

BUNA INDEPENDENT  
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2022

BUNA INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
For The Year Ended August 31, 2022

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of Board		1
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report on Financial Statements		2
Management's Discussion and Analysis (Required Supplementary Information)		4
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	A-1	11
Statement of Activities	B-1	12
Fund Financial Statements:		
Balance Sheet - Governmental Funds	C-1	13
Reconciliation of the Governmental Funds Balance Sheet to the		
Statement of Net Assets	C-2	14
Statement of Revenues, Expenditures and Changes in Fund Balances -		
Governmental Funds	C-3	15
Reconciliation of the Governmental Funds Statement of Revenues,		
Expenditures and Changes in Fund Balance to the		
Statement of Activities	C-4	16
Statement of Fiduciary Net Position	E-1	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	E-2	18
Notes to the Financial Statements		19
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
Schedule of Revenues, Expenditures and Changes in Fund Balances -		
Budget and Actual - General Fund	G-1	43
Schedule of District's Proportionate Share of Net Pension Liability	G-2	44
Schedule of District Contributions	G-3	46
Sch Schedule of District's Proportionate Share of the Net OPEB Liability	G-4	48
Sch Schedule of District's Contributions for OPEB	G-5	49
<b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Schedules Required by TEA:		
Schedule of Delinquent Taxes Receivable	J-1	50
Budgetary Comparison Schedules Required by the Texas Education Agency:		
Child Nutrition Program	J-2	52
Debt Service	J-3	53
State Compensatory Education and Bilingual Education Program Expenditures	J-4	54
Federal Compliance Section		
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		55
Report on Compliance for Each Major Program and on		
Internal Control over Compliance Required by the Uniform Guidance		57
Schedule of Findings and Questioned Costs		59
Summary Schedule of Prior Audit Findings		60
Corrective Action Plan		61
Schedule of Expenditures of Federal Awards	K-1	62
Notes to the Schedule of Expenditures of Federal Awards		63
Schedule of Required Responses to Selected School First Indicators	L-1	64

## *INTRODUCTORY SECTION*

CERTIFICATE OF BOARD

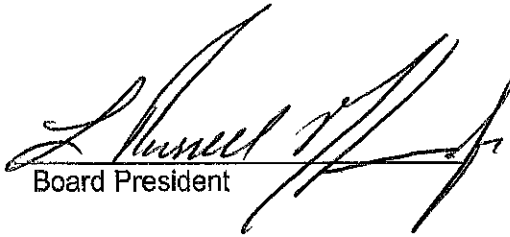
Buna Independent School District  
Name of School District

Jasper  
County

121-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district was reviewed and ✓ approved \_\_\_\_\_ disapproved for the year ended August 31, 2022 at a meeting of the board of school trustees of such school district on the 12th day of December, 2022.

  
Board Secretary

  
Board President

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

## *FINANCIAL SECTION*

# J. R. Edwards & Associates, LLC

## Certified Public Accountants

December 8, 2022

### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Buna Independent School District  
Buna, Texas

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buna Independent School District (the "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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buna Independent School District, as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financials section of our report. We are required to be independent of Buna 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 audit opinions.

#### 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 Buna Independent School 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 Responsibility 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 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 judgement 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.

1465 Cornerstone Ct., Ste. A ♦ Beaumont, TX 77706  
Phone (409) 924-9100 ♦ Fax (409) 924-0990

- 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 Buna Independent School 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 on pages 4-10 required supplementary information on pages 44-50 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 Buna Independent School District's basic financial statements. The required TEA schedules listed in the table of contents and 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 TEA schedules 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 November 8, 2022, on our consideration of Buna Independent School District's internal control over financial reporting and on our tests of 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 Buna 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 Buna Independent School District's internal control over financial reporting and compliance.

*J.R. Edwards & Associates, LLC*

## BUNA INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2022

---

In this section of the Annual Financial Report, we, the managers of the Buna Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2022. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 11.

#### FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$10,117,719 at August 31, 2022.
- During the year, the District's expenses were \$4,163,966 less than the \$24,059,226 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased slightly from the period ended August 31, 2021. The District continues to introduce new programs and enhance existing programs designed to assist students in at-risk, economically disadvantaged, and special education sub groups.
- The general fund reported a fund balance this year of \$7,748,304. All of this is for unrestricted use by the District.
- During the 2021-2022 school year, the District passed the State's Financial Integrity Rating System of Texas for the school year 2020-2021 with a superior achievement rating.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The Statement of Net Position presents information in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources to equal net position. Net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.



## OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most significant funds, *not* the District as a whole.

- 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.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effort of the government's near-term effort of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the District's most significant funds. The District's major governmental fund is the General Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (food service) and the debt service fund.

- **Fiduciary Funds.** The District is the trustee, or fiduciary, for money raised by student activities and for the scholarship funds-. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 42 of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 39 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Assets (Table I) and Changes in Net Assets (Table II) of the District's governmental activities.

The District's combined net assets were \$10,117,719 at August 31, 2022. (See Table I)

**Table I**  
**Buna Independent School District**  
**Net Assets**

	August 31, 2022	August 31, 2021
Current and Other Assets	\$ 10,497,869	\$ 8,475,099
Capital Assets	33,241,951	33,110,828
Deferred Outflows	4,666,530	5,419,175
Total Assets	48,406,350	47,005,102
Long-term Liabilities	28,840,551	33,571,141
Other Liabilities	1,225,832	1,631,826
Deferred Inflows	8,222,248	5,848,382
Total Liabilities	38,288,631	41,051,349
Net Position:		
Net Investment in Capital Assets	13,488,705	12,009,239
Restricted for Federal and State Programs	135,413	22,905
Restricted for Debt Service	1,155,271	766,970
Unrestricted	(4,661,670)	(6,845,361)
Total Net Position	\$ 10,117,719	\$ 5,953,753

Approximately \$13.5 million of the District's net position represents investments in capital assets net of related debt. The (\$4.7) million of unrestricted position represents resources available to fund the programs of the District next year. This negative amount occurred due to the Pension and OPEB liabilities.

**Changes in net position.** The District's total revenues were \$24.1million. A portion, 24.7 percent, of the District's revenue comes from local property taxes, 66.7 percent comes from grants and contributions, while only 5.2 percent relates to charges for services and 3.4 percent relates to investment earnings and other miscellaneous revenue.

Total Cost of all programs and services was \$19.9 million, of this amount \$10.4 million were instruction related costs.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Net assets of the District increased \$4,163,966 for the current year (see Table II on page 7 of this report). Key elements of the governmental and business – type activities of the District are reflected in the following table.

**BUNA INDEPENDENT SCHOOL DISTRICT****MANAGEMENT'S DISCUSSION AND ANALYSIS**

AUGUST 31, 2022

**Table II**  
**Buna Independent School District**  
**Changes in Net Position**

	August 31, 2022	August 31, 2021
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,250,261	\$ 1,393,193
Operating Grants and Contributions	4,285,986	2,598,575
General Revenues:		
Maintenance and Operations Taxes	4,276,117	4,087,992
Debt Service Taxes	1,664,695	1,343,201
State Aid - Formula Grants		
Grants and Contributions - Not Restricted to Specific Functions	11,768,128	12,339,349
Investment Earnings	147,147	4,719
Miscellaneous	666,892	796,897
Total Revenue	<u>24,059,226</u>	<u>22,563,926</u>
Expenses:		
Instruction	9,701,682	11,388,336
Instructional Resources and Media Services	198,167	219,850
Curriculum/Instructional Development	363,706	304,721
Instructional Leadership	202,638	207,164
School Leadership	1,238,168	879,378
Guidance and Counseling Services	800,899	932,386
Health Services	259,535	279,386
Student (Pupil) Transportation	933,816	914,283
Food Services	1,153,717	1,046,291
Cocurricular/Extracurricular Activities	688,526	651,729
General Administration	461,635	445,684
Plant Maintenance and Operations	1,910,163	1,823,754
Security and Monitoring Services	230,921	153,556
Data Processing Services	537,763	491,177
Debt Services - Interest on Long Term Debt	485,176	386,464
Debt Services - Bond Issuance Cost & Fees	2,278	248,284
Payments to Fiscal Agent/Member Districts of SSA	548,739	489,832
Other Intergovernmental Charges	177,731	168,041
Total Expenses	<u>19,895,260</u>	<u>21,030,316</u>
Increase (Decrease) in Net Position	4,163,966	1,533,610
Net Position - September 1 (Beginning)	5,953,753	4,420,143
Prior Period Adjustment	-	-
Net Position - September 1 (Restated)	<u>5,953,753</u>	<u>4,420,143</u>
Net Position- August 31 (Ending)	<u>\$ 10,117,719</u>	<u>\$ 5,953,753</u>

**GOVERNMENTAL ACTIVITIES**

- Property tax rates were set at \$1.40 per \$100 valuation for 2021-2022.
- The District continues to pay down the \$19.1 million in bonds and notes.

