952)	(49,796)	98,307,149
Capital assets, net	\$ 101,562,376	\$ (2,143,952)	\$ (49,796)	\$ 99,368,628

Depreciation was charges to functions as follows:

11-Instructions	\$ 1,649,612
12-Instructional Resources & Media Services	29,296
13-Curriculum Development	39,811
23-School Leadership	174,451
31-Guidance, Counseling & Evaluation Services	118,864
33-Health Services	27,835
34-Student (Pupil) Transportation	110,534
35-Food Service	168,320
36-Cocurricular/Extracurricular Activities	218,263
41-General Administration	128,417
51-Plant Maintenance & Operations	518,626
	<u>\$ 3,184,029</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16
Year Ended August 31, 2022

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	\$ 60,510,000	\$ -	\$ 1,665,000	\$ 58,845,000	\$ 1,730,000
Premium on Bonds	7,754,173	-	733,362	7,020,811	-
Compensated Absences	155,350	10,450	-	165,800	-
Leases	67,664	-	34,294	33,370	33,370
Net Pension Liability	4,139,992	(1,779,157)	314,045	2,046,790	-
Net OPEB Liability	5,096,078	(56,433)	91,747	4,947,898	-
Total governmental activities	<u>\$ 77,723,257</u>	<u>\$ (1,825,140)</u>	<u>\$ 2,838,448</u>	<u>\$ 73,059,669</u>	<u>\$ 1,763,370</u>

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount Of Original Issue</u>	<u>Amount Outstanding 8/31/2022</u>
Unlimited Tax School Building Bonds-Series 2016A	2.00% to 5.00%	2-15-2042	50,145,000	48,190,000
Unlimited Tax Refunding Bonds-Series 2020	3.00% to 5.00%	2-15-2033	12,195,000	10,655,000
				<u>\$ 58,845,000</u>

2. Debt service requirements on general obligation bonds at August 31, 2022, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,105,000	2,312,838	4,417,838
2028-2032	12,040,000	10,062,662	22,102,662
2033-2037	16,185,000	6,976,063	23,161,063
2038-2042	21,055,000	2,369,731	23,424,731
	<u>\$ 58,845,000</u>	<u>\$ 31,928,344</u>	<u>\$ 90,773,344</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17
Year Ended August 31, 2022

H. Long-Term Obligations (continued)

3. Leases

The District has entered into a non-cancellable lease agreement in the year ended August 31, 2019 for copiers. This lease period is for 48 months, beginning July 2019 and ending August 2023, with monthly payments of \$3,129 including principal and interest. The discount rate being used is 6.25%. The lease agreement has no variable payments or residual value guarantees.

The future payments required for right-to-use leased asset liabilities at August 31, 2022 are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 33,370	\$ 1,052	\$ 34,422

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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS, Page 18
Year Ended August 31, 2022

I. Pension Plan (continued)

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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, 2022

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 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

<u>Contribution Rates</u>		
	<u>2021</u>	<u>2022</u>
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
Current Fiscal Year Employer Contributions		\$ 383,996
Current Fiscal Year Member Contributions		\$ 928,407
2021 Measurement Year NECE On-behalf Contributions		\$ 631,557

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 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
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NOTES TO THE FINANCIAL STATEMENTS, Page 20
Year Ended August 31, 2022

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 1.6% of the member's salary beginning in fiscal year 2021, 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, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95%. 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)	2120
Inflation	2.30%
Salary Increases	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, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

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Year Ended August 31, 2022

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.

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, 2021 are summarized below:

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

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Year Ended August 31, 2022

I. Pension Plan (continued)

Asset Class*	Target Allocation%**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18%	3.6%	0.94%
Non-U.S. Developed	13%	4.4%	0.83%
Emerging Markets	9%	4.6%	0.74%
Private Equity	14%	6.3%	1.36%
Stable Value			
Government Bonds	16%	(0.2%)	0.01%
Absolute Return	0%	1.1%	0.00%
Stable Value Hedge Funds	5%	2.2%	0.12%
Real Return			
Real Estate	15%	4.5%	1.00%
Energy, Natural Resources, and Infrastructure	6%	4.7%	0.35%
Commodities	0%	1.7%	0.00%
Risk Parity			
Risk Parity	8%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2%	(0.7%)	(0.01%)
Asset Allocation Leverage	<u>(6%)</u>	<u>(0.5%)</u>	0.03%
Total	<u>100%</u>		
Inflation Expectation			2.20%
Volatility Drag****			(0.95%)
Expected Return			6.90%

*Absolute Return includes Credit Sensitive Investments.

