

RICE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditors' Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	C-3
Statement of Net Position - Proprietary Funds.....	19	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	20	D-2
Statement of Cash Flows - Proprietary Funds.....	21	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	22	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	23	E-2
Notes to the Financial Statements	24	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	49	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas.....	51	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....	52	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	53	G-4
Schedule of District's Contributions - OPEB Plan.....	54	G-5
Notes to Required Supplementary Information.....	55	

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<u>Budgetary Comparison Schedules as Supplementary Information:</u>		
Capital Projects Funds:		
Budgetary Comparison Schedule:		
Capital Projects Fund.....	56	H-1
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	57	J-1
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	59	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	60	J-3
Debt Service Fund.....	61	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		
	62	
Schedule of Findings and Questioned Costs	64	
Summary Schedule of Prior Audit Findings.....	65	
Corrective Action Plan.....	66	
Schedule of Required Responses to Selected School First Indicators.....	67	K-1

Introductory Section


CERTIFICATE OF BOARD

Rice Independent School District
Name of School District


Navarro
County

175-911
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the 16 day of December, 2020



Signature of Board Secretary



Signature of Board President

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

Financial Section

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE**

Independent Auditors' Report

To the Board of Trustees
Rice Independent School District
1302 SW McKinney Street
Rice, Texas 75155

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rice Independent School District as of August 31, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rice Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

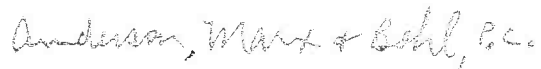
The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 on our consideration of Rice Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rice Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
December 14, 2020

Rice Independent School District

Administration
 1302 SW McKinney Street
 Rice, TX 75155
 Phone (903) 326-4287
 Fax (903) 326-4164

Elementary School
 305 North Dallas Street
 Rice, TX 75155
 Phone (903) 326-4151
 Fax (903) 326-4900

Intermediate / Middle School
 1402 SW McKinney Street
 Rice, TX 75155
 Phone (903) 326-4190
 Fax (903) 326-4620

High School
 1400 SW McKinney Street
 Rice, TX 75155
 Phone (903) 326-4502
 Fax (903) 326-5042

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

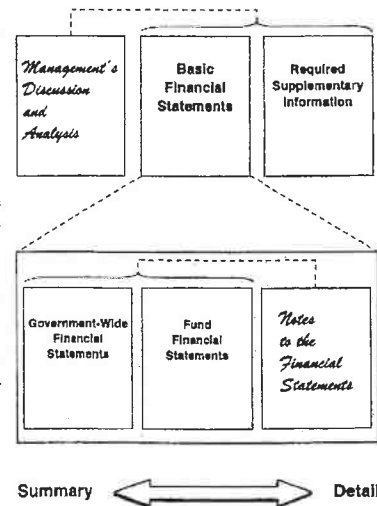
- The District's total combined net position on financial statement exhibit A-1 was \$9,001,698 on August 31, 2020.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$1,330,760 less than the \$14,528,575 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs on financial statement exhibit C-2 decreased \$8,506,549 from last year. A decrease in capital outlay costs from the prior year accounted for a substantial portion of this decrease.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$7,548,285. The District began the current year with a fund balance in the amount of \$5,283,795.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.
- *Proprietary funds*—The District's workman's compensation insurance is accounted for in an internal service fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$9.00 million on August 31, 2020. (See Table A-1).

Table A-1
Rice Independent School District's Net position
(In million dollars)

	Governmental Activities		Total Percentage Change
	<u>2020</u>	<u>2019</u>	<u>2020-2019</u>
Current assets:			
Cash and cash equivalents	\$ 4.0	\$ 2.4	67
Investments	3.7	6.5	-43
Due from other governments	.4	.5	-20
Due from other funds	.0	.0	**
Inventories	.0	.0	**
Other receivables	.2	.2	0
Total current assets:	<u>8.3</u>	<u>9.6</u>	-14
Noncurrent assets:			
Land, furniture and equipment	41.6	39.9	4
Less accumulated depreciation	(9.4)	(8.9)	-6
Total noncurrent assets	<u>32.2</u>	<u>31.0</u>	4
Total Assets	<u>40.5</u>	<u>40.6</u>	0
Deferred Outflows of Resources	2.0	2.0	0
Current liabilities:			
Accounts payable and accrued liabilities	.4	1.4	-71
Claims payable	.0	.0	**
Due to other governments	.1	.0	**
Due to other funds	.0	.0	**
Deferred revenue	.0	.0	**
Total current liabilities	<u>.5</u>	<u>1.4</u>	-64
Long-term liabilities:			
Noncurrent liabilities due in one year	.6	.9	-33
Noncurrent liabilities due more than 1 yr	23.9	24.9	-4
Net Pension Liability	2.6	2.7	-4
Net OPEB Liability	3.5	3.6	-3
Total Liabilities	<u>31.1</u>	<u>33.5</u>	-7
Deferred Inflows of Resources	2.4	1.4	71
Net Position:			
Net investment in capital assets	7.2	7.1	1
Restricted	.2	.7	-71
Unrestricted	1.6	(1.1)	1700
Total Net Position	<u>\$ 9.0</u>	<u>\$ 7.7</u>	17

The District has \$187,638 in restricted net position that represents \$133,231 proceeds from debt service, \$46,760 proceeds for state and federal programs, and \$7,647 nonspendable for inventory items. These proceeds when spent are restricted for the above purposes. The \$1,649,861 of unrestricted net position represents resources to be available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$14,528,575. A significant portion, 17 percent, of the District's revenue comes from taxes. (See Figure A-3.) 62 percent comes from state aid – formula grants, while only 3 percent relates to charges for services.

The total cost of all programs and services was \$13,197,815; 79 percent of these costs are for governmental activities associated with instructional and student services.

Governmental Activities

- Property tax rates decreased. However, due to increased values, tax revenues increased by \$125,019 or 5%.