## BUNA INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2022

Table III 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 \$19.9 million.
- The amount that our taxpayers paid for these activities through property taxes was \$5.4 million.
- Some of the cost, \$1,250,261 was paid by those who directly benefited from the programs or by grants and contributions in the amount of \$4,285,986.

**Table III**  
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Instruction	\$ 9,701,682	\$ 11,388,336	\$ 6,997,237	\$ 9,272,327
School Administration	461,635	445,684	457,970	445,463
School Leadership	1,238,168	879,378	1,217,054	879,378
Plant Maintenance & Operations	1,910,163	1,823,754	1,765,714	1,786,478
Cocurricular/Extracurricular Activities	688,526	651,729	646,056	599,580
Food Services	115,377	1,046,291	(218,736)	220,499

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District operates in a very conservative manner as required by the current state of the economy, supply chain concerns, fuel/energy costs, inflation and the possibility of continued impact of Coronavirus variants. Buna ISD continues to have minimal negative impact from declining enrollment or attendance.

The District continues to utilize local funds in addition to the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Coronavirus Response and Relief Supplemental Appropriations (CRRSA) ESSER II and American Rescue Plan Act (ARP) ESSER III funds to serve the needs of the students and recover from the educational strain of the Coronavirus. District planning committee decisions are data driven and focused on student success utilizing all funding sources to "Build Better Cougars".

### GENERAL FUND BUDGETARY HIGHLIGHTS

There were few budget amendments during the year required to meet the needs of the District, all of which were approved by the Board of Trustees, as required. The District had several minor improvement construction projects during the current year..

### CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

**Capital Assets.** At August 31, 2022 the District had \$33.2 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase (including additions and deductions) of \$131,123 over last year.

BUNA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2022

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY, CONTINUED**

**Buna Independent School District  
Capital Assets  
Governmental Activities**

	August 31, 2022	August 31, 2021
Land	\$ 710,249	\$ 710,249
Buildings and Improvements	43,929,340	43,181,117
Equipment	1,682,904	1,456,227
Vehicles	3,178,040	2,885,892
Construction in Progress	277,677	128,687
Totals at Historical Cost	<u>49,778,210</u>	<u>48,362,172</u>
Less Accumulated Depreciation:		
Buildings and Improvements	(13,344,005)	(12,294,698)
Equipment	(1,200,753)	(1,140,761)
Vehicles	(1,991,500)	(1,815,884)
Total Accumulated Depreciation	<u>(16,536,258)</u>	<u>(15,251,343)</u>
Net Capital Assets	<u>\$ 33,241,952</u>	<u>\$ 33,110,829</u>

**Long-Term Debt.** At year-end, the District had \$19.1 million in bonds and notes outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**Buna Independent School District  
Outstanding Debt**

	August 31, 2022	August 31, 2021
Governmental activities:		
General Obligation Bonds	\$ 17,885,000	\$ 18,945,000
Maintenance Tax Notes/ other notes	1,250,782	1,355,000
Total	<u>\$ 19,135,782</u>	<u>\$ 20,300,000</u>

**ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES**

The primary factors considered in preparing the District's budget for the 2022-23 fiscal year were:

1. Employee salaries-The District continued to monitor all staff salaries in an effort to become more competitive in attracting and retaining all staff positions. The District continues to face teacher

## BUNA INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2022

- shortages, bus driver shortages and auxiliary position shortages. Salary concerns include changing the compensation scale and budgeting for overtime compensation necessary to keep the District functioning at its current level.
2. The continued impact of the coronavirus pandemic due to gaps in student learning.
  3. School finance reform and property tax relief imposed by Houser Bill 3 of the 86<sup>th</sup> Texas Legislative Session and the uncertainty of funding going into the new legislative session.
  4. Student safety/security-The District has always concentrated on safety and security and continues to adapt the budget to address the new mandates going into effect as a result of school shootings in Texas and around the country.

The campuses and departments used zero based budgeting to provide expenditure calculations based on current student needs. The District's budget was planned to utilize District, State, and Federal funds in a manner that had the greatest impact on lessening the learning gap and maximizing safety. The Board of Trustees adopted a balanced budget for 2022-23 which provides raises for all employees and additional expenditures due to the increased funding needed for the safety and security mandate.

The District's 2022-23 adopted tax rate of \$1.40 per \$100 of assessed value reflects no change from the previous year's tax rate. The total tax rate includes a maintenance and operations tax rate of \$.9529 and an interest and sinking tax rate of \$0.4471. The District maintained the same overall tax rate as the previous year utilizing the additional amount from I&S to pay debt. House Bill 3 of the 86<sup>th</sup> Texas Legislative Session reduces the maintenance and operations tax rate to the lower of the state compressed rate or the local compressed rate when property values grow more than 2.5 percent. Since the District's property values increased by more than 2.5 percent and more than the state average, the maintenance and operations tax rate was based on the local compressed rate for 2022-23. Any reduction in property tax revenues due to the compression of the maintenance and operations tax rate is offset by an increase in state funding.

Despite challenges, the state of the District is strong because of the dedicated leadership provided by its Board of Trustees, committed staff members, students who take pride in their education, and community members who promote high standards and show tremendous support for the District.

### OTHER

Major construction and renovation projects have been completed with only minor improvement projects ongoing at present with no additional debt to be issued.

Dr. Tiffany Spicer was hired in August after the resignation of Dr. Lee in June.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent, P O Box 1087, 1022 Texas State Hwy 62 Buna, Texas 77612.

## *BASIC FINANCIAL STATEMENTS*

## STATEMENT OF NET POSITION

AUGUST 31, 2022

Data Control Codes		Primary Government	
		Governmental	
		Activities	
	<b>Assets</b>		
1110	Cash and Cash Equivalents	\$	9,292,106
1220	Property Taxes Receivable (Delinquent)		1,139,167
1230	Allowance for Uncollectible Taxes		(797,418)
1240	Due from Other Governments		852,811
1267	Due from Fiduciary Funds		-
1290	Other Receivables		11,203
	Capital Assets (Net of Accumulated Depreciation):		
1510	Land		710,249
1520	Buildings and Improvements		30,585,335
1530	Furniture and Equipment		1,668,690
1580	Construction In Progress		277,677
1000	<b>Total Assets</b>		<b>43,739,820</b>
	<b>Deferred Outflows of Resources</b>		
1701	Deferred Charge for Refunding		993,943
1705	Deferred Outflow Related to TRS Pension		1,177,197
1706	Deferred Outflow Related to TRS OPEB		2,495,390
1700	<b>Total Deferred Outflows of Resources</b>		<b>4,666,530</b>
	<b>Liabilities</b>		
2110	Accounts Payable and Accrued Expenses		193,791
2140	Interest Payable		26,359
2160	Accrued Wages Payable		929,305
2180	Due to Other Governments		53,480
2200	Accrued Expenditures		22,897
2300	Unearned Revenues		-
	Noncurrent Liabilities:		
2501	Due Within One Year		1,235,282
	Due in More than One Year:		
2502	Bonds, Notes, Leases, etc.		19,485,548
2540	Net Pension Liability (District's Share)		2,115,605
2545	Net OPEB Liability (District's Share)		6,004,116
2000	<b>Total Liabilities</b>		<b>30,066,383</b>
	<b>Deferred Inflows of Resources</b>		
2605	Deferred Inflow Related to TRS Pension		2,600,492
2606	Deferred Inflow Related to TRS OPEB		5,621,756
2600	<b>Total Deferred Inflows of Resources</b>		<b>8,222,248</b>
	<b>Net Position</b>		
3200	Net Investment in Capital Assets		13,488,705
3820	Restricted for Federal and State Programs		135,413
3850	Restricted for Debt Service		1,155,271
3900	Unrestricted Net Position		(4,661,670)
3000	<b>Total Net Position</b>	\$	<b>10,117,719</b>

The notes to the financial statements are an integral part of this statement.