**Target allocations are based on the FY2021 policy model.

***Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

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

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:	\$ 4,472,561	\$ 2,046,790	\$ 78,753

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
Year Ended August 31, 2022

I. Pension Plan (continued)

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

At August 31, 2022, the District reported a liability of \$2,046,790 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	\$ 2,046,790
State's proportionate share that is associated with the District	<u>\$ 3,768,859</u>
Total	<u>\$ 5,815,649</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net pension liability was 0.0080371985% which was an increase of 0.0003072691% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$202,394 and revenue of \$15,067 for support provided by the State.

At August 31, 2022, 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:

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
Year Ended August 31, 2022

I. Pension Plan (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 3,425	\$ 144,096
Changes in actuarial assumptions	723,500	315,384
Difference between projected and actual Investment earnings	-	1,716,207
Changes in proportion and difference between The employer's contributions and the Proportionate share of contributions	<u>264,579</u>	<u>\$ 166,353</u>
Total as of August 31, 2021 measurement date	\$ 991,504	\$ 2,342,040
Contributions paid to TRS subsequent to the measurement date	<u>383,996</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 1,375,500</u>	<u>\$ 2,342,040</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>
2023	\$ (229,908)
2024	(279,663)
2025	(386,690)
2026	(472,878)
2027	15,524
Thereafter	3,079

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
Year Ended August 31, 2022

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; 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.

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.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

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Year Ended August 31, 2022

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

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

2021 TRS-Care Monthly Premium Rates

	<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.

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</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	\$ 109,877	
Current Fiscal Year Member Contributions	\$ 75,432	
2021 Measurement Year NECE On-behalf Contributions	\$ 134,255	

DENVER CITY INDEPENDENT SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS, Page 27
Year Ended August 31, 2022

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

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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021.

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. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	
Rates of Disability	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

Health Care Trend Rates – The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 28
Year Ended August 31, 2022

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

Actuarial Methods and Assumptions

Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad hoc-post-employment benefit changes	None

6. Discount Rate

A single discount rate of 1.95% was used to measure the Total OPEB Liability. There was a decrease of 0.38 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 is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 29
Year Ended August 31, 2022

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (0.95%)</u>	<u>Discount Rate (1.95%)</u>	<u>1% Increase in Discount Rate (2.95%)</u>
District's proportionate Share of the Net OPEB Liability:	\$ 5,968,305	\$ 4,947,898	\$ 4,144,804

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher 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 Net OPEB Liability:	\$ 4,007,633	\$ 4,947,898	\$ 6,209,499

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

At August 31, 2022, the District reported a liability of \$4,947,898 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	\$ 4,947,898
State's proportionate share that is associated with the District	<u>\$ 6,629,080</u>
Total	<u>\$ 11,576,978</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 30
Year Ended August 31, 2022

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

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective Net OPEB Liability was 0.0128268718% which was a decrease of 0.0005787379% from its proportion measured as of August 31, 2020.

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 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability (TOL).

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, 2022, the District recognized OPEB expense of \$(543,594) and revenue of \$(244,664) for support provided by the State.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 31
Year Ended August 31, 2022

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

At August 31, 2022, 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	\$ 213,030	\$ 2,395,129
Changes in actuarial assumptions	\$ 548,038	\$ 1,046,389
Difference between projected and actual investment earnings	\$ 5,372	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ 271,640	\$ 1,208,728
Total as of August 31, 2021 measurement date	\$ 1,038,080	\$ 4,650,246
Contributions paid to TRS subsequent to the measurement date	\$ 109,877	\$ -
Total as of fiscal year-end	<u>\$ 1,147,957</u>	<u>\$ 4,650,246</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>
2023	\$ (654,644)
2024	(654,766)
2025	(654,737)
2026	(524,494)
2027	(348,168)
Thereafter	(775,357)

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

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

K. 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, 2022, 2021, and 2020 were \$47,692, \$51,125, and \$48,770, respectively.