Table A-2
 Changes in Rice Independent School District's Net Position
(In million dollars)

	Governmental Activities		Total % Change
	<u>2020</u>	<u>2019</u>	
Program Revenues:			
Charges for Services	\$.4	\$ 0.5	-20
Operating Grants and Contributions	2.4	1.8	33
Capital Grants and Contributions	.0	.0	**
General Revenues			
Property Taxes	2.4	2.3	4
State Aid – Formula	9.1	7.6	20
Investment Earnings	.1	.2	-50
Other	.1	.2	-50
Total Revenues	<u>14.5</u>	<u>12.6</u>	15
Instruction	6.1	5.3	15
Instructional Resources and Media Services	.2	.2	0
Curriculum Dev. And Instructional Staff Dev.	.0	.1	**
Instructional Leadership	.1	.1	0
School Leadership	1.0	1.0	0
Guidance, Counseling and Evaluation Services	.4	.3	33
Social Work Services	.0	.0	**
Health Services	.1	.1	0
Student (Pupil) Transportation	.3	.3	0
Food Services	.6	.6	0
Curricular/Extracurricular Activities	.5	.6	-17
General Administration	.4	.3	33
Plant Maintenance & Oper.	1.3	1.3	0
Security & Monitoring Svcs.	.1	.1	0
Data Processing Services	.5	.5	0
Community Services	.0	.0	**
Debt Services	1.0	1.0	0
Facilities Acquisition and Construction	.0	.0	**
Contracted Instr. Services Between Public Schools	.0	.0	**
Increment Costs Associated Chapter 41 (WADA)	.0	.0	**
Payments to Fiscal Agent/Member Dist. - SSA	.5	.2	150
Public Education Grant Program	.0	.0	**
Payments to Juvenile Justice Alternative Ed. Program	.0	.0	**
Payments to Charter Schools	.0	.0	**
Other	.1	.0	**
Total Expenses	<u>13.2</u>	<u>12.0</u>	10
Excess (Deficiency) Before Other Resources, Uses & Transfers	1.3	.6	117
Other Resources (Uses)	.0	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>\$1.3</u>	<u>\$0.6</u>	117

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

- The cost of all *governmental* activities this year was \$13.2 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$2.4 million.
- Some of the cost was paid by those who directly benefited from the programs \$0.45 million, or
- By grants and contributions \$2.368 million.

Table A-3
Net Cost of Selected District Functions
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	<u>2020</u>	<u>2019</u>	% Change	<u>2020</u>	<u>2019</u>	% Change
Instruction	6.1	5.3	15	5.1	4.7	9
School administration	.4	.3	33	.3	.3	0
Plant Maintenance & Operations	1.3	1.3	0	1.2	1.3	-8
Debt Service – Interest & Fiscal Charges	1.0	1.0	0	.3	.5	-40

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$14.0 million, while the previous year it was \$12.3 million. The decrease in local revenues is due to decreased food service revenues. The increase in state revenues is a result of student population changes and changes in state funding formulas. The change in federal revenues is due to grant funding formulas distributed through other agencies.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 5 times. Actual expenditures were \$1,244,734 below final budget amounts in the General Fund.

On the other hand, resources available were \$340,548 above the final budgeted amount with state revenue being over budget by \$48,980.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested \$41,558,718 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase (including additions and deductions) of \$1,646,872 or 4% over last year.

Table A-4
District's Capital Assets
(In millions of dollars)

	Governmental Activities		Total Percentage Change <u>2020-2019</u>
	<u>2020</u>	<u>2019</u>	
Land	1,120	1,218	-8
Construction in progress	00.000	14,244	**
Buildings and improvements	37,118	21,849	70
Vehicles	1,447	1,167	24
Equipment	1,874	1,154	62
Leased equipment	.000	.280	**
Totals at historical cost	<u>41.559</u>	<u>39.912</u>	4
Total accumulated depreciation	<u>(9.387)</u>	<u>(8.955)</u>	-5
Net capital assets	<u>32.172</u>	<u>30.957</u>	4

The District's fiscal year 2021 capital budget projects no major spending. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the District had \$30.612 million in bonds, pension and OPEB liability as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
District's Long-Term Debt
(In millions of dollars)

	Governmental Activities		Total Percentage Change
	<u>2020</u>	<u>2019</u>	<u>2020-2019</u>
Leases payable	.000	.097	**
Bonds payable	22.935	24.185	-5
Pension liability	2.625	2.754	-13
OPEB liability	3.481	3.566	-2
Accreted interest	.917	.825	11
Premium on bonds	.654	.694	-6
Total bonds & notes payable	<u>30.612</u>	<u>32.121</u>	-5

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2021 budget preparation is \$171,884,024, an increase of 20.9% from 2020.
- General operating fund spending per student decreased in the 2021 budget from \$12,545 to \$11,172. This is a 10.9% decrease.
- The District's 2021 refined average daily attendance is expected to be 900.7, an increase from last year.

These indicators were considered when adopting the general fund budget for 2021. Amounts available for appropriation in the general fund budget are \$10,062,191, a decrease of 5.8 percent from the final 2020 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2021. However, the COVID-19 pandemic has resulted in widespread closures of many businesses worldwide in 2020. The economic effects of those closures and related workforce layoffs are still unknown and could potentially affect future revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Rice Independent School District's Business Services Department at 1302 SW McKinney, Rice, Texas 75155 or phone number 903-326-4287.

Basic Financial Statements

RICE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 3,960,472
1120	<i>Current Investments</i>	3,731,927
1225	<i>Property Taxes Receivable (Net)</i>	217,143
1240	<i>Due from Other Governments</i>	431,737
1300	<i>Inventories</i>	7,647
	Capital Assets:	
1510	<i>Land</i>	1,119,791
1520	<i>Buildings and Improvements, Net</i>	29,909,724
1530	<i>Furniture and Equipment, Net</i>	1,141,723
1000	Total Assets	<u>40,520,164</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	1,305,389
	<i>Deferred Outflow Related to OPEB</i>	685,578
1700	Total Deferred Outflows of Resources	<u>1,990,967</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	27,364
2140	<i>Interest Payable</i>	33,079
2165	<i>Accrued Liabilities</i>	370,060
2180	<i>Due to Other Governments</i>	62,051
2300	<i>Unearned Revenue</i>	1,168
	Noncurrent Liabilities:	
2501	<i>Due Within One Year</i>	630,000
2502	<i>Due in More Than One Year</i>	23,875,560
2540	<i>Net Pension Liability</i>	2,625,355
2545	<i>Net OPEB Liability</i>	3,481,059
2000	Total Liabilities	<u>31,105,696</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Revenue - Bond Gain on Refunding</i>	470,000
	<i>Deferred Inflow Related to Pensions</i>	427,780
	<i>Deferred Inflow Related to OPEB</i>	1,505,957
2600	Total Deferred Inflows of Resources	<u>2,403,737</u>
NET POSITION:		
3200	Net Investment in Capital Assets	7,164,199
	Restricted For:	
3820	Federal and State Programs	46,760
3850	Debt Service	133,231
	Other purposes:	
3890	Nonspendable	7,647
3900	Unrestricted	1,649,861
3000	Total Net Position	<u>\$ 9,001,698</u>