## BUNA INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

## STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
0011 Instruction	\$ 9,701,682	\$ 641,973	\$ 2,062,472	\$ (6,997,237)
0012 Instructional Resources & Media Services	198,167	-	3,044	(195,123)
0013 Curriculum/Instructional Development	363,706	-	78,128	(285,578)
0021 Instructional Leadership	202,638	133,894	14,736	(54,008)
0023 School Leadership	1,238,168	-	21,114	(1,217,054)
0031 Guidance and Counseling Services	800,899	278,087	338,076	(184,736)
0033 Health Services	259,535	30,899	5,072	(223,564)
0034 Student (Pupil) Transportation	933,816	-	319,809	(614,007)
0035 Food Services	1,153,717	122,938	1,249,515	218,736
0036 Cocurricular/Extracurricular Activities	688,526	42,470	-	(646,056)
0041 General Administration	461,635	-	3,665	(457,970)
0051 Plant Maintenance and Operations	1,910,163	-	144,449	(1,765,714)
0052 Security and Monitoring Services	230,921	-	2,536	(228,385)
0053 Data Processing Services	537,763	-	43,370	(494,393)
0072 Debt Service - Interest on Long Term Debt	485,176	-	-	(485,176)
0073 Debt Service - Bond Issuance Cost & Fees	2,278	-	-	(2,278)
0093 Payments to Fiscal Agent/Member Districts of SSA	548,739	-	-	(548,739)
0099 Other Intergovernmental Charges	177,731	-	-	(177,731)
TP <b>Total Primary Government</b>	<u>\$ 19,895,260</u>	<u>\$ 1,250,261</u>	<u>\$ 4,285,986</u>	<u>(14,359,013)</u>
Data				
Control	<b>General Revenues:</b>			
Codes	Taxes:			
MT	Property Taxes, levied for general purposes			4,276,117
DT	Property Taxes, levied for debt service			1,664,695
GC	Grants and Contributions not restricted			11,768,128
IE	Investment Earnings			147,147
MI	Miscellaneous Local and Intermediate			666,892
FR	Transfers In (Out):			-
TR	<b>Total General Revenues</b>			<u>18,522,979</u>
CN	<b>Change in Net Position</b>			<u>4,163,966</u>
NB	<b>Net Position - September 1 (Beginning)</b>			<u>5,953,753</u>
NE	<b>Net Position - August 31 (Ending)</b>			<u>\$ 10,117,719</u>

The notes to the financial statements are an integral part of this statement.

## BUNA INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2022

Data Control Codes		10 General Fund	24 Child Nutrition Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>Assets</b>						
1110	Cash and Temporary Investments (market)	\$ 8,139,056	\$ 191,788	\$ 1,181,750	\$ (220,488)	\$ 9,292,106
1220	Property Taxes - Delinquent	868,219	-	270,948	-	1,139,167
1230	Allowance for Uncollectible Taxes (credit)	(607,754)	-	(189,664)	-	(797,418)
1240	Due from Other Governments	411,954	47,590	-	393,267	852,811
1260	Due from Other Funds	-	-	-	-	-
1290	Other Receivables	2,680	-	5,692	2,831	11,203
1000	<b>Total Assets</b>	<u>\$ 8,814,155</u>	<u>\$ 239,378</u>	<u>\$ 1,268,726</u>	<u>\$ 175,610</u>	<u>\$ 10,497,869</u>
<b>Liabilities</b>						
2110	Accounts Payable and Accrued Expenditures	\$ 107,733	\$ 73,538	\$ -	\$ 12,520	\$ 193,791
2160	Accrued Wages Payable	743,460	29,795	-	156,050	929,305
2170	Due to Other Funds	-	-	-	-	-
2180	Due to Other Governments	-	-	53,480	-	53,480
2200	Accrued Expenditures	15,225	632	-	7,040	22,897
2300	Deferred Revenues	-	-	-	-	-
2000	<b>Total Liabilities</b>	<u>\$ 866,418</u>	<u>\$ 103,965</u>	<u>\$ 53,480</u>	<u>\$ 175,610</u>	<u>\$ 1,199,473</u>
<b>Deferred Inflows of Resources</b>						
2601	Unavailable Revenue - Property Taxes	\$ 199,433	\$ -	\$ 59,975	\$ -	\$ 259,408
2600	<b>Total Deferred Inflows of Resources</b>	<u>\$ 199,433</u>	<u>\$ -</u>	<u>\$ 59,975</u>	<u>\$ -</u>	<u>\$ 259,408</u>
<b>Fund Balance</b>						
Restricted Fund Balance:						
3450	Federal or State Funds	\$ -	\$ 135,413	\$ -	\$ -	\$ 135,413
3470	Capital Acquisition Program	-	-	-	-	-
3480	Debt Service	-	-	1,155,271	-	1,155,271
Committed Fund Balance:						
3600	Unassigned Fund Balance	7,748,304	-	-	-	7,748,304
3000	<b>Total Fund Balance</b>	<u>\$ 7,748,304</u>	<u>\$ 135,413</u>	<u>\$ 1,155,271</u>	<u>\$ -</u>	<u>\$ 9,038,988</u>
4000	<b>Total Liabilities, Deferred Inflows, and Fund Balance</b>	<u>\$ 8,814,155</u>	<u>\$ 239,378</u>	<u>\$ 1,268,726</u>	<u>\$ 175,610</u>	<u>\$ 10,497,869</u>

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

<b>Total Fund Balances - Governmental Funds</b>	\$ 9,038,988
Capital assets and bond related costs used in governmental activities are not financial resources and therefore are not reported in governmental funds.	33,241,951
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	259,408
Notes payable which are not due in the current period are not reported in the funds.	(20,720,830)
Deferred charges on refunded debt are not reported in the governmental funds.	993,943
Accrued interest is not reported in governmental funds.	(26,359)
Included in the items related to debit 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 of \$1,177,197, deferred resource Inflow of (\$2,600,492) and a net pension liability of (\$2,115,605).	(3,538,900)
Included in the items related to debit 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 of \$2,495,390, a deferred resource Inflow of (\$5,621,756), and a net OPEB liability of (\$6,004,116).	(9,130,482)
<b>Net Assets of Governmental Activities - Statement of Net Position</b>	<u><u>\$ 10,117,719</u></u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	24 Child Nutrition Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>Revenues</b>					
5700 Local Sources	\$ 5,166,396	\$ 123,218	\$ 1,730,101	\$ 1,029,953	\$ 8,049,668
5800 State Program Revenues	12,440,808	93,258	341,380	107,290	12,982,736
5900 Federal Program Revenues	93,384	1,136,221	-	2,949,218	4,178,823
5020 <b>Total Revenues</b>	<u>17,700,588</u>	<u>1,352,697</u>	<u>2,071,481</u>	<u>4,086,461</u>	<u>25,211,227</u>
<b>Expenditures</b>					
Current					
0011 Instruction	7,223,340	-	-	2,624,184	9,847,524
0012 Instructional Resources and Media Services	195,529	-	-	3,044	198,573
0013 Curriculum and Instructional Development	279,688	-	-	78,129	357,817
0021 Instructional Leadership	40,897	-	-	161,867	202,764
0023 School Leadership	1,229,828	-	-	21,114	1,250,942
0031 Guidance and Counseling Services	194,581	-	-	627,699	822,280
0033 Health Services	228,282	-	-	36,559	264,841
0034 Student (Pupil) Transportation	881,314	-	-	319,809	1,201,123
0035 Food Services	-	1,240,189	-	20,036	1,260,225
0036 Cocurricular/Extracurricular Activities	683,860	-	-	-	683,860
0041 General Administration	458,708	-	-	3,665	462,373
0051 Plant Maintenance and Operations	1,766,461	-	-	144,449	1,910,910
0052 Security and Monitoring Services	226,743	-	-	2,536	229,279
0053 Data Processing Services	518,290	-	-	43,370	561,660
Debt Service					
0071 Debt Service - Principal on long-term debt	130,000	-	1,060,000	-	1,190,000
0072 Debt Service - Interest on long-term debt	47,650	-	621,652	-	669,302
0073 Debt Service - Bond Issuance Cost and Fees	750	-	1,528	-	2,278
Capital Outlay					
0081 Facilities Acquisition and Construction	897,213	-	-	-	897,213
Intergovernmental					
0093 Payments to Fiscal Agent/Member Districts of SSA	548,739	-	-	-	548,739
0099 Other Intergovernmental Charges	177,731	-	-	-	177,731
6030 <b>Total Expenditures</b>	<u>15,729,604</u>	<u>1,240,189</u>	<u>1,683,180</u>	<u>4,086,461</u>	<u>22,739,434</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,970,984</u>	<u>112,508</u>	<u>388,301</u>	<u>-</u>	<u>2,471,793</u>
<b>Other Financing Sources (Uses):</b>					
7911 Capital Related Debt Issued	-	-	-	-	-
7915 Transfers In	-	-	-	-	-
7916 Premium on Issuance of notes	-	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-	-
8949 Payment to Refunded Bond Escrow	-	-	-	-	-
7080 <b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	1,970,984	112,508	388,301	-	2,471,793
0100 <b>Fund Balance - September 1 (Beginning)</b>	<u>5,777,320</u>	<u>22,905</u>	<u>766,970</u>	<u>-</u>	<u>6,567,195</u>
3000 <b>Fund Balance - August 31 (Ending)</b>	<u>\$ 7,748,304</u>	<u>\$ 135,413</u>	<u>\$ 1,155,271</u>	<u>\$ -</u>	<u>\$ 9,038,988</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