L. Health Care Coverage

During the year ended August 31, 2022, 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.

M. Workers' Compensation

During the year ended August 31, 2022, 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.

N. Litigation

There was no litigation pending or in progress against the District at August 31, 2022.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 33
Year Ended August 31, 2022

O. 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.

P. 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 \$454,582 to employee 403(b) accounts in the fiscal year ending August 31, 2022.

District Matching Formula Based on Contract or Base Salary		Vesting Schedule for District Match	
<u>Employee</u>	<u>Employer</u>	<u>Years of Service</u>	<u>% Vested</u>
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%

Q. 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, 2022 was \$165,800. This liability is included in the government-wide financial statements.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 34
Year Ended August 31, 2021

R. Negative Operating Grants and Contributions – Statement of Activities

During the year under audit, the TRS Pension and OPEB NECE expense was negative due to changes in benefits within the TRS plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 – Instruction	\$ 1,693,598	\$ (152,606)	\$ 1,846,204
12 – Instructional Resources & Media	3,632	(2,639)	6,271
13 – Curriculum and Instructional Staff Development	87,140	(2,635)	89,775
21 – Instructional Leadership	27,363	(1,294)	28,657
23 – School Leadership	(1,093)	(17,434)	16,341
31 – Guidance, Counseling & Evaluation	116,001	(9,165)	125,166
33 – Health Services	(2,174)	(2,924)	750
34 – Student (Pupil) Transportation	(5,403)	(7,268)	1,865
35 – Food Services	724,830	(3,822)	728,652
36 – Extracurricular Activities	(7,178)	(9,655)	2,477
41 – General Administration	(4,163)	(10,297)	6,134
51 – Facilities Maintenance and Operations	(14,266)	(19,189)	4,923
52 – Security and Monitoring Services	251	(550)	801
53 – Data Processing Services	(3,489)	(4,692)	1,203
61 – Community Services	(368)	(494)	126
72 – Interest on Long-Term Debt	14,647	-	14,647
	<u>\$ 2,629,328</u>	<u>\$ (244,664)</u>	<u>\$ 2,873,992</u>

S. Special Items

The District was not properly reconciling cash accounts and other financial statement amounts. Once these accounts were reconciled and audit procedures performed, there was an unreconciled difference remaining of \$181,045. This unreconciled difference is being reported as a special item due to the nature and materiality of this difference.

A special item is also being reported in the amount of \$390,831 which represents the accrual for penalties and interest owed to the Internal Revenue Service. The District was not filing payroll tax reports and paying the related taxes in a timely manner. As of the date of this report, the Internal Revenue Service has billed the District for \$390,831 in penalties and interest. The District is actively pursuing to have these penalties abated.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS, Page 35
Year Ended August 31, 2022

T. Qualified Opinions

Due to the materiality of the unreconciled difference described in Note S, the Governmental Activities and General Fund financial statements are considered materially misstated. This unreconciled difference results in an unknown material misstatement in the District's revenues and expenditures for these opinion units.

U. Prior Period Adjustment

The District reported a prior period adjustment which increased Governmental Funds net position by \$25,470. The increase in net position resulted from recording leased assets and lease liabilities in accordance with GASB Statement No. 87, Leases.

