

RICE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

Rice Independent School District
Annual Financial Report
For The Year Ended August 31, 2022

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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, 2022, at a meeting of the board of trustees of such school district on the 21 day of December, 2022


Signature of Board Secretary


Signature of Board President

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

Financial Section

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 Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Rice Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rice Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Rice Independent School District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rice Independent School District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rice Independent School District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, unless identified as unaudited in the table of contents, 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 supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the Schedule of Required Responses to Selected School FIRST Indicators, but does not include the financial statements and our auditors' report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022 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
November 30, 2022



Rice Independent School District

1302 SW McKinney Street
Rice, TX 75155
(903) 326-4287

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, 2022. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total combined net position on financial statement exhibit A-1 was \$14,520,077 on August 31, 2022.
- During the year, the District’s primary government expenses on financial statement exhibit B-1 were \$3,141,551 less than the \$16,397,646 generated in taxes and other revenues for governmental activities.
- The total cost of the District’s programs on financial statement exhibit C-2 increased \$1,687,138 from last year. An increase in instruction costs from the prior year accounted for a substantial portion of this increase.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$11,391,019. The District began the current year with a fund balance in the amount of \$9,339,457.

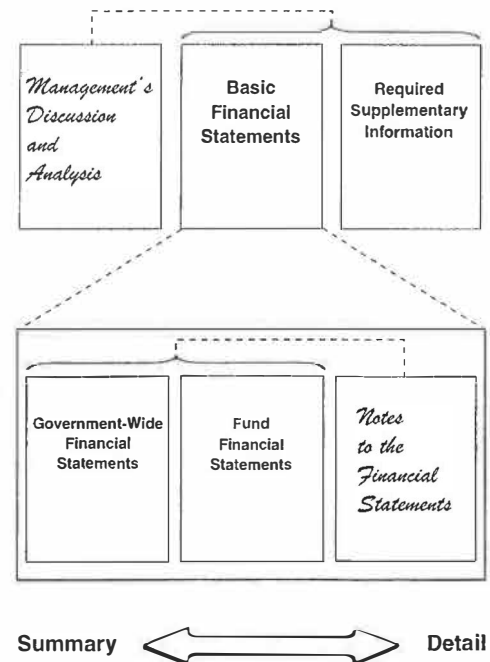
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



Government-wide Statements

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

- Over time, increases or decreases in the District's net position 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$14.52 million on August 31, 2022. (See Table A-1).

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

| | Governmental Activities | | Total Percentage Change |
|---|----------------------------|----------------|-------------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022-2021</u> |
| Current assets: | | | |
| Cash and cash equivalents | \$ 6.5 | \$ 4.6 | 41 |
| Investments | 3.8 | 3.8 | 0 |
| Due from other governments | 2.3 | 1.8 | 28 |
| Due from other funds | .0 | .0 | ** |
| Inventories | .0 | .0 | ** |
| Other receivables | .2 | .2 | 0 |
| Total current assets: | <u>12.8</u> | <u>10.4</u> | 23 |
| Noncurrent assets: | | | |
| Land, furniture and equipment | 42.8 | 42.3 | 1 |
| Less accumulated depreciation | (10.7) | (10.1) | -6 |
| Other receivables | .9 | .0 | ** |
| Total noncurrent assets | <u>33.0</u> | <u>32.2</u> | 2 |
| Total Assets | <u>45.8</u> | <u>42.6</u> | 8 |
| Deferred Outflows of Resources | 1.4 | 1.6 | -13 |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | .6 | .7 | -14 |
| Claims payable | .0 | .0 | ** |
| Due to other governments | .0 | .0 | ** |
| Due to other funds | .0 | .0 | ** |
| Deferred revenue | .0 | .0 | ** |
| Total current liabilities | <u>.6</u> | <u>.7</u> | -14 |
| Long-term liabilities: | | | |
| Noncurrent liabilities due in one year | .2 | .6 | -67 |
| Noncurrent liabilities due more than 1 yr | 23.2 | 23.3 | 0 |
| Net Pension Liability | 1.2 | 2.5 | -52 |
| Net OPEB Liability | 2.6 | 2.6 | 0 |
| Total Liabilities | <u>27.8</u> | <u>29.7</u> | -6 |
| Deferred Inflows of Resources | 4.9 | 3.1 | 58 |
| Net Position: | | | |
| Net investment in capital assets | 8.2 | 7.8 | 5 |
| Restricted | .6 | .3 | 100 |
| Unrestricted | 5.7 | 3.3 | 73 |
| Total Net Position | <u>\$ 14.5</u> | <u>\$ 11.4</u> | 27 |