<b>Total Net Change in Fund Balances - Governmental Funds</b>		\$ 2,471,793
Capital outlays are not reported as expenses in the statement of activities.		1,387,704
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,284,915)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(44,557)
The Issuance of debt and the premium on the issuance of debt is recognized as an other financing source in the funds but not in the statement of activities.		
Repayment of loan principal is an expenditure in the funds but is not an expense in the statement of activities.		1,192,552
Accrued interest on bonds is not reported in the funds.		1,528
Amortization of bond premium is recorded in the statement of activities but not in the funds.		259,055
Amortization of bond issuance costs on bond refunding is not reported in the funds		(76,457)
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	(580,964)	
Deferred inflows increased (decreased)	(1,731,179)	
Net pension liability increased (decreased)	2,515,012	202,869
The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	(95,224)	
Deferred inflows increased (decreased)	(642,687)	
Net OPEB liability increased (decreased)	792,305	54,394
<b>Change in Net Position of Governmental Activities</b>		<u>\$ 4,163,966</u>

BUNA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT E-1

	Private Purpose Trust Fund	Custodial Fund
<b>Assets</b>		
Cash and Cash Equivalents	\$ 113,649	\$ 55,835
<b>Total Assets</b>	<u>\$ 113,649</u>	<u>\$ 55,835</u>
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ 13,126
Due to Other Funds	-	676
Due to Student Groups	\$ -	\$ -
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 13,802</u>
<b>Net Position</b>		
Restricted	\$ 113,649	\$ 42,033
<b>Total Net Position</b>	<u>\$ 113,649</u>	<u>\$ 42,033</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2022

	Private Purpose Trust Fund	Custodial Fund
<b>Additions</b>		
Miscellaneous Revenue - Student Activities	\$ -	\$ 238,792
Miscellaneous Additions	<u>73,742</u>	<u>141</u>
<b>Total Additions</b>	<u>73,742</u>	<u>238,933</u>
<b>Deductions</b>		
Other Deductions	<u>83,740</u>	<u>243,071</u>
<b>Total Deductions</b>	<u>83,740</u>	<u>243,071</u>
<b>Change in Fiduciary Net Position Before Transfers</b>	(9,998)	(4,138)
<b>Change in Fiduciary Net Position</b>	<u>(9,998)</u>	<u>(4,138)</u>
<b>Net Position - September 1 (Restated)</b>	<u>123,647</u>	<u>46,171</u>
<b>Net Position - August 31 (Ending)</b>	<u>\$ 113,649</u>	<u>\$ 42,033</u>

The notes to the financial statements are an integral part of this statement.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Buna Independent School District ("District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

**A. Reporting Entity**

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all non-fiduciary activities of the District. The effect of the interfund activity in the government-wide statements eliminates services provided and used in the process of consolidation. Governmental activities are mainly supported by tax revenues and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. *Program revenues* include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function. They also include grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when the payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the 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.

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.

**Child Nutrition Fund:** This fund accounts for the financial resources used for the meals provided to students.

**Debt Service Fund:** This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

In addition, the District reports the following fund types:

**Special Revenue Funds:** These are governmental funds that are restricted, committed or assigned for specific purposes by a grantor or the Board. Federal programs where unused balances are returned to the grantor at the close of the specified project periods are accounted for in these funds.

**Private Purpose Trust Fund:** These funds account for donations for which the donor has stipulated that both the principal and interest be used for purposes outside the District. This district has scholarship funds that meets these criteria. This fund is held in a trustee capacity and is not available to support district programs.

**Custodial Funds:** The District accounts for resources held for others in a custodial capacity in custodial funds. The District's custodial fund is the Student Activity Fund..

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**

**1. Cash, Cash Equivalents and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, money market bank sweep accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

For cash management purposes, the District's funds must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the non-current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Property taxes are levied by October 1, on the assessed value listed as of the prior January 1, for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year following the year in which imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

**3. Inventories and Deferred Expenditures**

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

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

**4. Capital Assets**

Capital assets which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued****4. Capital Assets, Continued**

Buildings, furniture and equipment and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

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

Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an expense/expenditure until that future period. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as revenue until that future period.

Deferred outflows/inflows of resources are amortized as follows:

Pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5 year period.

District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.

Property taxes are recognized in the period the amount becomes available.

**6. Compensated Absences**

No compensated absences are allowed under the District's personnel policies.

**7. Arbitrage Payable**

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had no arbitrage liability as of August 31, 2022.

**8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**9. Data Control Codes**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**10. Government-Wide Net Position**

Net investment in capital assets – the component of net position that represents capital assets less capital debt plus unspent bond proceeds. As of August 31, 2022, this amount was \$13,488,705.

Restricted for Federal and State Programs – the component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Agriculture or Texas Education Agency ("TEA"). This amount was \$135,413.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund net of accrued interest at August 31, 2022 that consist of assets with constraints placed on their use by the bond covenants of \$1,155,271.

Unrestricted – the difference between the assets and liabilities that are not restricted for any purposes in the amount of \$(4,661,670).

**11. Fund Equity**

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with GASB Statement No. 54, fund balance classifications are recorded as follows:

Non-spendable Fund Balance – amounts that are not in spendable form or amounts that are legally and contractually required to be maintained intact.

Restricted Fund Balance – amounts constrained to a specific purpose by external parties through constitutional provisions or by enabling legislation.

Committed Fund Balance – amounts constrained to a specific purpose by the Board of Trustees (the highest level of authority within the District); amount cannot be used for any other purpose unless the Board of Trustees takes the same action to remove or change the constraint.

Assigned Fund Balance- general fund amounts constrained to a specific purpose by the Superintendent.

The District's unassigned general fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned general fund balance may only be appropriated by resolution of the Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is from the least restrictive to the most restrictive, unless otherwise approved by the Board of Trustees.

**12. Pensions**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**13. Other Post-Employment Benefits**

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 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.

**14. Management's review of subsequent events**

Management has evaluated subsequent events through December 8, 2022, the date the financial statements were available to be issued.

**Note 2: COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The Board of Trustees adopts an "appropriated budget" on a basis consistent with GAAP for the General Fund, Debt Service Fund, and Food Service Fund, which is included in the Special Revenue Funds. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds.

The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

- Prior to August 20<sup>th</sup>, the District prepares a budget for the next fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board of Trustees, a meeting is called for the purpose of adopting the proposed budget. At least ten (10) days but no more than thirty (30) days public notice for the meeting is required.
- Prior to August 31<sup>st</sup>, the Board of Trustees legally adopts the budget for the General Fund, Debt Service Fund and Food Service Fund through passage of a resolution.

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

As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Total expenditures may not exceed total appropriations, as amended, by fund at function level. Because the District has a policy of careful budgetary control, budget amendments are necessary throughout the year.

**A. Finance-Related Legal and Contractual Provisions**

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

**Note 2: COMPLIANCE AND ACCOUNTABILITY, continued**

Violation:

The General Fund exceeded the legally adopted budget in functions 23 and 51. The Child Nutrition Program exceeded the budget in function 35.

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

None.

**Note 3: DEPOSITS AND INVESTMENTS**

At August 31, 2022, the carrying amount of the District's demand deposits and cash on hand was \$531,258. The \$578,964 bank balance was covered by federal deposit insurance through the FDIC and was collateralized by securities held by the District or by the District's agent in name of the District.