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, 2022

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	REVENUES:				
5700	Local and Intermediate Sources	\$ 8,931,456	\$ 8,931,456	\$ 9,345,868	\$ 414,412
5800	State Program Revenues	8,519,776	8,519,776	7,830,830	(688,946)
5900	Federal Program Revenues	-	-	430,426	430,426
5020	Total Revenues	17,451,232	17,451,232	17,607,124	155,892
	EXPENDITURES:				
	Current:				
0011	Instruction	9,966,775	9,966,775	9,703,591	263,184
0012	Instructional Resources and Media Services	205,555	205,555	198,886	6,669
0013	Curriculum Dev. & Instructional Staff Dev.	142,915	142,915	188,781	(45,866)
0021	Instructional Leadership	75,565	75,565	77,187	(1,622)
0023	School Leadership	1,134,250	1,134,250	1,188,826	(54,576)
0031	Guidance, Counseling & Evaluation Services	602,500	602,500	704,408	(101,908)
0033	Health Services	195,050	195,050	194,284	766
0034	Student (Pupil) Transportation	1,072,550	1,072,550	772,272	300,278
0036	Curricular/Extracurricular Activities	1,222,890	1,222,890	1,324,691	(101,801)
0041	General Administration	1,050,727	1,050,727	892,849	157,878
0051	Plant Maintenance and Operations	3,234,807	3,234,807	3,619,955	(385,148)
0052	Security and Monitoring Services	181,775	181,775	149,777	31,998
0053	Data Processing Services	431,700	431,700	703,007	(271,307)
0061	Community Services	645	645	26,509	(25,864)
0071	Principal on Long-Term Debt	34,294	34,294	34,294	-
0072	Interest on Long-Term Debt	3,258	3,258	3,258	-
0081	Capital Outlay	-	-	77,697	(77,697)
0091	Contracted Instructional Services Between Public Schools	-	-	311	(311)
6030	Total Expenditures	19,555,256	19,555,256	19,860,583	(305,327)
	Other Financing Sources (Uses):				
7915	Sale of Assets	-	-	70,000	70,000
8911	Operating Transfers Out	(691,810)	(691,810)	(325,793)	366,017
	Total Other Financing Sources and (Uses)	(691,810)	(691,810)	(255,793)	436,017
	Special Items:				
8912	Special Items (Note S)	-	-	(571,876)	(571,876)
1200	Net Change in Fund Balance	(2,795,834)	(2,795,834)	(3,081,128)	286,582
0100	Fund Balance - Beginning	44,541,490	44,541,490	44,541,490	926,685
3000	Fund Balance - Ending	\$ 41,745,656	\$ 41,745,656	\$ 41,460,362	\$ 1,213,267

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, 2022

	Measurement Year Ended August 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0080371985%	0.0077299294%	0.0074140876%	0.0075130308%	0.0081300624%	0.0087876535%	0.7762600000%	0.0057364000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,046,790	\$ 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	3,768,859	8,889,468	8,824,921	9,960,311	6,684,668	7,697,643	6,563,672	5,660,095
Total	<u>\$ 5,815,649</u>	<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	\$ 11,345,330	\$ 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	18.04%	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	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only eight 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, 2022

	Fiscal Year Ended August 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 383,996	\$ 340,774	\$ 318,976	\$ 274,730	\$ 258,240	\$ 266,455	\$ 279,204	\$ 229,855
Contribution in Relation to the Contractually Required Contribution	(383,996)	(340,774)	(318,976)	(274,730)	(258,240)	(266,455)	(279,204)	(229,855)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 11,605,089	\$ 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	3.31%	3.00%	2.87%	2.49%	2.29%	2.19%	2.34%	2.27%

Note: Only eight 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, 2022

	Measurement Year Ended August, 31				
	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0128268718%	0.0134056097%	0.0147475807%	0.0140939340%	0.0147737709%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 4,947,898	\$ 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	6,629,080	6,847,907	9,267,300	9,709,320	9,306,193
Total	<u>\$ 11,576,978</u>	<u>\$ 11,943,985</u>	<u>\$ 16,241,612</u>	<u>\$ 16,746,550</u>	<u>\$ 15,730,752</u>
District's Covered Payroll	\$ 11,345,330	\$ 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	43.61%	45.91%	63.30%	62.34%	52.78%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only five 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, 2022