The District has \$650,563 in restricted net position that represents \$332,173 proceeds from debt service and \$318,390 proceeds for state and federal programs. These proceeds when spent are restricted for the above purposes. The \$5,676,774 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 \$16,397,646. A significant portion, 17 percent, of the District's revenue comes from taxes. (See Figure A-3.) 64 percent comes from state aid – formula grants, while less than 1 percent relates to charges for services.

The total cost of all programs and services was \$13,256,095; 77 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 \$247,206 or 10%.

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

| | Governmental Activities | | Total % Change |
|---|----------------------------|--------------|----------------------|
| | 2022 | 2021 | |
| Program Revenues: | | | |
| Charges for Services | \$.1 | \$.1 | 0 |
| Operating Grants and Contributions | 3.0 | 2.5 | 20 |
| Capital Grants and Contributions | .0 | .0 | ** |
| General Revenues | | | |
| Property Taxes | 2.8 | 2.6 | 8 |
| State Aid – Formula | 10.5 | 10.1 | 4 |
| Investment Earnings | .1 | .0 | ** |
| Other | (.1) | .2 | -150 |
| Total Revenues | <u>16.4</u> | <u>15.5</u> | 6 |
| Instruction | 6.2 | 6.3 | -2 |
| Instructional Resources and Media Services | .2 | .2 | 0 |
| Curriculum Dev. And Instructional Staff Dev. | .0 | .0 | ** |
| Instructional Leadership | .2 | .2 | 0 |
| School Leadership | .8 | .9 | -11 |
| Guidance, Counseling and Evaluation Services | .4 | .4 | 0 |
| Social Work Services | .1 | .0 | ** |
| Health Services | .1 | .1 | 0 |
| Student (Pupil) Transportation | .4 | .3 | 33 |
| Food Services | .7 | .6 | 17 |
| Curricular/Extracurricular Activities | .6 | .6 | 0 |
| General Administration | .5 | .5 | 0 |
| Plant Maintenance & Oper. | 1.4 | 1.4 | 0 |
| Security & Monitoring Svcs. | .1 | .2 | -50 |
| Data Processing Services | .4 | .4 | 0 |
| Community Services | .0 | .0 | ** |
| Debt Services | .8 | .8 | 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 | .3 | .2 | 50 |
| 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>13.3</u> | <u>13.1</u> | 2 |
| Excess (Deficiency) Before Other Resources, Uses & Transfers | 3.1 | 2.4 | 29 |
| Other Resources (Uses) | .0 | .0 | ** |
| Transfers In (Out) | .0 | .0 | ** |
| Increase (Decrease) in Net Position | <u>\$3.1</u> | <u>\$2.4</u> | 29 |

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 \$13.3 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$2.8 million.
- Some of the cost was paid by those who directly benefited from the programs \$0.08 million, or
- By grants and contributions \$2.95 million.

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

| | Total Cost of Services | | | Net Cost of Services | | |
|--|------------------------|-------------|----------|----------------------|-------------|----------|
| | <u>2022</u> | <u>2021</u> | % Change | <u>2022</u> | <u>2021</u> | % Change |
| Instruction | 6.2 | 6.3 | -2 | 5.2 | 5.4 | -4 |
| School administration | .5 | .5 | 0 | .4 | .5 | -20 |
| Plant Maintenance & Operations | 1.4 | 1.4 | 0 | 1.4 | 1.4 | 0 |
| Debt Service – Interest & Fiscal Charges | .8 | .8 | 0 | .2 | .2 | 0 |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$17.3 million, while the previous year it was \$15.4 million. The increase in local revenues is due primarily to increased valuations. 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 7 times. Actual expenditures were \$1,004,582 below final budget amounts in the General Fund.