All cash balances and investments are held separately in each of its funds. The following was disclosed by the depository:

- a. Name of depository bank: First National Bank, Jasper
- b. Amount of bond or securities pledged as of the date of the highest combined balance on deposit was \$3,748,193
- c. Highest cash balance amounted to \$3,303,036 and occurred during the month of December 2021.
- d. Total amount of Federal Deposit Insurance Corporation ("FDIC") coverage at the time of the highest combined balance was up to \$250,000 for Interest & Sinking Fund accounts, \$250,000 for interest bearing accounts, and \$250,000 for non-interest bearing accounts.

**Custodial Credit Risk**

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

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

The District was not exposed to concentration of credit risk during the course of the fiscal year.

**Investments**

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

**Note 3: DEPOSITS AND INVESTMENTS, Continued**

Statutes authorize the District to invest in (1) obligations of the United States Treasury, certain United States agencies, and obligations of the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. Management of the District believes it is in compliance with the requirements of the Act and with local policies. The District's investments in public funds investment pools and money market mutual funds include those with the Lone Star Investment Pool (LSIP) and TexPool.

LSIP is a public funds investment pool administered by First Public (formerly known as the Texas Association of School Board Financial Service). LSIP is a public funds investment pool created under the authorization of the Interlocal Cooperation Act of the State of Texas, Article 4413 (32c), Vernon's Texas Civil Statutes, as amended. It is designed to provide participating local governments with investment vehicles for

(1) local funds that are not required to be spent immediately and are available for investment in securities with maturities and returns generally greater than those for money market instruments and (2) local funds which provide daily liquidity. The objective of the LSIP is to provide participating local governments with the highest possible rate of return for such funds, while maintaining safety of principal.

To achieve its objective, the LSIP invests primarily in obligations issued or secured by the U.S. Government, its agencies and instrumentalities, and in commercial paper. Standish Mellon Asset Management and AMR Investments provide investment advisory services. Each fund within the Pool has received the highest rating, AAA, from Standard & Poor's as required by the Public Funds Investment Act.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company to provide a safe environment for the placement of local government funds. The State Comptroller of Texas administers TexPool. Lehman Brothers and Federated Investors manage the daily operations of the pool under a contract with the Comptroller. TexPool operated in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. The fair value of the position in

TexPool is the same as the value of TexPool shares. TexPool is rated as AAAm money market fund by Standard & Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

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. 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. The overall objective of the District's investment policy is to ensure that District financial assets are properly safeguarded, provide sufficient liquidity, and produce a reasonable rate of return while enabling the District to react to changes in economic conditions.

**Note 3: DEPOSITS AND INVESTMENTS, CONTINUED**

The District's investments at August 31, 2022 are shown below:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average</u>
Investments not subject to categorization			
TexPool	8,930,330	8,930,330	20 days
Certificates of Deposit	-	-	0
Total Investments	<u>\$ 8,930,330</u>	<u>\$ 8,930,330</u>	

**Analysis of Specific Deposit and Investment Risks**

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

**Credit Risk: Credit Ratings**

District investments conform to the District's banking and investment policies and are in accordance with laws and regulations of the State of Texas and TEA. Statutes of the State of Texas and policies mandated by the District's Board authorize the District to invest in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, public funds investment pools, mutual funds and money market accounts. As stated above, Lonestar has received the highest rating, AAA, from Standard & Poor's, and Texpool is rated as AAA money market fund by Standard & Poor's. At year end, the District was not significantly exposed to credit risk.

**Concentration of Credit Risk**

It is the policy of the District to reduce risk associated with investments by diversification of the portfolio. The District was not exposed to concentration of credit risk during the course of the fiscal year.

**Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District concentrates its investment portfolio in short and intermediate term securities to limit market risk caused by changes in interest rates. At year end, the District was not exposed to interest rate risk.

**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.



BUNA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

**Note 4: CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 710,249	\$ -	\$ -	\$ 710,249
Construction in Progress	128,687	204,927	(55,937)	277,677
Total Capital Assets, Not Being Depreciated	838,936	204,927	(55,937)	987,926
Capital Assets, Being Depreciated:				
Buildings & Improvements	43,181,117	748,223	-	43,929,340
Equipment	1,456,227	226,677	-	1,682,904
Vehicles	2,885,892	292,148	-	3,178,040
Total Capital Assets, Being Depreciated:	47,523,236	1,267,048	-	48,790,284
Less Accumulated Depreciation:				
Buildings & Improvements	(12,294,698)	(1,049,307)		(13,344,005)
Equipment	(1,140,761)	(59,992)		(1,200,753)
Vehicles	(1,815,884)	(175,616)		(1,991,500)
Total Accumulated Depreciation	(15,251,343)	(1,284,915)	-	(16,536,258)
Total Capital Assets, Being Depreciated, Net	32,271,893	(17,867)	-	32,254,026
Governmental Activities Capital Assets, Net	\$ 33,110,829	\$ 187,060	\$ (55,937)	\$ 33,241,952

Depreciation expense of the governmental activities was charged to functions/programs as follows:

Instruction	\$ 657,561
Instructional Resources & Media Services	13,242
Current Development and Staff Development	23,862
Instructional leadership	13,522
School Leadership	83,423
Guidance, Counseling & Evaluation Services	54,836
Health Services	17,662
Student (Pupil) Transportation	80,100
Food Services	84,042
Cocurricular Activities	45,605
General Administration	30,879
Plant Maintenance & Operations	127,435
Security and Monitoring Services	15,290
Data Processing Services	37,456
Total Depreciation Expense	\$ 1,284,915

**BUNA INDEPENDENT SCHOOL DISTRICT****NOTES TO FINANCIAL STATEMENTS**

AUGUST 31, 2022

**Note 5: LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for only governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

General obligation bonds payable at August 31, 2022, are summarized as follows:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Annual Installments</u>	<u>% Rate</u>	<u>Outstanding Balance</u>
2013	9,545,000	2029	\$190,000-\$1,380,000	2.00%-4.00%	1,405,000
2014	9,745,000	2035	\$25,000-\$1,675,000	2.25%-4.00%	160,000
2016	5,615,000	2023	\$685,000-\$810,000	3.00%	810,000
2021	15,755,000	2035	\$1,140,000-\$1,595,000	1.88%-5.00	15,510,000
					<u>\$ 17,885,000</u>

Maintenance tax notes payable at August 31, 2022, are summarized as follows:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Annual Installments</u>	<u>% Rate</u>	<u>Outstanding Balance</u>
2018	1,725,000	2030	\$120,000-\$170,000	2.00-4.00%	<u>\$ 1,225,000</u>

Other notes are as follows:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Annual Installments</u>	<u>% Rate</u>	<u>Outstanding Balance</u>
2022	28,334	2027	\$6,348	4.50%	<u>\$ 25,782</u>

Annual debt service requirements to maturity for the bonds and notes are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	1,235,282	633,669	1,868,951
2024	1,345,528	595,473	1,941,001
2025	1,330,785	547,415	1,878,200
2026	1,396,055	482,746	1,878,801
2027	1,458,132	414,894	1,873,026
2028-2032	7,690,000	1,103,421	8,793,421
2033-2035	4,680,000	207,100	4,887,100
Total	<u>\$ 19,135,782</u>	<u>\$ 3,984,718</u>	<u>\$ 23,120,500</u>

**Note 5: LONG-TERM DEBT, CONTINUED**

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2022, was as follows

	Beginning Balance	Additions	Retirements/ Payments	Ending Balance	Due Within One Year
Governmental activities:					
General obligations bonds	\$ 18,945,000	\$ -	\$ 1,060,000	\$ 17,885,000	\$ 1,095,000
Premium on bonds and notes	1,844,103	-	259,055	1,585,048	-
Equipment note	-	28,334	2,552	25,782	5,282
Maintenance Tax Notes	1,355,000	-	130,000	1,225,000	135,000
Total governmental activities	<u>\$ 22,144,103</u>	<u>\$ 28,334</u>	<u>\$ 1,451,607</u>	<u>\$ 20,720,830</u>	<u>\$ 1,235,282</u>

**Note 6: RETIREMENT BENEFITS**

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides retirement, disability, and death benefits. Membership in the plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, title 8 Section 822.002.. The pension benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8 Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

**Note 6: RETIREMENT BENEFITS, Continued**

Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year.
- Texas Government Code Section 821.006 prohibits benefit improvements if it increases the amortization period of TRS' unfunded actuarial liability to greater than 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 this manner are determined by the system's actuary.

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 plan during the fiscal year reduced by the employer contributions. Employers (including public schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by the federal funding sources or a privately sponsored source.