	Fiscal Year Ended August 31,				
	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 109,877	\$ 99,810	\$ 101,902	\$ 89,152	\$ 91,877
Contribution in Relation to the Contractually Required Contribution	<u>(109,877)</u>	<u>(99,810)</u>	<u>(101,902)</u>	<u>(89,152)</u>	<u>(91,877)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 11,605,089	\$ 11,345,330	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047
Contributions as a percentage of Covered Payroll	0.95%	0.88%	0.92%	0.81%	0.81%

Note: Only five 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, 2022

	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	09/01/21	Total Levy	Collections	Collections	Adjustments	08/31/22
2013 and Prior Years	Various	Various	Various	--	\$ 13,572	\$ -	\$ 423	\$ -	\$ (448)	\$ 12,701
2014	1.04000	0.21330	1.2533	3,001,983,324	2,746	-	100	21	-	2,625
2015	1.04000	0.21330	1.2533	3,087,613,580	4,034	-	477	98	-	3,459
2016	1.04000	0.21330	1.2533	1,987,070,773	6,399	-	1,015	208	-	5,176
2017	1.04000	0.21330	1.2533	1,238,730,950	21,640	-	3,438	705	(4,476)	13,021
2018	1.04000	0.21330	1.2533	1,346,223,091	22,119	-	1,899	390	2	19,832
2019	1.04000	0.28000	1.3200	1,344,110,455	25,966	-	5,632	1,516	-	18,818
2020	0.97000	0.31200	1.2820	1,499,987,832	51,237	-	15,677	5,042	(1,809)	28,709
2021	0.96640	0.38360	1.3500	1,221,189,926	218,990	-	51,957	20,623	(4,229)	142,181
2022-School Year Under Audit	0.96340	0.39660	1.3600	913,320,147	-	12,421,154	8,629,393	3,552,436	(48,153)	191,172
1000	TOTALS				\$ 366,703	\$ 12,421,154	\$ 8,710,011	\$ 3,581,039	\$ (59,113)	\$ 437,694

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 8/31/22

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

EXHIBIT J-2

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2022

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	\$ 4,412,713	\$ 3,608,618	\$ (804,095)
5800	State Program Revenues	10,000	14,647	4,647
5020	Total Revenues	<u>4,422,713</u>	<u>3,623,265</u>	<u>(799,448)</u>
	EXPENDITURES:			
	Current:			
	Debt Service			
0071	Principal on Long-Term Debt	1,665,000	1,665,000	-
0072	Interest on Long-Term Debt	2,756,313	2,756,313	-
0073	Bond Issuance Costs and Fees	1,400	1,400	-
	Total Debt Service	<u>4,422,713</u>	<u>4,422,713</u>	<u>-</u>
6030	Total Expenditures	<u>4,422,713</u>	<u>4,422,713</u>	<u>-</u>
	Other Financing Sources (Uses):			
7901	Refunding Bonds Issued	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-
8949	Payment to Bond Refunding Escrow Agent	-	-	-
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	(799,448)	(799,448)
0100	Fund Balance - Beginning	<u>926,685</u>	<u>926,685</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 926,685</u>	<u>\$ 127,237</u>	<u>\$ (799,448)</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2022

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 86,000	\$ 110,531	\$ 24,531
5800	State Program Revenues	4,000	34,742	30,742
5900	Federal Program Revenues	490,000	634,171	144,171
5020	Total Revenues	<u>580,000</u>	<u>779,444</u>	<u>199,444</u>
	EXPENDITURES:			
	Current:			
	Support Services-Student (Pupil):			
0035	Food Services	<u>1,271,810</u>	<u>1,101,858</u>	<u>169,952</u>
	Total Support Services - Student (Pupil)	<u>1,271,810</u>	<u>1,101,858</u>	<u>169,952</u>
6030	Total Expenditures	<u>1,271,810</u>	<u>1,101,858</u>	<u>169,952</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	<u>691,810</u>	<u>322,414</u>	<u>(369,396)</u>
	Total Other Financing Sources and (Uses)	<u>691,810</u>	<u>322,414</u>	<u>(369,396)</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - Beginning	-	-	-
3000	Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

USE OF FUNDS REPORT --
SELECT STATE ALLOTMENT PROGRAMS
For the Year Ended August 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 1,536,886
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 491,582

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds bilingual education programs during the LEA's fiscal year.	\$ 207,181
AP8	List the actual direct program expenditures for state bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 184,488

Terry & King, CPAs, P.C.