On the other hand, resources available were \$1,889,997 above the final budgeted amount with state revenue being over budget by \$1,579,390.

CAPITAL AND RIGHT TO USE ASSETS, AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$42,756,170 in a broad range of capital and right to use assets, including land, construction in progress, equipment, buildings, infrastructure, vehicles, and right-to-use lease assets. (See Table A-4.) This amount represents an increase (including additions and deductions) of \$506,862 or 1% over last year.

Table A-4
District's Capital and Right to Use Assets
(In millions of dollars)

| | Governmental Activities | | Total Percentage Change <u>2022-2021</u> |
|----------------------------|-------------------------|-----------------|---|
| | <u>2022</u> | <u>2021</u> | |
| Land | .844 | 1.120 | -25 |
| Construction in progress | .163 | .015 | 987 |
| Buildings and improvements | 37.190 | 37.521 | -1 |
| Vehicles | 1.251 | 1.151 | 9 |
| Equipment | 2.915 | 2.167 | 35 |
| Infrastructure | .275 | .275 | 0 |
| Right to use assets | .118 | .000 | ** |
| Totals at historical cost | <u>42.756</u> | <u>42.249</u> | 1 |
| Total accumulated | <u>(10.693)</u> | <u>(10.068)</u> | -6 |
| Net capital assets | <u>32.063</u> | <u>32.181</u> | 0 |

The District's fiscal year 2023 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 \$27.176 million in bonds, pension and OPEB liability, and right of use lease activities 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 2022-2021 |
|-------------------------------|----------------------------|--------|--|
| | 2022 | 2021 | |
| Right of use lease activities | .080 | .000 | ** |
| Bonds payable | 21.655 | 22.304 | -3 |
| Pension liability | 1.163 | 2.470 | -53 |
| OPEB liability | 2.589 | 2.600 | 0 |
| Accreted interest | 1.100 | 1.009 | 9 |
| Premium on bonds | .589 | .613 | -4 |
| Total long-term liabilities | 27.176 | 28.996 | -6 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2023 budget preparation is \$233,195,879, an increase of 25% from 2022.
- General operating fund spending per student decreased in the 2023 budget from \$13,616 to \$12,973. This is a 4.7% decrease.
- The District's 2023 refined average daily attendance is expected to be 913.8, slightly less than last year.

These indicators were considered when adopting the general fund budget for 2023. Amounts available for appropriation in the general fund budget are \$11,855,122, a decrease of 6.5% from the final 2022 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the 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, 2022

| Data Control Codes | 1 | Governmental Activities |
|--|---|----------------------------|
| ASSETS: | | |
| 1110 | Cash and Cash Equivalents | \$ 6,546,909 |
| 1120 | Current Investments | 3,777,608 |
| 1225 | Property Taxes Receivable (Net) | 173,994 |
| 1240 | Due from Other Governments | 2,288,214 |
| | Other Receivables (Net) | |
| 1290 | Current Portion | 33,651 |
| 1290 | Noncurrent Portion | 948,596 |
| | Capital and Right of Use Assets: | |
| 1510 | Land | 844,480 |
| 1520 | Buildings and Improvements, Net | 28,921,198 |
| 1530 | Furniture and Equipment, Net | 1,796,882 |
| 1550 | Right to Use Assets, Net | 78,632 |
| 1580 | Construction in Progress | 162,971 |
| 1590 | Infrastructure, Net | 258,829 |
| 1000 | Total Assets | <u>45,831,964</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| | Deferred Outflow Related to Pensions | 728,517 |
| | Deferred Outflow Related to OPEB | 662,019 |
| 1700 | Total Deferred Outflows of Resources | <u>1,390,536</u> |
| LIABILITIES: | | |
| 2110 | Accounts Payable | 100,796 |
| 2140 | Interest Payable | 31,694 |
| 2165 | Accrued Liabilities | 494,506 |
| | Noncurrent Liabilities: | |
| 2501 | Due Within One Year | 226,943 |
| 2502 | Due in More Than One Year | 23,196,909 |
| 2540 | Net Pension Liability | 1,163,313 |
| 2545 | Net OPEB Liability | 2,588,577 |
| 2000 | Total Liabilities | <u>27,802,738</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| | Deferred Inflow Related to Leases | 974,287 |
| | Deferred Inflow Related to Gain on Bond Refunding | 414,706 |
| | Deferred Inflow Related to Pensions | 1,384,021 |
| | Deferred Inflow Related to OPEB | 2,126,671 |
| 2600 | Total Deferred Inflows of Resources | <u>4,899,685</u> |
| NET POSITION: | | |
| 3200 | Net Investment in Capital Assets | 8,192,740 |
| | Restricted For: | |
| 3820 | Federal and State Programs | 318,390 |
| 3850 | Debt Service | 332,173 |
| 3900 | Unrestricted | 5,676,774 |
| 3000 | Total Net Position | <u>\$ 14,520,077</u> |