In addition to the employer contributions listed above, employers are required to pay surcharges in the following cases:

- All public schools, charter schools and regional education service centers must contribute 1.6 percent of the member's salary beginning fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025. The surcharge for fiscal year 2022 is 1.7 percent.
- When employing a retiree of the Teacher Retirement system the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

BUNA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2022

**Note 6: RETIREMENT BENEFITS, Continued**

The following table shows contribution rates by type of contributor for the fiscal years 2021 and 2022.

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.8%
Employers	7.5%	7.5%
Buna ISD 2022 Employer Contributions		\$ 381,048
Buna ISD 2022 Member Contributions		\$ 889,425
Measurement Year NECE On-Behalf Contributions		\$ 15,829

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2021 are disclosed below: From TRS Annual Comprehensive Financial Report 2021, p.86.)

<b>Table 11.E.1: Net Pension Liability</b>	
<b>Components of Liability</b>	<b>Amount</b>
Total Pension Liability	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	(201,807,002,496)
<b>Net Pension Liability</b>	<b>\$ 25,466,461,134</b>
<b>Net Position as Percentage of Total Pension Liability</b>	<b>88.79%</b>

Actuarial Assumptions

**Roll Forward** –The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

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

**Note 6: RETIREMENT BENEFITS, Continued**

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate 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.

The following table discloses the assumptions that were applied to this measurement period.:

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 Investment Rate of Return*	7.25%
Municipal Bond Rate as of August 2018	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	2120
Salary Increases*	3.05% to 9.05% including inflation
Inflation	2.30%
Ad hoc post-employment benefit changes	None

*\*Includes Inflation of 2.5%*

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the TRS actuarial valuation report dated November 9, 2020.

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the 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 legislative session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment 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.

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 presented in the following table from the TRS Annual Comprehensive Financial Report for 2021, p. 53.

BUNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022

**Note 6: RETIREMENT BENEFITS, Continued**

Asset Class*	Target Allocation**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
<b>Stable Value</b>			
Government Bonds	16.0%	-0.2%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
<b>Real Return</b>			
Real Estate	15.0%	4.5%	1.00%
Energy and Natural Resources	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
<b>Risk Parity</b>			
Risk Parity****	8.0%	2.8%	0.28%
Asset Allocation Leverage Cash	2.0%	-0.7%	-0.01%
Asset Allocation Leverage	-6.0%	-0.5%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****			-0.95%
<b>Expected Return</b>	<b>100.00%</b>		<b>6.90%</b>

\* Absolute Return includes Credit Sensitive Investments

\*\* Target allocations are based on the FY 2021 policy model.

\*\*\* Capital Market Assumptions come from Aon Hewitt ( as of 8/31/2021).

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

Discount Rate Sensitivity Analysis

The following table presents the District's Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) 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:	\$ 4,623,771	\$ 2,115,605	\$ 81,401

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

At August 31, 2022, the District reported a liability of \$2,115,605 for its proportionate share of the TRS's net

**BUNA INDEPENDENT SCHOOL DISTRICT****NOTES TO FINANCIAL STATEMENTS**

AUGUST 31, 2022

**Note 6: RETIREMENT BENEFITS, Continued**

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	\$ 2,115,605
State's proportionate share that is associated with District	<u>3,959,291</u>
Total	<u>\$ 6,074,896</u>

The net pension liability was measured as of August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020 rolled forward to August 31, 2021. 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 0.0083074154 % which was a decrease of 0.0003385768% 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.

Changes in Benefit Terms – There were no changes in benefits.

For the year ended August 31, 2022, the District recognized pension expense of \$15,829 and revenue of \$15,829 for support provided by the State in the Government Wide Statement of Activities.

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 pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows	Deferred Inflows
Difference Between Expected and Actual Actuarial Experience	\$ 3,540	\$ 148,940
Changes in Assumptions	747,825	325,988
Difference Between Projected and Actual Investment Earnings	-	1,773,907
Changes in Proportion and Difference in Proportionate Share	180,752	351,657
Contributions paid to TRS subsequent to the Measurement Date:	<u>245,080</u>	<u>-</u>
	\$ 1,177,197	\$ 2,600,492

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - Continued

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:



**Note 6: RETIREMENT BENEFITS, Continued**

Year ended August 31:	Pension Expense Amount
2022	\$ (280,517)
2023	(285,038)
2024	(450,526)
2025	(587,796)
2026	(52,611)
Thereafter	(11,797)

**Note 7: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2021 as presented in the TRS 2021 ACFR (p.76) are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$41,113,711,083
Less: plan fiduciary net position	(2,539,242,470)
Net OPEB liability	<u>\$38,574,468,613</u>
Net position as a % of total OPEB liab.	6.18%

Benefits Provided

TRS-Care provides a basic health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Non-Medicare retirees and their dependents may enroll in the TRS-Care

Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The General Appropriations Act passed by the 86<sup>th</sup> Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86<sup>th</sup> legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$271,311,000 as of August 31, 2021.

**Note 7: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued**

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates

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

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.

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

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% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2021. The following table shows contributions to the TRS-Care plan by type of contributor.

	2021	2022
Contribution Rates:		
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%
FY 2022 District Contributions		\$ 121,598
FY 2022 Member Contributions		162,914
Measurement Year NECE On-behalf Contributions		(296,892)

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

**Note 7: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued**

A supplemental appropriation was authorized by Senate Bill 1264 of the 86<sup>th</sup> Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding was in fiscal year 2021.

Actuarial Assumptions

The actuarial valuation was performed as of August 30, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021.

In addition to the demographic assumptions: salary increases and inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 annual pension actuarial valuation.

The rates of mortality, retirement, termination, and disability incidence are identical to the assumptions used to value the pension liability of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

Election Rates for Normal retirement – 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Election Rates for pre-65 Retirees – 25 percent are assumed to discontinue coverage at age 65.

**Table 9.F.1: Actuarial Methods and Assumptions**

Component	Result
Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Industry 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
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

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.

Discount Rate

A discount rate of 1.95 percent was used to measure the total OPEB liability. There was a decrease of .38 percent in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS CAFR on page 77. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

BUNA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 AUGUST 31, 2022

**Note 7: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued**

Sensitivity of the Net OPEB Liability

*Discount Rate* – The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the NET OPEB Liability:	\$ 7,242,347	\$ 6,004,116	\$ 5,029,588

*Healthcare Cost Trend Rates* – 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-percentage point lower or on-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
District's proportionate share of the net OPEB liability	\$ 4,863,135	\$ 6,004,116	\$ 7,535,029

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

At August 31, 2022, the District reported a liability of \$6,004,116 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 net OPEB liability	\$ 6,004,116
State's proportionate share that is associated with the District	8,044,177
Total	<u>\$ 14,048,293</u>

The net OPEB liability was measured as of 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net OPEB liability was 0.015565% which was 0.0023134879% lower than the proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation

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.

BUNA INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022

**Note 7: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS, Continued**

Changes in Benefit Terms

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 \$296,892 and revenue of \$296,892 for support provided by the State.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 258,506	\$ 2,906,412
Changes in actuarial assumptions	665,026	1,269,759
Difference between projected and actual investment earnings	6,519	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,443,741	1,445,585
Contributions paid to TRS subsequent to the measurement date	121,598	-
Total	\$ 2,495,390	\$ 5,621,756

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB will be recognized in OPEB expense as follows:

	OPEB Expense Amount
Year ended June 30:	
2022	\$ (587,875)
2023	(588,022)
2024	(587,982)
2025	(429,938)
2026	(215,973)
Thereafter	(838,175)

**Note 8: HEALTH CARE COVERAGE**

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Website at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department

**BUNA INDEPENDENT SCHOOL DISTRICT****NOTES TO FINANCIAL STATEMENTS**

AUGUST 31, 2022

**Note 8: HEALTH CARE COVERAGE, Continued**

at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2022–2018.

Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2022	0.65%	\$ 71,605	1.25%	\$ 137,701	0.75%	\$ 82,621
2021	0.65%	\$ 70,669	1.25%	\$ 135,903	0.75%	\$ 81,542
2020	0.65%	\$ 69,099	1.25%	\$ 132,882	0.75%	\$ 79,729
2019	0.65%	\$ 62,846	1.25%	\$ 120,922	0.75%	\$ 72,515
2018	0.65%	\$ 60,738	1.25%	\$ 115,344	0.75%	\$ 68,447

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on-behalf of the District were \$46,526, \$47,732, and \$44,937, respectively. The information for the year ended August 31, 2022 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

**Note 9: RISK MANAGEMENT**Property, Casualty and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of property; errors and omissions; and natural disasters for which the District carries insurance coverage. Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in insurance coverage from that of the previous year. The District retains the risk of the following deductibles: \$25,000 for Wind/Hail, \$5,000 for all other perils involving property, \$1,000 for General Liability and most Inland Marine and Crime coverage, \$2,500 for Educator's Legal Liability, and \$500 for Vehicle Physical Damage.