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 6,108,385	\$ 500	\$ 968,122	\$ (5,139,763)	
12	Instructional Resources and Media Services	236,524	--	39,391	(197,133)	
13	Curriculum and Staff Development	34,031	--	4,469	(29,562)	
21	Instructional Leadership	116,049	--	8,914	(107,135)	
23	School Leadership	1,030,537	--	76,878	(953,659)	
31	Guidance, Counseling, & Evaluation Services	409,670	--	33,000	(376,670)	
32	Social Work Services	17,381	--	1,653	(15,728)	
33	Health Services	83,054	--	7,398	(75,656)	
34	Student Transportation	315,984	--	21,113	(294,871)	
35	Food Service	560,332	46,615	375,391	(138,326)	
36	Cocurricular/Extracurricular Activities	527,082	28,380	32,901	(465,801)	
41	General Administration	370,918	--	23,542	(347,376)	
51	Facilities Maintenance and Operations	1,282,344	--	68,732	(1,213,612)	
52	Security and Monitoring Services	90,731	--	6,243	(84,488)	
53	Data Processing Services	519,375	--	40,378	(478,997)	
61	Community Services	12,867	--	995	(11,872)	
72	Interest on Long-term Debt	854,681	--	651,104	(203,577)	
73	Bond Issuance Costs and Fees	104,500	--	--	(104,500)	
93	Payments Related to Shared Services Arrangements	481,908	371,317	7,649	(102,942)	
99	Other Intergovernmental Charges	41,462	--	--	(41,462)	
TG	Total Governmental Activities	<u>13,197,815</u>	<u>446,812</u>	<u>2,367,873</u>	<u>(10,383,130)</u>	
TP	Total Primary Government	<u>\$ 13,197,815</u>	<u>\$ 446,812</u>	<u>\$ 2,367,873</u>	<u>(10,383,130)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				1,692,645	
DT	Property Taxes, Levied for Debt Service				721,372	
IE	Investment Earnings				85,399	
GC	Grants and Contributions Not Restricted to Specific Programs				9,063,347	
MI	Miscellaneous				54,750	
GS	Gain on Sale of Real or Personal Property				96,377	
TR	Total General Revenues				<u>11,713,890</u>	
CN	Change in Net Position				<u>1,330,760</u>	
NB	Net Position - Beginning				<u>7,670,938</u>	
NE	Net Position - Ending				<u>\$ 9,001,698</u>	

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	
ASSETS:			
1110	Cash and Cash Equivalents	\$ 3,802,351	\$ 74,495
1120	Current Investments	3,731,927	--
1225	Taxes Receivable, Net	158,407	58,736
1240	Due from Other Governments	383,250	--
1300	Inventories	7,647	--
1000	Total Assets	<u>\$ 8,083,582</u>	<u>\$ 133,231</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 26,749	\$ --
2150	Payroll Deductions & Withholdings	63,663	--
2160	Accrued Wages Payable	276,478	--
2170	Due to Other Funds	4,031	--
2180	Due to Other Governments	--	--
2200	Accrued Expenditures	5,969	--
2300	Unearned Revenue	--	--
2000	Total Liabilities	<u>376,890</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:			
	Deferred Revenue - Property Taxes	158,407	58,736
2600	Total Deferred Inflows of Resources	<u>158,407</u>	<u>58,736</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410	Inventories	7,647	--
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3470	Capital Acquisitions & Contractual Obligations	--	--
3480	Retirement of Long-Term Debt	--	74,495
Committed Fund Balances:			
3510	Construction	2,250,000	--
3600	Unassigned	5,290,638	--
3000	Total Fund Balances	<u>7,548,285</u>	<u>74,495</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 8,083,582</u>	<u>\$ 133,231</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,600	\$ 76,191	\$ 3,954,637
--	--	3,731,927
--	--	217,143
--	48,487	431,737
--	--	7,647
<u>\$ 1,600</u>	<u>\$ 124,678</u>	<u>\$ 8,343,091</u>
\$ --	\$ 615	\$ 27,364
--	--	63,663
--	13,252	289,730
--	--	4,031
--	62,051	62,051
--	832	6,801
--	1,168	1,168
<u>--</u>	<u>77,918</u>	<u>454,808</u>
<u>--</u>	<u>--</u>	<u>217,143</u>
<u>--</u>	<u>--</u>	<u>217,143</u>
--	--	7,647
--	46,760	46,760
1,600	--	1,600
--	--	74,495
--	--	2,250,000
--	--	5,290,638
<u>1,600</u>	<u>46,760</u>	<u>7,671,140</u>
<u>\$ 1,600</u>	<u>\$ 124,678</u>	<u>\$ 8,343,091</u>

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

Total fund balances - governmental funds balance sheet	\$ 7,671,140
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	32,171,238
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	217,143
Payables for bond principal which are not due in the current period are not reported in the funds.	(22,934,592)
Payables for bond interest which are not due in the current period are not reported in the funds.	(33,079)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,625,355)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(427,780)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,305,389
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(916,940)
Bond premiums are amortized in the SNA but not in the funds.	(654,028)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,481,059)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,505,957)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	685,578
Deferred Gain on Refinancing	<u>(470,000)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 9,001,698</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 <u>General Fund</u>	50 <u>Debt Service Fund</u>
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 1,795,057	\$ 722,191
5800 <i>State Program Revenues</i>	9,376,543	651,104
5900 <i>Federal Program Revenues</i>	149,575	--
5020 Total Revenues	<u>11,321,175</u>	<u>1,373,295</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	4,507,096	--
0012 <i>Instructional Resources and Media Services</i>	179,338	--
0013 <i>Curriculum and Staff Development</i>	26,047	--
0021 <i>Instructional Leadership</i>	98,144	--
0023 <i>School Leadership</i>	769,829	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	348,464	--
0032 <i>Social Work Services</i>	14,908	--
0033 <i>Health Services</i>	71,014	--
0034 <i>Student Transportation</i>	280,372	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	466,419	--
0041 <i>General Administration</i>	306,245	--
0051 <i>Facilities Maintenance and Operations</i>	1,148,336	--
0052 <i>Security and Monitoring Services</i>	109,471	--
0053 <i>Data Processing Services</i>	446,567	--
0061 <i>Community Services</i>	10,901	--
0071 <i>Principal on Long-term Debt</i>	97,115	780,000
0072 <i>Interest on Long-term Debt</i>	51	812,262
0073 <i>Bond Issuance Costs and Fees</i>	--	104,500
0081 <i>Capital Outlay</i>	297,361	--
0093 <i>Payments to Shared Service Arrangements</i>	219,858	--
0099 <i>Other Intergovernmental Charges</i>	38,357	--
6030 Total Expenditures	<u>9,435,893</u>	<u>1,696,762</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>1,885,282</u>	<u>(323,467)</u>
Other Financing Sources and (Uses):		
7901 <i>Refunding Bonds Issued</i>	--	7,905,000
7912 <i>Sale of Real or Personal Property</i>	449,271	--
7915 <i>Transfers In</i>	--	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	470,000
8911 <i>Transfers Out</i>	(70,063)	--
8940 <i>Payment to Bond Refunding Escrow Agent</i>	--	(8,375,000)
8949 <i>Other Uses - Transfer SSA to New Fiscal Agent</i>	--	--
7080 Total Other Financing Sources and (Uses)	<u>379,208</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>2,264,490</u>	<u>(323,467)</u>
0100 Fund Balances - Beginning	<u>5,283,795</u>	<u>397,962</u>
3000 Fund Balances - Ending	<u>\$ 7,548,285</u>	<u>\$ 74,495</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 11,838	\$ 417,932	\$ 2,947,018
--	170,274	10,197,921
--	743,776	893,351
<u>11,838</u>	<u>1,331,982</u>	<u>14,038,290</u>
--	669,035	5,176,131
--	24,038	203,376
--	3,305	29,352
--	--	98,144
--	110,281	880,110
--	--	348,464
--	--	14,908
--	--	71,014
--	--	280,372
--	486,849	486,849
--	--	466,419
--	17,628	323,873
--	27,089	1,175,425
--	960	110,431
--	8,153	454,720
--	--	10,901
--	--	877,115
--	--	812,313
--	--	104,500
2,030,200	--	2,327,561
--	--	219,858
--	--	38,357
<u>2,030,200</u>	<u>1,347,338</u>	<u>14,510,193</u>
<u>(2,018,362)</u>	<u>(15,356)</u>	<u>(471,903)</u>
--	--	7,905,000
--	--	449,271
--	66,032	66,032
--	--	470,000
--	--	(70,063)
--	--	(8,375,000)
--	(262,051)	(262,051)
--	(196,019)	183,189
<u>(2,018,362)</u>	<u>(211,375)</u>	<u>(288,714)</u>
2,019,962	258,135	7,959,854
<u>\$ 1,600</u>	<u>\$ 46,760</u>	<u>\$ 7,671,140</u>