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

| Data Control Codes | Functions/Programs | 1 | 3 | 4 | Net (Expense) Revenue and Changes in Net Position |
|--------------------------|--|---------------|-------------------------|--|--|
| | | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions | Governmental Activities |
| | Governmental Activities: | | | | |
| 11 | Instruction | \$ 6,224,547 | \$ 1,300 | \$ 1,019,537 | \$ (5,203,710) |
| 12 | Instructional Resources and Media Services | 209,552 | -- | 69,853 | (139,699) |
| 13 | Curriculum and Staff Development | 36,293 | -- | 4,656 | (31,637) |
| 21 | Instructional Leadership | 213,171 | -- | 19,989 | (193,182) |
| 23 | School Leadership | 809,300 | -- | 66,728 | (742,572) |
| 31 | Guidance, Counseling, and Evaluation Services | 346,476 | -- | 105,332 | (241,144) |
| 32 | Social Work Services | 36,433 | -- | 3,336 | (33,097) |
| 33 | Health Services | 99,218 | -- | 11,793 | (87,425) |
| 34 | Student Transportation | 413,721 | -- | 26,652 | (387,069) |
| 35 | Food Service | 653,041 | 49,902 | 623,400 | 20,261 |
| 36 | Cocurricular/Extracurricular Activities | 618,345 | 25,553 | 24,857 | (567,935) |
| 41 | General Administration | 476,573 | -- | 29,888 | (446,685) |
| 51 | Facilities Maintenance and Operations | 1,431,348 | -- | 61,334 | (1,370,014) |
| 52 | Security and Monitoring Services | 112,348 | -- | 10,040 | (102,308) |
| 53 | Data Processing Services | 425,784 | -- | 24,731 | (401,053) |
| 72 | Interest on Long-term Debt | 812,346 | -- | 649,652 | (162,694) |
| 73 | Bond Issuance Costs and Fees | 5,000 | -- | -- | (5,000) |
| 93 | Payments Related to Shared Services Arrangements | 283,862 | -- | 200,761 | (83,101) |
| 99 | Other Intergovernmental Charges | 48,737 | -- | -- | (48,737) |
| TG | Total Governmental Activities | 13,256,095 | 76,755 | 2,952,539 | (10,226,801) |
| TP | Total Primary Government | \$ 13,256,095 | \$ 76,755 | \$ 2,952,539 | (10,226,801) |
| | General Revenues: | | | | |
| MT | Property Taxes, Levied for General Purposes | | | | 1,931,846 |
| DT | Property Taxes, Levied for Debt Service | | | | 912,650 |
| IE | Investment Earnings | | | | 56,596 |
| GC | Grants and Contributions Not Restricted to Specific Programs | | | | 10,529,246 |
| MI | Miscellaneous | | | | 229,367 |
| | Loss on Disposal of Capital Assets | | | | (291,353) |
| TR | Total General Revenues | | | | 13,368,352 |
| CN | Change in Net Position | | | | 3,141,551 |
| NB | Net Position - Beginning | | | | 11,378,526 |
| NE | Net Position - Ending | | | | \$ 14,520,077 |