**Note 10: COMMITMENTS AND CONTINGENCIES**

During the year, the District received financial assistance from federal and state governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits could become a liability of the General Fund.

**Note 10: COMMITMENTS AND CONTINGENCIES, Continued**

However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at August 31, 2022.

As of August 31, 2022, there was no pending litigation against the District

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the United States. At the present time, there is uncertainty around the severity and duration. The longer term operational and financial performance will depend on future developments, many of which are outside the District's control, including the effectiveness of the mitigation strategies related to COVID-19, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

**Note 11: SHARED SERVICE ARRANGEMENTS**

The District participates in a Shared Service Arrangement ("SSA") for a federal program with the Kirbyville Independent School District. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide.

## *REQUIRED SUPPLEMENTARY INFORMATION*

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



BUNA INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	<b>Revenues</b>				
5700	Local Sources	\$ 4,311,132	\$ 4,351,617	\$ 5,166,396	\$ 814,779
5800	State Program Revenues	11,549,250	11,749,250	12,440,808	691,558
5900	Federal Program Revenues	52,000	52,000	93,384	41,384
5020	<b>Total Revenues</b>	<u>15,912,382</u>	<u>16,152,867</u>	<u>17,700,588</u>	<u>1,547,721</u>
	<b>Expenditures</b>				
	Current				
0011	Instruction	7,848,924	7,759,924	7,223,340	536,584
0012	Instructional Resources & Media Svcs	206,377	206,377	195,529	10,848
0013	Curriculum and Instructional Development	357,820	357,820	279,688	78,132
0021	Instructional Leadership	42,065	42,065	40,897	1,168
0023	School Leadership	1,078,398	1,078,398	1,229,828	(151,430)
0031	Guidance and Counseling Services	248,223	248,223	194,581	53,642
0033	Health Services	238,197	238,197	228,282	9,915
0034	Student (Pupil) Transportation	864,681	924,681	881,314	43,367
0036	Cocurricular/Extracurricular Activities	668,983	683,983	683,860	123
0041	General Administration	489,017	489,017	458,708	30,309
0051	Plant Maintenance and Operations	1,682,376	1,752,376	1,766,461	(14,085)
0052	Security and Monitoring Services	193,706	234,191	226,743	7,448
0053	Data Processing Services	681,765	530,765	518,290	12,475
0071	Debt Service - Principal on long-term debt	130,000	130,000	130,000	-
0072	Debt Service - Interest on long-term debt	47,650	47,650	47,650	-
0073	Debt Service - Bond Issuance Cost and Fees	1,200	1,200	750	450
0081	Facilities Acquisition and Construction	400,000	1,100,000	897,213	202,787
0093	Shared Service Arrangements/Deaf Program	460,000	550,000	548,739	1,261
0099	Other Intergovernmental Charges	173,000	178,000	177,731	269
6030	<b>Total Expenditures</b>	<u>15,812,382</u>	<u>16,552,867</u>	<u>15,729,604</u>	<u>823,263</u>
	Excess (Deficiency) of Revenues				
1100	Over (Under) Expenditures	<u>100,000</u>	<u>(400,000)</u>	<u>1,970,984</u>	<u>2,370,984</u>
	<b>Other Financing Sources (Uses):</b>				
7915	Transfer in	-	-	-	-
8911	Operating Transfers Out	-	-	-	-
7080	<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Extraordinary Item:</b>				
1200	Net Changes in Fund Balance	100,000	(400,000)	1,970,984	2,370,984
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>3,138,374</u>	<u>3,138,374</u>	<u>5,777,320</u>	<u>2,638,946</u>
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 3,238,374</u>	<u>\$ 2,738,374</u>	<u>\$ 7,748,304</u>	<u>\$ 5,009,930</u>

BUNA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2022

	Fiscal Year			
	2022	2021	2020	2019
District's Proportion of the Net Pension Liability	0.0083074%	0.0086460%	0.0092934%	0.0086081%
District's Proportionate Share of Net Pension Liability	\$ 2,115,605	\$ 4,630,617	\$ 4,830,982	\$ 4,738,089
States Proportionate Share of the Net Pension Liability associated with the District	3,959,291	8,445,416	7,652,059	8,145,032
Total	<u>6,074,896</u>	<u>13,076,033</u>	<u>12,483,041</u>	<u>12,883,121</u>
District's Covered-Employee Payroll	11,016,117	10,872,208	10,630,585	9,673,747
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	19.20%	42.59%	45.44%	48.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%	73.74%

Note: Only three 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."

2018	2017	2016		
0.0087138%	0.0082298%	0.0089315%	-	-
2,786,189	3,109,924	3,157,166	-	-
<u>4,803,420</u>	<u>6,111,372</u>	<u>6,141,919</u>		
<u>7,589,609</u>	<u>9,221,296</u>	<u>9,299,085</u>		
9,227,545	8,911,871	9,136,726	-	-
30.19%	34.90%	34.55%		
82.17%	78.00%	78.43%	-	-

BUNA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-3

	Fiscal Year			
	2022	2021	2020	2019
Contractually Required Contribution	\$ 381,048	\$ 350,938	\$ 356,922	\$ 333,216
Contribution in Relation to the Contractually Required Contribution	(381,048)	(350,938)	(356,922)	(333,216)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 11,016,117	\$ 10,872,208	\$ 10,630,585	\$ 9,673,747
Contributions as a Percentage of Covered-Employee Payroll	3.46%	3.23%	3.36%	3.44%

Note: Only two 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."

2018	2017	2016		
285,596	280,955	261,482	-	-
(285,596)	(280,955)	(261,482)	-	-
9,227,545	8,911,871	8,950,014	-	-
3.10%	3.15%	2.92%	-	-

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST EMPLOYMENT  
BENEFITS (OPEB) LIABILITY  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2022

	Fiscal Year			
	2022	2021	2020	2019
District's Proportion of the Net Liability (Asset) for OPEB	0.0155650%	0.0178785%	0.0176069%	0.0144533%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 6,004,116	\$ 6,796,421	\$ 8,326,503	\$ 7,216,657
States Proportionate Share of the Net OPEB Liability (Asset) associated with the District	8,044,177	9,132,760	7,652,059	7,586,016
Total	<u>\$ 14,048,293</u>	<u>\$ 15,929,181</u>	<u>\$ 15,978,562</u>	<u>\$ 14,802,673</u>
District's Covered-Employee Payroll	\$ 11,016,117	\$ 10,872,208	\$ 10,630,585	\$ 9,673,747
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	54.50%	62.51%	78.33%	74.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	6.18%	4.99%	2.66%	1.57%

BUNA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-5

	Fiscal Year			
	2022	2021	2020	2019
Contractually Required Contribution	\$ 121,598	\$ 135,889	\$ 124,960	\$ 99,707
Contribution in Relation to the Contractually Required Contribution	(121,598)	(135,889)	(124,960)	(99,707)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 11,016,117	\$ 10,872,208	\$ 10,630,585	\$ 9,673,747
Contributions as a Percentage of Covered-Employee Payroll	1.10%	1.25%	1.18%	1.03%

## *OTHER SUPPLEMENTARY INFORMATION*

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



**BUNA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE (Unaudited)**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

Last Ten Years Ended August 31	Tax Rate*		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	Various
2014	1.0400	0.2200	320,699,398
2015	1.0400	0.2200	316,513,020
2016	1.0400	0.4500	296,479,463
2017	1.0400	0.4500	314,812,819
2018	1.1700	0.3200	311,115,369
2019	1.1700	0.3200	320,198,121
2020	1.0683	0.3717	364,239,028
2021	1.0516	0.3484	393,676,929
2022	1.0068	0.3932	425,068,143
1000 Totals			