RICE INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Net change in fund balances - total governmental funds	\$ (288,714)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,389,892
The depreciation of capital assets used in governmental activities is not reported in the funds.	(822,639)
The basis of capital assets sold decreases net position in the SOA but not in the funds.	(352,894)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	53,962
Net repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	780,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	97,115
Bond premiums and similar items are amortized in the SOA but not in the funds.	40,438
The accretion of interest on capital appreciation bonds is not reported in the funds.	(91,694)
(Increase) decrease in accrued interest from beginning of period to end of period.	8,888
The net revenue (expense) of internal service funds is reported with governmental activities.	(17,438)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(387,497)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	<u>(78,659)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,330,760</u>

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 INTERNAL SERVICE FUND
 AUGUST 31, 2020

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
	ASSETS:		
	Current Assets:		
1110	<i>Cash and Cash Equivalents</i>	\$ 5,835	
	Receivables:		
1260	<i>Due from Other Funds</i>		4,031
	Total Current Assets		<u>9,866</u>
1000	Total Assets		<u>9,866</u>
	LIABILITIES:		
	Current Liabilities:		
2200	<i>Accrued Expenses</i>		9,866
	Total Current Liabilities		<u>9,866</u>
2000	Total Liabilities		<u>9,866</u>
	NET POSITION:		
3000	Total Net Position	\$	<u><u>--</u></u>

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 10,635
5020	Total Revenues	<u>10,635</u>
	OPERATING EXPENSES:	
6100	<i>Payroll Costs</i>	32,104
6030	Total Expenses	<u>32,104</u>
	Income (Loss) before Contributions and Transfers	(21,469)
7915	<i>Transfers In</i>	4,031
1300	Change in Net Position	<u>(17,438)</u>
0100	Total Net Position - Beginning	17,438
3300	Total Net Position - Ending	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Nonmajor Internal Service Fund
	Insurance Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 10,635
<i>Cash Payments to Employees for Services</i>	(31,088)
<i>Other Operating Cash Receipts (Payments)</i>	(4,031)
Net Cash Provided (Used) by Operating Activities	<u>(24,484)</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Other Funds</i>	4,031
Net Cash Provided (Used) by Non-capital Financing Activities	<u>4,031</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Acquisition or Construction of Capital Assets</i>	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(20,453)
Cash and Cash Equivalents at Beginning of Year	26,288
Cash and Cash Equivalents at End of Year	<u>\$ 5,835</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (21,469)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	--
Change in Assets and Liabilities:	
<i>(Increase) Decrease in Due from Other Funds</i>	(4,031)
<i>Increase (Decrease) in Accrued Expenses</i>	1,016
Total Adjustments	<u>(3,015)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (24,484)</u>

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2020

Data Control Codes	Private-purpose Trust Funds	Agency Funds Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 21,931	\$ 61,060
1120 <i>Current Investments</i>	3,414	--
1000 Total Assets	<u>25,345</u>	<u>61,060</u>
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	--	61,060
2000 Total Liabilities	<u>--</u>	<u>61,060</u>
NET POSITION:		
3800 <i>Held in Trust</i>	25,345	--
3000 Total Net Position	<u>\$ 25,345</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 22
Gifts and Bequests	5,246
Total Additions	<u>5,268</u>
Deductions:	
Scholarship Awards	6,375
Total Deductions	<u>6,375</u>
Change in Net Position	(1,107)
Net Position-Beginning of the Year	26,452
Net Position-End of the Year	<u>\$ 25,345</u>

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Debt Service Fund: This accounts for debt assessed taxes and the debt payments on bonded debt.

Capital Projects Fund: The fund is used to maintain funds restricted for capital projects of the District.

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

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

b. **Measurement Focus, Basis of Accounting**

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

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

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

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. Property tax revenues are considered available when they become due or past due and receivable within the current period. An allowance for uncollectible accounts in the amount of \$26,506 is reflected in the financial statements as of August 31, 2020.

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

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

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

f. Receivable and Payable Balances

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

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

g. Interfund Activity

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

h. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

RICE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

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

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

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

l. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

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' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

RICE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,778,803 and the bank balance was \$8,172,736. Certificates of Deposit of \$2,624,256 and money market funds of \$1,111,084 are included in this amount, but reported as investments in the financial statements. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

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

The District's investments at August 31, 2020 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	<1 year	\$ 2,624,257
Money Market account	N/A	1,111,084
Total Investments		<u>\$ 3,735,341</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2020, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, have no credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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

Investment Accounting Policy

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,218,078	\$ --	\$ (98,287)	\$ 1,119,791
Construction in progress	14,244,143	2,030,200	(16,274,343)	--
Total capital assets not being depreciated	<u>15,462,221</u>	<u>2,030,200</u>	<u>(16,372,630)</u>	<u>1,119,791</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	21,849,302	297,361	14,971,143	37,117,806
Equipment	1,153,612	62,331	658,467	1,874,410
Vehicles	1,166,518	--	280,193	1,446,711
Leased Assets	280,193	--	(280,193)	--
Total capital assets being depreciated	<u>24,449,625</u>	<u>359,692</u>	<u>15,629,610</u>	<u>40,438,927</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,971,669)	(621,353)	384,940	(7,208,082)
Equipment	(939,374)	(88,157)	5,186	(1,022,345)
Vehicles	(958,735)	(113,129)	(85,189)	(1,157,053)
Leased Assets	(85,189)	--	85,189	--
Total accumulated depreciation	<u>(8,954,967)</u>	<u>(822,639)</u>	<u>390,126</u>	<u>(9,387,480)</u>
Total capital assets being depreciated, net	<u>15,494,658</u>	<u>(462,947)</u>	<u>16,019,736</u>	<u>31,051,447</u>
Governmental activities capital assets, net	<u>\$ 30,956,879</u>	<u>\$ 1,567,253</u>	<u>\$ (352,894)</u>	<u>\$ 32,171,238</u>