5707 114th 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, 2022, 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 May 22, 2023.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-1, 2022-2, 2022-3, and 2022-4 that we consider to be material weaknesses.

-67-

Members American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants



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Independent Auditors' Report
Page 2

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-4.

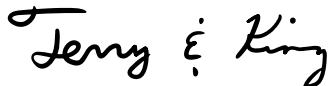
Denver City Independent School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Denver City Independent School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
May 22, 2023

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

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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

Opinion on Each Major Federal Program

We have audited the Denver City Independent School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Denver City Independent School District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Denver City Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Denver City Independent School District's compliance with the compliance requirements referred to above.



Independent Auditors' Report
Page 2

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Denver City Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Denver City Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Denver City Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Independent Auditors' Report
Page 3

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-4. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Denver City Independent School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-1, 2022-2, 2022-3, and 2022-4 to be material weaknesses.

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.

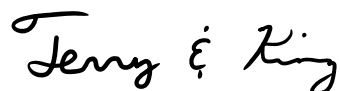
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Denver City Independent School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Independent Auditors' Report
Page 4

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 script is cursive and fluid, with the ampersand being a simple loop.

Terry & King, CPAs, P.C.
Lubbock, Texas
May 22, 2023

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued:

Governmental Activities: Qualified

General Fund: Qualified

Debt Service Fund: Unmodified

Aggregate Remaining Fund Information: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

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

Noncompliance material to financial
statements noted? X Yes No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? X Yes 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: Unmodified

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

Identification of major programs:

CFDA Number(s)

84.425D

84.425U

Name of Federal Program or Cluster

COVID-19: ESSER (CRRSA)

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

See Note T

C. Federal Award Findings and Questioned Costs

NONE

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

D. Findings Required to be Reported in Accordance with Government Auditing Standards and the Uniform Guidance

MATERIAL WEAKNESS

Finding 2022-1: Oversight Responsibilities and Enforcement of Accountability

Criteria: Management should establish oversight responsibilities and enforce accountability for internal control procedures.

Condition: There is a lack of clear responsibilities for oversight and ensuring that personnel are accountable for their internal control duties.

Effect: Accounting processes can be performed incorrectly or not be performed entirely.

Cause: Management being overwhelmed.

Recommendation: The CFO along with the Superintendent should be providing oversight of the internal control structure and hold personnel responsible for their duties.

Management response/corrective action plan: See Page 76

Finding 2022-2: Monitoring

Criteria: Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Condition: Management failed to monitor certain functions within the internal control system.

Effect: This resulted in not being aware in a timely manner of the following departure from internal controls and processes: 1) bank reconciliations not being performed accurately, 2) payroll reports not being filed, and 3) payroll fiduciary taxes not getting paid.

Cause: Management being overwhelmed and no clear responsibility for Monitoring.

Recommendation: The CFO should have processes for monitoring the internal control processes and provide training to personnel as needed.

Management response/corrective action plan: See Page 76

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

D. Findings Required to be Reported in Accordance with Government Auditing Standards and the Uniform Guidance

Finding 2022-3: Reconciliation of cash accounts

Comment: Our testing in the area of cash disclosed that monthly reconciliations for all of the various bank accounts were not being performed accurately. The lack of this control feature allows for differences to occur and accumulate over a period of time and makes it possible for the cash to be misappropriated. In order to maintain proper control over cash, we suggest that the accounts be reconciled properly to the general ledger at the end of every month. If any differences exist, they should be investigated and resolved promptly. These procedures will ensure that the balance in the general ledger reflects the accurate cash balance.

Recommendation: We recommend the District provide personnel training and processes to verify that all cash accounts are reconciled to the general ledger monthly, and those reconciliations are properly reviewed and approved.