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2022

| Data Control Codes | 10 General Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|----------------------|--------------------------|--------------------------------|
| ASSETS: | | | |
| 1110 Cash and Cash Equivalents | \$ 6,244,798 | \$ 302,111 | \$ 6,546,909 |
| 1120 Current Investments | 3,777,608 | -- | 3,777,608 |
| 1225 Taxes Receivable, Net | 124,968 | 49,026 | 173,994 |
| 1240 Due from Other Governments | 1,852,055 | 436,159 | 2,288,214 |
| 1260 Due from Other Funds | -- | 508 | 508 |
| Other Receivables, net: | | | |
| 1290 Current Portion | 33,651 | -- | 33,651 |
| 1290 Noncurrent Portion | 948,596 | -- | 948,596 |
| 1000 Total Assets | <u>\$ 12,981,676</u> | <u>\$ 787,804</u> | <u>\$ 13,769,480</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| 2110 Accounts Payable | \$ 70,961 | \$ 29,835 | \$ 100,796 |
| 2150 Payroll Deductions and Withholdings | 923 | -- | 923 |
| 2160 Accrued Wages Payable | 410,278 | 68,111 | 478,389 |
| 2170 Due to Other Funds | 508 | -- | 508 |
| 2200 Accrued Expenditures | 8,732 | 6,462 | 15,194 |
| 2000 Total Liabilities | <u>491,402</u> | <u>104,408</u> | <u>595,810</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable Revenue - Property Taxes | 124,968 | 49,026 | 173,994 |
| Unavailable Revenue - Leases | 974,287 | -- | 974,287 |
| 2600 Total Deferred Inflows of Resources | <u>1,099,255</u> | <u>49,026</u> | <u>1,148,281</u> |
| FUND BALANCES: | | | |
| Restricted Fund Balances: | | | |
| 3450 Federal/State Funds Grant Restrictions | -- | 318,390 | 318,390 |
| 3480 Retirement of Long-Term Debt | -- | 283,147 | 283,147 |
| Committed Fund Balances: | | | |
| 3510 Construction | 2,250,000 | -- | 2,250,000 |
| 3545 Other Committed Fund Balance-Campus Activities | -- | 32,833 | 32,833 |
| 3600 Unassigned | 9,141,019 | -- | 9,141,019 |
| 3000 Total Fund Balances | <u>11,391,019</u> | <u>634,370</u> | <u>12,025,389</u> |
| Total Liabilities, Deferred Inflow of Resources and Fund Balances | | | |
| 4000 | <u>\$ 12,981,676</u> | <u>\$ 787,804</u> | <u>\$ 13,769,480</u> |

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2022

| | |
|--|----------------------|
| Total fund balances - governmental funds balance sheet | \$ 12,025,389 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 32,062,992 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 173,994 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (21,654,592) |
| Payables for right-to-use leases which are not due in the current period are not reported in the funds. | (79,883) |
| Payables for debt interest which are not due in the current period are not reported in the funds. | (31,694) |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (1,163,313) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (1,384,021) |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 728,517 |
| The accumulated accretion of interest on capital appreciation bonds is not reported in the funds. | (1,100,328) |
| Bond premiums are amortized in the SNP but not in the funds. | (589,049) |
| Bond refunding gains are amortized in the SNP but not in the funds. | (414,706) |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | (2,588,577) |
| Deferred Resource Inflows related to the OPEB plan are not reported in the funds. | (2,126,671) |
| Deferred Resource Outflows related to the OPEB plan are not reported in the funds. | 662,019 |
| Net position of governmental activities - Statement of Net Position | <u>\$ 14,520,077</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, 2022