Depreciation was charged to functions as follows:

Instruction	\$ 424,592
Instructional Resources and Media Services	16,463
Curriculum and Staff Development	2,376
Instructional Leadership	7,945
School Leadership	71,246
Guidance, Counseling, & Evaluation Services	28,208
Social Work Services	1,207
Health Services	5,749
Student Transportation	22,696
Food Services	39,411
Extracurricular Activities	37,352
General Administration	26,218
Plant Maintenance and Operations	92,206
Security and Monitoring Services	6,499
Data Processing Services	36,484
Community Services	882
Other Intergovernmental Charges	3,105
	<u>\$ 822,639</u>

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

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020.

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Internal Service Fund	General Fund	\$ 4,031	Short-term loans
	Total	<u>\$ 4,031</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds during the current fiscal year, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	\$ 66,032	Supplement other funds sources
General Fund	Nonmajor Internal Service Fund	\$ 4,031	Supplement other funds sources
	Total	<u>\$ 70,063</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Building & Refunding Bonds	\$ 23,205,000	\$ --	\$ (8,875,000)	\$ 14,330,000	\$ 345,000
Unlimited Tax Refunding Bonds	860,000	7,905,000	(280,000)	8,485,000	285,000
Capital Appreciation Bonds	119,592	--	--	119,592	--
Capital Leases from Direct Borrowings and Placements	97,115	--	(97,115)	--	--
Capital Apprec Bd Acc Interest	825,246	91,694	--	916,940	--
Bond premiums	694,466	--	(40,438)	654,028	--
Net Pension Liability *	2,753,684	48,441	(176,770)	2,625,355	--
Net OPEB Liability *	3,565,516	(32,215)	(52,242)	3,481,059	--
Total governmental activities	<u>\$ 32,120,619</u>	<u>\$ 8,012,920</u>	<u>\$ (9,521,565)</u>	<u>\$ 30,611,974</u>	<u>\$ 630,000</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability *	Governmental	General Fund

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

Bonds

The District issued Series 2010 Tax school Building and Refunding Bonds during the fiscal year ended August 31, 2010, for the purpose of refunding Series 2008 Bonds and 2008 Capital Appreciation Bonds, and also for the new issuance of \$500,000 for the completion of buildings. The premium is being amortized over the remaining life of the refunded debt. Interest rates vary from 1% to 4.17%, with annual installments ranging from \$150,000 to \$785,000. The total balance on this issue at August 31, 2020 is \$119,592 and is considered capital appreciation bonds. The balance of the 2010 issue was refinanced with the 2020 Refunding Bonds.

The District issued \$1,950,000 of Series 2014 Unlimited Tax Refunding Bonds during the fiscal year ended August 31, 2015, for the purpose of refunding other bonds. The premium is being amortized over the remaining life of the refunded debt. Interest rates vary from 2.5% to 3%, with annual installments ranging from \$255,000 to \$315,000. The total balance on this issue at August 31, 2020 is \$580,000.

The District issued \$8,995,000 of Series 2017 Unlimited Tax School Building Bonds during the fiscal year ended August 31, 2017, for the purpose of construction, renovation, acquisition and equipment of school buildings. The premium is being amortized over the remaining life of the refunded debt. Interest rates vary from 2.0% to 4.25%, with annual installments ranging from \$390,850 to \$852,600. The total balance on this issue at August 31, 2020 is \$8,090,000. The total approved authorized principal amount related to this issue was \$15,900,000. The board reserves the right to issue the balance of unissued bonds when funds are needed to accomplish the purposes for which the bonds were voted to finance.

The District issued \$6,400,000 of Series 2018 Unlimited Tax School Building Bonds during the fiscal year ended August 31, 2018, for the purpose of construction, renovation, acquisition and equipment of school buildings. The premium is being amortized over the remaining life of the refunded debt. Interest rates vary from 3.0% to 4.0%, with annual installments ranging from \$291,375 to \$645,600. The total balance on this issue at August 31, 2020 is \$6,240,000. The total approved authorized principal amount related to this issue was \$15,900,000. The board reserves the right to issue the balance of unissued bonds when funds are needed to accomplish the purposes for which the bonds were voted to finance.

The District issued \$7,905,000 of Series 2020 Unlimited Tax Refunding Bonds during the fiscal year ended August 31, 2020, for the purpose of refunding other bonds. The gain of \$470,000 is being amortized over the remaining life of the refunded debt and bond issuance cost of \$103,000 was expensed. Interest rates vary from 2.0% to 5.0%, with annual installments ranging from \$490,000 to \$700,000. The total balance on this issue at August 31, 2020 is \$7,905,000. This transaction resulted in a net cash savings of \$2,114,721 and a net present value savings of \$1,855,704.

Leases from Direct Borrowings and Direct Placements

The District executed a capital lease agreement during the fiscal year ended August 31, 2018 in the original amount of \$280,193, for the purchase of buses, which serve as collateral. The lease is payable in three annual installments of \$97,196, which includes interest at a rate of 4.09%. The total balance at August 31, 2020 is \$0.

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

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Bonds		
	Principal	Interest	Total
2021	\$ 630,000	786,338	1,416,338
2022	650,000	769,763	1,419,763
2023	187,640	1,211,010	1,398,650
2024	184,510	1,214,865	1,399,375
2025	187,442	1,212,433	1,399,875
2026-2030	3,575,000	3,351,672	6,926,672
2031-2035	4,205,000	2,717,742	6,922,742
2036-2040	4,810,000	2,118,188	6,928,188
2041-2045	5,835,000	1,099,528	6,934,528
2046-2049	2,670,000	103,225	2,773,225
Totals	\$ 22,934,592	\$ 14,584,764	\$ 37,519,356

3. Capital Leases

As of August 31, 2020, no capital lease agreements existed.

Rental Expenditures in 2020 \$ 97,166

The effective interest rate on capital leases during the fiscal year was 4.09%.

G. Risk Management

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

H. Pension Plan

1. Plan Description

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

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

RICE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

4. Contributions

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

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

Contribution Rates

	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2020 Employer Contributions	\$ 190,259	
District's 2020 Member Contributions	\$ 489,558	
2019 NECE On-Behalf Contributions (state)	\$ 292,042	

RICE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

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

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

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 4,035,551	\$ 2,625,355	\$ 1,482,823

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

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

At August 31, 2020, the District reported a liability of \$2,625,355 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,625,355
State's proportionate share that is associated with District	<u>4,337,530</u>
Total	<u>\$ 6,962,885</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0050503975%, which was an increase (decrease) of 0.000047582% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

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

For the year ended August 31, 2020, the District recognized pension expense of \$1,259,121 and revenue of \$681,365 for support provided by the State.