\* - Per \$100 of assessed valuation

10 Beginning Balance 09/01/21	20 Current Year's Total Levy	30 Maintenance Total Collections	30a Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 08/31/22
\$ 262,928	-	\$ 32,120	\$ 3,798	\$ (25,066)	\$ 201,944
46,471	-	5,387	1,140	(3,275)	36,669
55,651	-	4,872	2,108	(4,880)	43,791
59,678	-	8,751	3,787	(4,072)	43,068
68,586	-	9,635	2,635	(4,690)	51,626
88,181	-	17,795	4,867	(5,243)	60,276
115,874	-	25,496	6,974	(5,255)	78,149
174,652	-	35,471	12,342	(9,603)	117,236
303,902	-	86,276	28,584	(16,741)	172,301
-	5,950,954	4,041,085	1,578,223	2,461	334,107
<u>\$ 1,175,923</u>	<u>\$ 5,950,954</u>	<u>\$ 4,266,888</u>	<u>\$ 1,644,458</u>	<u>\$ (76,364)</u>	<u>\$ 1,139,167</u>

## BUNA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Unaudited)

## BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM

FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	<b>Revenues</b>				
5700	Local Sources	\$ 286,829	\$ 286,829	\$ 123,218	\$ (163,611)
5800	State Program Revenues	39,067	39,067	93,258	54,191
5900	Federal Program Revenues	520,871	520,871	1,136,221	615,350
5020	<b>Total Revenues</b>	846,767	846,767	1,352,697	505,930
	<b>Expenditures</b>				
0035	Food Services	946,767	946,767	1,240,189	(293,422)
6030	<b>Total Expenditures</b>	946,767	946,767	1,240,189	(293,422)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,000)	(100,000)	112,508	212,508
	Other Financing Sources (Uses):				
7915	Transfers In	100,000	100,000	-	(100,000)
	<b>Total Other Financing Sources (Uses)</b>	100,000	100,000	-	(100,000)
1200	Net Changes in Fund Balance	-	-	112,508	112,508
0100	<b>Fund Balance - September 1 (Beginning)</b>	22,905	22,905	22,905	-
3000	<b>Fund Balance - August 31 (Ending)</b>	\$ 22,905	\$ 22,905	\$ 135,413	\$ 112,508

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Unaudited)  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	<b>Revenues</b>				
5700	Local Sources	\$ 1,599,523	\$ 1,599,523	\$ 1,730,101	\$ 130,578
5800	State Program Revenues	306,574	306,574	341,381	34,807
5020	<b>Total Revenues</b>	<u>1,906,097</u>	<u>1,906,097</u>	<u>2,071,482</u>	<u>165,385</u>
	<b>Expenditures</b>				
	Debt Service:				
0071	Debt Service - Principal on Long Term Debt	1,170,220	1,170,220	1,060,000	110,220
0072	Debt Service - Interest on Long Term Debt	731,877	731,877	621,652	110,225
0073	Debt Service - Bond Issuance Cost and Fees	4,000	4,000	1,528	2,472
6030	<b>Total Expenditures</b>	<u>1,906,097</u>	<u>1,906,097</u>	<u>1,683,180</u>	<u>222,917</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>388,302</u>	<u>388,302</u>
	Other Financing Sources (Uses):				
7911	Capital Related Debt	-	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
8949	Payment to Refunded Bond Escrow	-	-	-	-
	<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Changes in Fund Balance	-	-	388,302	388,302
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>766,970</u>	<u>766,970</u>	<u>766,970</u>	<u>-</u>
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 766,970</u>	<u>\$ 766,970</u>	<u>\$ 1,155,272</u>	<u>\$ 388,302</u>

**BUNA INDEPENDENT SCHOOL DISTRICT**  
**STATE COMPENSATORY EDUCATION AND**  
**BILINGUAL EDUCATION PROGRAM EXPENDITURES**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

EXHIBIT J-4

**Section A: Compensatory Education Programs**

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's first 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.	1,010,620
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	824,106

**Section A: Compensatory Education Programs**

AP5	Did your LEA expend any bilingual education program state allotment funds during the district's first year?	YES
AP6	Does the LEA have written policies and procedures for its bilingual education program?	YES
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	3,901
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	32,265

*FEDERAL COMPLIANCE SECTION*

# J. R. Edwards & Associates, LLC

## Certified Public Accountants

December 8, 2022

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

Board of Trustees  
Buna Independent School District  
1022 Texas State Hwy 62  
Buna, Texas 77612

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buna Independent School District (the "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, and have issued our report thereon dated December 8, 2022.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*J.R. Edwards & Associates, LLC*



**J.R. Edwards & Associates, LLC**  
**Certified Public Accountants**

December 8, 2022

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

Board of Trustees  
Buna Independent School District  
1955 State Hwy 124  
Winnie, Texas 77665

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

We have audited Buna Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The 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, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

***Auditor's Responsibility***

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 the 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 the District's compliance with the compliance requirements referred to above.

***Management's Responsibility***

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 the District's federal programs.

***Auditor's Responsibility 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 the 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

**1465 Cornerstone Court, Suite A ♦ Beaumont, TX 77706**  
**Phone (409) 924-9100 ♦ Fax (409) 924-0990**

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 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 the 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.

#### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

*J.R. Edwards & Associates, LLC*

**BUNA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

---

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

       Yes   X   No

Significant deficiencies identified?

       Yes   X   None Reported

Noncompliance material to financial  
statements noted?

       Yes   X   No

**2. Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

       Yes   X   No

Significant deficiencies identified?

       Yes   X   None Reported

Type of auditors' report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.516(a)?

       Yes   X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553

School Breakfast Program

10.555

National School Lunch Program

10.558

Child and Adult Care Food Program

Dollar threshold used to distinguish between  
type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   Yes        No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

BUNA INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

---

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

BUNA INDEPENDENT SCHOOL DISTRICT

---

CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

None

**BUNA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2022**

**EXHIBIT K-1**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education:</u>			
ESEA Title I Part A Improving Basic Programs*	84.010A	22610101121903	\$ 234,063
SSA - IDEA Part B Formula*	84.027A	226600011219036000	621,769
SSA - IDEA B, Formula - American Rescue Plan Act	84.027A	2253500112190330000	44,048
Career and Technical - Basic Grant; Perkins V	84.048	22420006121903	22,066
SSA - IDEA Part B Preschool *	84.173	226610011219036000	22,606
SSA - IDEA, B, Preschool - American Rescue Plan Act	84.173X	225360011219035000	1,640
Total Special Education Cluster (IDEA)			<u>712,129</u>
ESEA Title VI Part B Rural & Low Income Program	84.358B	22696001121903	24,790
ESEA Title II Part A Teacher Principal Training	84.367A	22694501121903	62,978
Student Support and Academic Enrichment Program	84.424A	22680101121903	25,532
Elementary & Secondary School emergency Relief	84.425D	21521001121903	377,403
Elementary & Secondary School emergency Relief	84.425D	20521001121903	42,176
ESSER III - ARP School Emergency Relief	84.425U	21528001121903	1,412,601
Total ESSER Listing 84.425			<u>1,832,180</u>
Total Passed Through State Department of Education			<u>2,891,672</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<u>\$ 2,891,672</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Dept of Human Services</u>			
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	39352201	\$ 57,546
Total Passed Through Texas Dept of Human Services			<u>57,546</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>\$ 57,546</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through State Department of Agriculture:</u>			
National School Breakfast Program*	10.553	714022	\$ 300,051
National School Lunch Program*	10.555	713022	766,376
National School Lunch Program - Non-Cash Assistance*	10.555	713022	69,794
Total CFDA Number 10.555			<u>836,170</u>
Total Child Nutrition Cluster			<u>1,136,221</u>
Total Passed Through State Department of Agriculture			<u>\$ 1,136,221</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>1,136,221</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 4,085,439</u></u>

\*Clustered Programs

# BUNA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AUGUST 31, 2022

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's **Financial Accountability System Resource Guide**.
  - (i) **General Fund** - is used to account for, among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education's Impact Aid.
  - (ii) **Special Revenue Funds** - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
- 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 grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. 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 grant funds 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 revenues until earned.

- The District must submit to the pass-through entity, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and District) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested and justified by the non-Federal entity, as applicable. (2 CFR 200.344(a))

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award no later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award. (2 CFR 200.344(b))

- Assistance Listing numbers for commodity assistance are the Assistance Listing numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$0.
- Reconciliation Information: (Example Below)

Amount reported on the Schedule of Expenditures of Federal awards.	\$ 4,085,439
SHARS Revenue reported in the General Fund	93,384
Federal Program Revenue Reported on Exhibit C-3	<u>4,178,823</u>
Total Federal Program Revenue	<u>\$ 4,178,823</u>

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

Data  
Control  
Codes

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the District make timely payments to Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS) and other government agencies?	Yes
SF4	Was the school district issued a warrant hold? (Yes, even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	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.	\$ -