| Data Control Codes | 10 General Fund | Other Governmental Funds | 98 Total Governmental Funds |
|--|----------------------|--------------------------|--------------------------------|
| REVENUES: | | | |
| 5700 Local and Intermediate Sources | \$ 2,211,152 | \$ 1,048,430 | \$ 3,259,582 |
| 5800 State Program Revenues | 10,975,694 | 782,872 | 11,758,566 |
| 5900 Federal Program Revenues | 176,675 | 2,121,859 | 2,298,534 |
| 5020 Total Revenues | <u>13,363,521</u> | <u>3,953,161</u> | <u>17,316,682</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 5,905,087 | 1,001,277 | 6,906,364 |
| 0012 Instructional Resources and Media Services | 139,372 | 66,322 | 205,694 |
| 0013 Curriculum and Staff Development | 30,767 | 3,562 | 34,329 |
| 0021 Instructional Leadership | 206,856 | 5,365 | 212,221 |
| 0023 School Leadership | 789,286 | 12,574 | 801,860 |
| 0031 Guidance, Counseling, and Evaluation Services | 245,434 | 91,709 | 337,143 |
| 0032 Social Work Services | 36,819 | -- | 36,819 |
| 0033 Health Services | 97,353 | 3,044 | 100,397 |
| 0034 Student Transportation | 469,156 | 4,565 | 473,721 |
| 0035 Food Service | 1,039 | 627,018 | 628,057 |
| 0036 Cocurricular/Extracurricular Activities | 583,606 | 82,667 | 666,273 |
| 0041 General Administration | 460,986 | 3,044 | 464,030 |
| 0051 Facilities Maintenance and Operations | 1,552,773 | 6,087 | 1,558,860 |
| 0052 Security and Monitoring Services | 143,350 | 1,522 | 144,872 |
| 0053 Data Processing Services | 423,268 | 2,663 | 425,931 |
| 0071 Principal on Long-term Debt | 38,065 | 650,000 | 688,065 |
| 0072 Interest on Long-term Debt | 3,834 | 769,763 | 773,597 |
| 0073 Bond Issuance Costs and Fees | -- | 5,000 | 5,000 |
| 0081 Capital Outlay | 424,293 | -- | 424,293 |
| 0093 Payments to Shared Service Arrangements | 84,740 | 199,122 | 283,862 |
| 0099 Other Intergovernmental Charges | 44,440 | -- | 44,440 |
| 6030 Total Expenditures | <u>11,680,524</u> | <u>3,535,304</u> | <u>15,215,828</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>1,682,997</u> | <u>417,857</u> | <u>2,100,854</u> |
| Other Financing Sources and (Uses): | | | |
| 7912 Sale of Real or Personal Property | 250,617 | -- | 250,617 |
| 7913 Issuance of Right to Use Leased Assets | 117,948 | -- | 117,948 |
| 7080 Total Other Financing Sources and (Uses) | <u>368,565</u> | <u>--</u> | <u>368,565</u> |
| 1200 Net Change in Fund Balances | <u>2,051,562</u> | <u>417,857</u> | <u>2,469,419</u> |
| 0100 Fund Balances - Beginning | 9,339,457 | 216,513 | 9,555,970 |
| 3000 Fund Balances - Ending | <u>\$ 11,391,019</u> | <u>\$ 634,370</u> | <u>\$ 12,025,389</u> |

The accompanying notes are an integral part of this statement.

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, 2022

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ 2,469,419 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 1,564,250 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (1,140,971) |
| Basis from disposal of capital assets is reported in the SOA but not in the funds. | (541,970) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | (52,368) |
| Amortization of bond premium not providing current financial resources is not reported as revenues in the funds. | 52,190 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 650,000 |
| Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA. | 38,065 |
| 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. | 755 |
| Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds. | (117,948) |
| Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. | 152,258 |
| Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows. | <u>159,565</u> |
| Change in net position of governmental activities - Statement of Activities | <u>\$ 3,141,551</u> |

The accompanying notes are an integral part of this statement.