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

At August 31, 2020, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,029	\$ 91,156
Changes in actuarial assumptions	814,514	336,596
Difference between projected and actual investment earnings	26,361	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	263,226	28
Contributions paid to TRS subsequent to the measurement date	<u>190,259</u>	<u>--</u>
Total	<u>\$ 1,305,389</u>	<u>\$ 427,780</u>

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

Year Ended August 31	Pension Expense Amount
2021	\$ 190,742
2022	\$ 158,408
2023	\$ 166,702
2024	\$ 145,643
2025	\$ 49,007
Thereafter	\$ (23,152)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

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

4. Contributions

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

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

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2020 Employer Contributions	\$	51,983
District's 2020 Member Contributions	\$	41,327
2019 NECE On-Behalf Contributions (state)	\$	69,414

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

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

5. Actuarial Assumptions

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

The actuarial valuation of TRS-Care, performed as of August 31, 2018 and rolled forward to August 31, 2019 is similar to the actuarial valuation performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	8.0% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

**8.0% for FY2020, 7.5% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

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

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

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 4,202,755	\$ 3,481,059	\$ 2,916,475

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

At August 31, 2020, the District reported a liability of \$3,481,059 for its proportionate share of the TRS' Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3,481,059
State's proportionate share that is associated with the District	\$ 4,625,549
Total	<u>\$ 8,106,608</u>

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

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.007360898, which was an increase (decrease) of 0.0002199985% from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.0% rate is used.

	1% Decrease in Healthcare Trend Rate (7.0%)	Current Single Healthcare Trend Rate (8.0%)	1% Increase in Healthcare Trend Rate (9.0%)
District's proportionate share of net OPEB liability	\$ 2,839,726	\$ 3,481,059	\$ 4,340,151

RICE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

9. Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$252,552 and revenue of \$121,910 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 170,776	\$ 569,638
Changes in actuarial assumptions	193,346	936,319
Differences between projected and actual investment earnings	376	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	269,097	--
Contributions paid to TRS subsequent to the measurement date	51,983	--
Total	<u>\$ 685,578</u>	<u>\$ 1,505,957</u>

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

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

Year ended August 31,	OPEB Expense Amount
2021	\$ (155,981)
2022	\$ (155,981)
2023	\$ (156,102)
2024	\$ (156,172)
2025	\$ (156,155)
Thereafter	\$ (91,975)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2020, 2019 and 2018, the subsidy payments by TRS-Care on behalf of the District were \$30,528, \$22,149 and \$17,345.

J. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$378 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

Latest financial statements for the TRS-Active Care are available for the year ended December 31, 2019, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

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

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

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides salaries for the credit recovery program and alternative education program to the member districts listed below. 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 SSAs in Fund 458 and Fund 224, special revenue funds, and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Fund 458 Expenditures</u>	<u>Fund 224 Expenditures</u>
Blooming Grove ISD	\$ 64,643	\$ --
Dawson ISD	34,118	--
Frost ISD	28,218	--
Hubbard ISD	27,146	--
Kerens ISD	41,036	--
Mildred ISD	52,475	--
Rice ISD	62,858	--
Wortham ISD	34,891	--
Fairfield ISD	--	86,896
Total	<u>\$ 345,385</u>	<u>\$ 86,896</u>

Beginning September 1, 2020, Dawson ISD became the fiscal agent for these programs and Rice ISD transferred \$262,051 in fund balances to Dawson ISD.

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for IDEA-B Formula Program with the following school districts:

Member Districts

Dawson ISD	Mildred ISD	Kerens ISD
Frost ISD	Rice ISD	Wortham ISD
Blooming Grove ISD	Hubbard ISD	

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fairfield Bi-County Co-op nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for IDEA-B and Career Technology Education with the following school districts:

Member Districts

Dawson ISD	Teague ISD
Frost ISD	Dew ISD
Blooming Grove ISD	Fairfield ISD
Kerens ISD	Wortham ISD
Mildred ISD	Rice ISD

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

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fairfield ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Self Funded Workman's Compensation Insurance

The District maintains a self-funded workers compensation plan known as Texas Public Schools Workers' Compensation Project. The District pays an administrative fee based on total payroll costs multiplied by an experience modifier. The service agreement provides that the association will be self-sustaining through member premiums. Excess worker's compensation insurance is carried by Safety National Casualty Corporation. The specific retention is \$350,000, maximum limit per occurrence \$1,000,000. Liabilities are reported when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. The following reflects the change in liability reported during the Plan's fiscal year.

Statement of Change in Liability	2020	2019
Unpaid (overpayment) claims, beginning of fiscal year	\$ 8,850	\$ 26,777
Net claims incurred or (adjusted) during the year	18,160	(14,490)
Payments of claims during the year	(17,144)	(3,437)
Unpaid claims, fiscal year end	<u>\$ 9,866</u>	<u>\$ 8,850</u>

The above amount is included in liabilities on the financial statements as of August 31, 2020.

N. Accumulated Unpaid Vacation and Personal Leave Benefits

At August 31, 2020, the District had no liability for accrued sick leave or vacation leave.

District employees accumulate personal leave at the rate of 5 days per year with no accumulation limit.

The District has non vested sick and personal leave benefits at August 31, 2020 which are not recorded on the financial statements in the amount of \$639,807. These benefits are recorded as expenditures as used.

O. Sale of Property

During the fiscal year 2018, the district executed a letter of intent with the City of Rice for the sale of real property located at 305 N. Dallas Street and all other lots owned by Rice ISD within the city limits, Rice, Texas, together with all buildings, improvements, and fixtures constructed or located on the land and all easements and rights benefiting or appurtenant to the land. Upon execution of the agreement, the city paid \$50,000. Additional payments totalling \$250,000 were received from the city during fiscal years 2019 and 2020. As of August 31, 2019, Rice ISD maintained possession of the elementary school, with the intent to use it pending completion of the new elementary and the \$150,000 was recorded as deferred revenue. With all conditions of sale being met in fiscal 2020, the \$150,000 deferred revenue and the additional \$150,000 received this year were recorded as \$300,000 revenue in sale of assets category.

The District also sold 55.49 acres located on FM 1603 receiving \$149,271. This was recorded as revenue in sale of assets category.

P. COVID-19

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses, resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect future revenues of the District.

RICE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

Q. Future Pronouncements

In May, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of several statement provisions that were originally scheduled to be effective for periods beginning after June 15, 2018. The District will evaluate the potential effects of all postponed statements once the statements are closer to implementation.