Management response/corrective action plan: See Page 76

NONCOMPLIANCE

Finding 2022-4: Properly filing reports with the Internal Revenue Service and Teacher Retirement System

Comment: Our testing in the area of compliance with proper Internal Revenue Service filings and tax payments disclosed that the District was not in compliance. Required payroll reports were not filed timely with the Internal Revenue Service and fiduciary payroll taxes were not paid timely. Additionally, the District was not timely in filing complete and accurate reports with the Teacher Retirement System of Texas (TRS).

Recommendation: We recommend the District provide personnel training and processes to verify that all payroll reports and related taxes are filed and paid timely. Management should implement Monitoring procedures to verify these processes are being performed accurately and timely.

Management response/corrective action plan: See Page 76

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2022

<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, 2022

Finding 2022-1: Oversight Responsibilities and Enforcement of Accountability

The CFO has developed clear guidelines and job responsibilities for each supervised staff member which promotes both segregation of duties and increased oversight. Staff annual evaluations will be shared with the Superintendent and will be conducted more frequently if warranted.

Finding 2022-2: Monitoring

The CFO has provided training opportunities and reorganized the job responsibilities of supervised employees to promote better internal controls. Bank reconciliations are now executed timely, reviewed, and approved within the beginning of the following month. Payroll is now a two-person department, which promotes better internal controls and cross training. Payroll reports and taxes are closely monitored and additional supporting documentation must be provided prior to supervisor approval.

Finding 2022-3: Reconciliation of cash accounts

The CFO will work with Skyward to resolve software issues that are affecting the cash accounts, so bank reconciliations can be executed timely, reviewed, and approved within the beginning of the following month. The district contracted one-on-one training for new personnel responsible for monthly bank reconciliation. Additional training will be provided as necessary to ensure accurate reconciliation.

Finding 2022-4: Properly filing reports with the Internal Revenue Service and Teacher Retirement System

IRS and TRS reports are filed and paid timely with additional supporting documentation being provided prior to CFO approval. Second payroll staff member was hired to promote a separation of duties in the payroll department and ongoing training is provided through third party sources. All IRS correspondence must be hand delivered immediately to the CFO to ensure a timely response.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

(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	224100017110254	\$ 60,092
ESEA Title 1, Part A - Improving Basic Programs	84.010A	22610101251901	245,423
ESEA Title 1, Part A - Improving Basic Programs	84.010A	23610101251901	41,998
IDEA-B Formula*	84.027A	226600012519016600	203,103
IDEA-B Formula*	84.027A	236600012519016600	23,272
IDEA-B Preschool*	84.173A	226610012519016610	4,255
Total Special Education Cluster (IDEA)			230,630
Carl D. Perkins - Basic Grant	84.048A	22420006251901	15,745
Title III, Part A-English Language Acquisition	84.365	22671001251901	33,450
Title III, Part A-English Language Acquisition	84.365	23671001251901	2,043
Title II, Part A - Supporting Effective Instruction	84.367A	21694501251901	3,296
Title II, Part A - Supporting Effective Instruction	84.367A	22694501251901	48,058
Title II, Part A - Supporting Effective Instruction	84.424A	22680101251901	37,595
COVID-19: CRRSA ESSER II	84.425D	21521001251901	208,332
COVID-19: ARP ESSER III	84.425U	21528001251901	1,060,507
Total U.S. Department of Education			1,987,169
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	71302201	440,737
School Breakfast Program*	10.553	71402201	105,087
Passed Through State Department of Health and Human Services:			
Summer Food Service Program for Children*	10.559	N/A	12,466
Total Child Nutrition Cluster			558,290
Direct Program:			
Commodity Supplemental Food Program	10.565	N/A	88,346
Total Food Distribution Cluster			88,346
Total U.S. Department of Agriculture			646,636
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Medicare/Medicaid Reimbursement*	93.778	N/A	430,426
Total Medicaid Cluster			430,426
Total U.S. Department of Health and Human Services			430,426
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 3,064,231</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, 2022

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, 2022. 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, 2022

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	No
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?	No
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?	Yes
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