RICE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2022

| Data Control Codes | | Private-purpose Trust Funds | Custodial Funds Student Activity |
|--------------------------|---|-----------------------------------|---|
| | ASSETS: | | |
| 1110 | Cash and Cash Equivalents | \$ 26,518 | \$ 13,962 |
| 1120 | Current Investments | 3,624 | -- |
| 1000 | Total Assets | <u>30,142</u> | <u>13,962</u> |
| | LIABILITIES: | | |
| | Current Liabilities: | | |
| 2110 | Accounts Payable | 1,006 | -- |
| 2000 | Total Liabilities | <u>1,006</u> | <u>--</u> |
| | NET POSITION: | | |
| 3800 | Held in Trust | 29,136 | -- |
| 3800 | Restricted for Individ., Org., and Other Gov. | -- | 13,962 |
| 3000 | Total Net Position | <u>\$ 29,136</u> | <u>\$ 13,962</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, 2022

| | Private- Purpose Trust Funds | Custodial Funds Student Activity |
|--------------------------------------|------------------------------------|---|
| Additions: | | |
| Investment Income | \$ 30 | \$ -- |
| Gifts and Bequests | 8,583 | -- |
| Student Group Fundraising Activities | -- | 41,333 |
| Total Additions | <u>8,613</u> | <u>41,333</u> |
| Deductions: | | |
| Scholarship Awards | 6,500 | -- |
| Benefits for Student Groups | -- | 36,868 |
| Total Deductions | <u>6,500</u> | <u>36,868</u> |
| Change in Net Position | 2,113 | 4,465 |
| Net Position-Beginning of the Year | 27,023 | 9,497 |
| Net Position-End of the Year | <u>\$ 29,136</u> | <u>\$ 13,962</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, 2022

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.

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.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds account for the resources restricted or committed for specific purposes. Federal revenues are generally accounted for in special revenue funds, as is some state assistance. Amounts unspent may be returned to the grantor agency at the close of the applicable project period.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Debt Service Fund: This fund collects the dedicated taxes from Interest and Sinking Fund property taxes assessed and records the payments on bonded debt.

Capital Projects Funds: These funds are used to account for significant, ongoing capital projects of the District.

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.

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of the 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 custodial capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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. There is an allowance for uncollectible taxes of \$18,052 at August 31, 2022.

b. 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.

c. Capital and Right of Use 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/amortized using the straight-line method over the following estimated useful lives

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------|-------------------------------|
| Infrastructure | 30 |
| Buildings | 50 |
| Building Improvements | 20 |
| Vehicles | 2-15 |
| Office Equipment | 3-15 |
| Computer Equipment | 3-15 |
| Right of Use Assets | 3-5 |

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

j. Net Position

Net position in the government-wide financial statements is classified as Net Investment in Capital Assets, Restricted, and unrestricted. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets. Restricted Net Position consists of assets and deferred resource outflows, net of any related liabilities and deferred resource inflows, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed. Unrestricted Net Position consists of amounts that do not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

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.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leases assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. All existing leases have been re-valued at the beginning of the fiscal year to reflect the change, and future leases will be reported in accordance with the provisions of this statement.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

GASB No. 89 requires that interest costs incurred during a construction period be recognized as an expense for business- type activity. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. There is no current year impact to the District related to the statement.

GASB Statement No. 91, Conduit Debt Obligations

This statement requires issuers of Conduit Debt Obligations to disclose general information organized by type of commitment, including the aggregate outstanding principal amount of the issuers' debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The provisions of this statement are effective for reporting periods beginning after December 31, 2020. There is no current year impact to the District related to this statement.

GASB Statement No. 92, Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The topics that relate most directly to this district in the current fiscal year include the amendments to certain GASB No. 68 provisions. The provisions of GASB Statement No. 92, excluding the requirements related to Statements No. 87 and Implementation Guide 2019-3 which were effective upon issuance, are effective for fiscal years and reporting periods beginning after June 15, 2021. There is no significant impact related to this Statement to the District in the current year.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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GASB Statement No. 93, Replacement of Interbank Offered Rates

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The requirements of this Statement, except for paragraphs 11b, 13 and 14 were implemented in the fiscal year ended August 31, 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements of paragraphs 11b, 13 and 14 of this Statement are effective for reporting periods ending after June 15, 2021. There is no significant current year impact to the District related to this Statement.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

The District previously adopted paragraphs 4 and 5 of GASB Statement No. 92. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The provisions of this Statement have no significant impact to the District in the current year.