R. Federal Revenues

Per financial statement Exhibit C-2, federal revenues totaled \$893,351. For single audit determination purposes, the SHARS revenue of \$149,575 was not considered, leaving a federal revenue total of \$743,776. This amount was under the single audit threshold of \$750,000. Therefore, no single audit was required.

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.

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

EXHIBIT G-1
Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,821,353	\$ 1,504,743	\$ 1,795,057	\$ 290,314
5800	State Program Revenues	9,714,138	9,327,563	9,376,543	48,980
5900	Federal Program Revenues	145,000	148,321	149,575	1,254
5020	Total Revenues	<u>11,680,491</u>	<u>10,980,627</u>	<u>11,321,175</u>	<u>340,548</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,040,722	5,122,140	4,507,096	615,044
0012	Instructional Resources and Media Services	174,682	186,633	179,338	7,295
0013	Curriculum and Staff Development	48,400	81,961	26,047	55,914
	Total Instruction & Instr. Related Services	<u>5,263,804</u>	<u>5,390,734</u>	<u>4,712,481</u>	<u>678,253</u>
Instructional and School Leadership:					
0021	Instructional Leadership	101,287	155,075	98,144	56,931
0023	School Leadership	726,533	780,045	769,829	10,216
	Total Instructional & School Leadership	<u>827,820</u>	<u>935,120</u>	<u>867,973</u>	<u>67,147</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	349,946	369,470	348,464	21,006
0032	Social Work Services	15,855	15,712	14,908	804
0033	Health Services	74,871	74,519	71,014	3,505
0034	Student (Pupil) Transportation	432,400	331,996	280,372	51,624
0036	Cocurricular/Extracurricular Activities	566,708	549,815	466,419	83,396
	Total Support Services - Student (Pupil)	<u>1,439,780</u>	<u>1,341,512</u>	<u>1,181,177</u>	<u>160,335</u>
Administrative Support Services:					
0041	General Administration	309,442	325,165	306,245	18,920
	Total Administrative Support Services	<u>309,442</u>	<u>325,165</u>	<u>306,245</u>	<u>18,920</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,186,683	1,393,799	1,148,336	245,463
0052	Security and Monitoring Services	216,393	148,328	109,471	38,857
0053	Data Processing Services	509,480	460,503	446,567	13,936
	Total Support Services - Nonstudent Based	<u>1,912,556</u>	<u>2,002,630</u>	<u>1,704,374</u>	<u>298,256</u>
Ancillary Services:					
0061	Community Services	1,200	12,114	10,901	1,213
	Total Ancillary Services	<u>1,200</u>	<u>12,114</u>	<u>10,901</u>	<u>1,213</u>
Debt Service:					
0071	Principal on Long-Term Debt	--	97,115	97,115	--
0072	Interest on Long-Term Debt	--	51	51	--
	Total Debt Service	<u>--</u>	<u>97,166</u>	<u>97,166</u>	<u>--</u>
Capital Outlay:					
0081	Capital Outlay	15,000	305,000	297,361	7,639
	Total Capital Outlay	<u>15,000</u>	<u>305,000</u>	<u>297,361</u>	<u>7,639</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	254,589	232,686	219,858	12,828
0099	Other Intergovernmental Charges	38,000	38,500	38,357	143

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

EXHIBIT G-1
Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Total Intergovernmental Charges	<u>292,589</u>	<u>271,186</u>	<u>258,215</u>	<u>12,971</u>
6030	Total Expenditures	<u>10,062,191</u>	<u>10,680,627</u>	<u>9,435,893</u>	<u>1,244,734</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>1,618,300</u>	<u>300,000</u>	<u>1,885,282</u>	<u>1,585,282</u>
	Other Financing Sources (Uses):				
7912	<i>Sale of Real or Personal Property</i>	--	100,000	449,271	349,271
8911	<i>Transfers Out</i>	<u>(89,076)</u>	<u>(595,000)</u>	<u>(70,063)</u>	<u>524,937</u>
7080	Total Other Financing Sources and (Uses)	<u>(89,076)</u>	<u>(495,000)</u>	<u>379,208</u>	<u>874,208</u>
1200	Net Change in Fund Balance	<u>1,529,224</u>	<u>(195,000)</u>	<u>2,264,490</u>	<u>2,459,490</u>
0100	Fund Balance - Beginning	<u>5,283,795</u>	<u>5,283,795</u>	<u>5,283,795</u>	--
3000	Fund Balance - Ending	<u>\$ 6,813,019</u>	<u>\$ 5,088,795</u>	<u>\$ 7,548,285</u>	<u>\$ 2,459,490</u>

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

	Measurement Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.005%	0.005%	0.005%	0.005%	0.005%	0.003%	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 2,625,355	\$ 2,753,684	\$ 1,571,181	\$ 1,811,314	\$ 1,661,812	\$ 698,102	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	4,337,530	4,780,814	2,861,600	3,596,000	3,430,525	2,795,783	--	--	--	--
Total	\$ 6,962,885	\$ 7,534,498	\$ 4,432,781	\$ 5,407,314	\$ 5,092,337	\$ 3,493,885	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 5,813,910	\$ 5,721,326	\$ 5,543,477	\$ 5,533,193	\$ 5,212,782	\$ 4,794,763	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	45.16%	48.13%	28.34%	32.74%	31.88%	14.56%	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--	--

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

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

	Fiscal Year										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
Contractually required contribution	\$ 190,259	\$ 176,753	\$ 168,533	\$ 161,047	\$ 144,984	\$ 258,465	\$ --	\$ --	\$ --	\$ --	
Contributions in relation to the contractually required contribution	(190,259)	(176,753)	(168,533)	(161,047)	(144,984)	(258,465)	--	--	--	--	
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	
District's covered payroll	\$ 6,357,899	\$ 5,813,910	\$ 5,721,326	\$ 5,543,477	\$ 5,533,193	\$ 5,212,782	\$ --	\$ --	\$ --	\$ --	
Contributions as a percentage of covered payroll	2.99%	3.04%	2.95%	2.91%	2.62%	4.96%	--	--	--	--	

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

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

	Measurement Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the collective net OPEB liability	0.007%	0.007%	0.007%	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 3,481,059	\$ 3,565,516	\$ 2,971,763	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 4,625,549	\$ 4,900,415	\$ 4,325,658	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	\$ 8,106,608	\$ 8,465,931	\$ 7,297,421	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 5,813,910	\$ 5,721,326	\$ 5,543,477	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	59.87%	62.32%	53.61%	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%	--	--	--	--	--	--	--

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

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

	Fiscal Year Ended									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily or contractually required District contribution	\$ 51,983	\$ 52,580	\$ 49,262	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(51,983)	(52,580)	(49,262)	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 6,357,899	\$ 5,813,910	\$ 5,721,326	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.82%	0.90%	0.86%	--	--	--	--	--	--	--

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

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

Budget

The official budget was prepared for adoption for the general fund, capital projects fund, national school breakfast and lunch program fund, and debt service fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

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

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

See footnote H for changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

See footnote H for changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Postemployment Benefits Other Than Pension

Changes of benefit terms

See footnote I for changes of assumptions or other inputs that affected measurement of the total OPEB liability measurement period.

Changes of assumptions

See footnote I for changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

RICE INDEPENDENT SCHOOL DISTRICT

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT H-1

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 15,000	\$ 11,838	\$ (3,162)
5020 Total Revenues	<u>15,000</u>	<u>11,838</u>	<u>(3,162)</u>
EXPENDITURES:			
Capital Outlay:			
0081 <i>Capital Outlay</i>	2,299,412	2,030,200	269,212
Total Capital Outlay	<u>2,299,412</u>	<u>2,030,200</u>	<u>269,212</u>
6030 Total Expenditures	<u>2,299,412</u>	<u>2,030,200</u>	<u>269,212</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(2,284,412)</u>	<u>(2,018,362)</u>	<u>266,050</u>
1200 Net Change in Fund Balance	<u>(2,284,412)</u>	<u>(2,018,362)</u>	<u>266,050</u>
0100 Fund Balance - Beginning	2,019,962	2,019,962	--
3000 Fund Balance - Ending	<u>\$ (264,450)</u>	<u>\$ 1,600</u>	<u>\$ 266,050</u>

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.

RICE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service			
2011 and Prior Years	\$ Various	\$ Various			\$ Various
2012	1.04	.38			109,922,253
2013	1.04	.38			110,416,969
2014	1.04	.34			109,615,250
2015	1.04	.34			112,844,365
2016	1.04	.2965			110,527,182
2017	1.04	.2965			113,179,852
2018	1.17	.4565			127,239,471
2019	1.17	.4565			137,046,292
2020 (School Year Under Audit)	1.0684	.4565			156,571,569
1000 Totals					

EXHIBIT J-1

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 21,644	\$ --	\$ 1,239	\$ 103	\$ (723)	\$ 19,579
2,469	--	--	--	--	2,469
2,133	--	3	1	--	2,129
4,275	--	527	172	--	3,576
5,347	--	419	137	--	4,791
6,614	--	1,539	439	--	4,636
11,026	--	2,005	572	208	8,657
29,717	--	9,268	3,616	(1,666)	15,167
96,887	--	41,853	16,330	(3,785)	34,919
--	2,387,560	1,572,095	671,716	--	143,749
<u>\$ 180,112</u>	<u>\$ 2,387,560</u>	<u>\$ 1,628,948</u>	<u>\$ 693,086</u>	<u>\$ (5,966)</u>	<u>\$ 239,672</u>

RICE INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2020

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2020 (Exhibit C-1 object 3000 for the General Fund only)	\$ 7,548,285
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u>7,647</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u>--</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>2,250,000</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u>--</u>
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>--</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>1,660,000</u>
8	Estimate of delayed payments from state sources (58XX)	<u>--</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>--</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>--</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>--</u>
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>3,917,647</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	<u>\$ 3,630,638</u>

Above amount to be used for future improvements and equipment.

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

EXHIBIT J-3

Data Control Codes	1	2	3
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 71,200	\$ 46,615	\$ (24,585)
5800 <i>State Program Revenues</i>	16,367	16,084	(283)
5900 <i>Federal Program Revenues</i>	420,500	358,117	(62,383)
5020 Total Revenues	<u>508,067</u>	<u>420,816</u>	<u>(87,251)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	533,404	486,849	46,555
Total Support Services - Student (Pupil)	<u>533,404</u>	<u>486,849</u>	<u>46,555</u>
6030 Total Expenditures	<u>533,404</u>	<u>486,849</u>	<u>46,555</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(25,337)</u>	<u>(66,033)</u>	<u>(40,696)</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	95,000	66,032	(28,968)
7080 Total Other Financing Sources and (Uses)	<u>95,000</u>	<u>66,032</u>	<u>(28,968)</u>
1200 Net Change in Fund Balance	69,663	(1)	(69,664)
0100 Fund Balance - Beginning	38,153	38,153	--
3000 Fund Balance - Ending	<u>\$ 107,816</u>	<u>\$ 38,152</u>	<u>\$ (69,664)</u>

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

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 561,776	\$ 722,191	\$ 160,415
5800 <i>State Program Revenues</i>	636,427	651,104	14,677
5020 <i>Total Revenues</i>	<u>1,198,203</u>	<u>1,373,295</u>	<u>175,092</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	780,000	780,000	--
0072 <i>Interest on Long-Term Debt</i>	813,703	812,262	1,441
0073 <i>Bond Issuance Costs and Fees</i>	104,500	104,500	--
<i>Total Debt Service</i>	<u>1,698,203</u>	<u>1,696,762</u>	<u>1,441</u>
6030 <i>Total Expenditures</i>	<u>1,698,203</u>	<u>1,696,762</u>	<u>1,441</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(500,000)</u>	<u>(323,467)</u>	<u>176,533</u>
Other Financing Sources (Uses):			
7901 <i>Refunding Bonds Issued</i>	--	7,905,000	7,905,000
7915 <i>Transfers In</i>	500,000	--	(500,000)
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	470,000	470,000
8940 <i>Payment to Bond Refunding Escrow Agent</i>	--	(8,375,000)	(8,375,000)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>500,000</u>	<u>--</u>	<u>(500,000)</u>
1200 <i>Net Change in Fund Balance</i>	--	(323,467)	(323,467)
0100 <i>Fund Balance - Beginning</i>	397,962	397,962	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 397,962</u>	<u>\$ 74,495</u>	<u>\$ (323,467)</u>

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE

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 Government Auditing Standards

Board of Trustees
Rice Independent School District
1302 SW McKinney Street
Rice, Texas 75155

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rice Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Rice Independent School District's basic financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-1 to be a material weakness.

Compliance and Other Matters

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

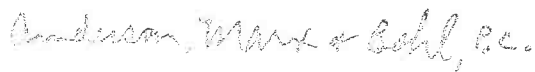
Rice Independent School District's Response to Findings

Rice Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rice Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
December 14, 2020

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

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

2020-1

Condition: The District failed to reflect a bond refinancing in its general ledger.

Criteria: The District is required to maintain proper records that accurately reflect the condition of the District.

Effect: The District's financial statements did not reflect the refinancing of a debt.

Cause: The District failed to adjust its records to the correct amounts of debt refinancing.

Recommendation: The District should post all required entries associated with debt refinancing.

District's Response: The District will post all necessary entries to record debt refinancing.

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

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

*CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020*

The District will seek assistance from Region XII in recording a bond refinancing in its records. Lluvia Abreu at phone number 903-326-4287 will accomplish this in fiscal year 2021.

RICE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 916,940