GASB Statement No. 98, The Annual Comprehensive Financial Report

This statement was issued in October 2021 and establishes the term Annual Comprehensive Financial Report and its acronym, ACFR. This new term and acronym replace instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. The District implemented this Statement in the current fiscal year with no significant impact.

GASB Statement No. 99, Omnibus 2022

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments that do not meet the definition of either an investment or a hedge
- Guidance clarification for short-term leases when there is a modification of terms
- Considerations for public-private partnerships (PPP) terminology as well as recognizing installment payments and transferring underlying PPP assets
- Clarifications of subscription-based information technology arrangement (SBITA) terms, and liability measurement and recognition

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

- Disclosures related to nonmonetary transactions
- Certain provisions of GASB Statement No. 34
- Pledges of future revenues when resources are not received by the pledging government
- Terminology updates related to deferred inflows and outflows of resources and net position
- Resource flows statements terminology related to GASB Statement No. 53
- Accounting for SNAP distributions
- Requirements related to the extension of the use of LIBOR

The requirements of GASB Statement No. 99 that relate to the extension of the use of LIBOR , accounting for SNAP distributions, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement 34, and terminology updates took effect upon issuance, and were implemented during the District's current fiscal year, with no significant impact.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

7. Future Implementation of New Standards

The District is currently evaluating the impact related to the implementation of the following GASB Statements, scheduled to become effective in fiscal years 2023, 2024 and 2025:

Statement No. 96, *Subscription-Based Information Technology Arrangements*

Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*

Statement No. 101, *Compensated Absences*

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 |

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$10,368,621 and the bank balance was \$10,683,829. The District's cash deposits at August 31, 2022 and during the year ended August 31, 2022, 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.

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

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------------------------|-----------------|---------------------|
| Certificates of Deposit | <1 year | \$ 2,658,821 |
| Bank Money Market account | N/A | 1,122,411 |
| Total Investments | | \$ <u>3,781,232</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.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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At August 31, 2022, 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.

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.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

D. Capital and Right of Use Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|--------------------|---------------------|----------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,119,791 | \$ -- | \$ (275,311) | \$ 844,480 |
| Construction in progress | 15,013 | 177,984 | (30,026) | 162,971 |
| Total capital assets not being depreciated | <u>1,134,804</u> | <u>177,984</u> | <u>(305,337)</u> | <u>1,007,451</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and improvements | 37,521,119 | 416,019 | (747,382) | 37,189,756 |
| Infrastructure | 275,350 | -- | -- | 275,350 |
| Equipment | 2,166,705 | 752,485 | (4,669) | 2,914,521 |
| Vehicles | 1,151,330 | 99,814 | -- | 1,251,144 |
| Right to Use Assets | -- | 117,948 | -- | 117,948 |
| Total capital assets being depreciated/amortized | <u>41,114,504</u> | <u>1,386,266</u> | <u>(752,051)</u> | <u>41,748,719</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and improvements | (7,980,998) | (768,283) | 480,723 | (8,268,558) |
| Infrastructure | (5,507) | (11,014) | -- | (16,521) |
| Equipment | (1,153,936) | (207,622) | 34,695 | (1,326,863) |
| Vehicles | (927,184) | (114,736) | -- | (1,041,920) |
| Right to Use Assets | -- | (39,316) | -- | (39,316) |
| Total accumulated depr./amort. | <u>(10,067,625)</u> | <u>(1,140,971)</u> | <u>515,418</u> | <u>(10,693,178)</u> |
| Total capital assets being depr./amort., net | <u>31,046,879</u> | <u>245,295</u> | <u>(236,633)</u> | <u>31,055,541</u> |
| Governmental activities capital assets, net | <u>\$ 32,181,683</u> | <u>\$ 423,279</u> | <u>\$ (541,970)</u> | <u>\$ 32,062,992</u> |

Depreciation was charged to functions as follows:

| | |
|---|---------------------|
| Instruction | \$ 590,786 |
| Instructional Resources and Media Services | 19,887 |
| Curriculum and Staff Development | 3,319 |
| Instructional Leadership | 20,518 |
| School Leadership | 77,527 |
| Guidance, Counseling, & Evaluation Services | 32,596 |
| Social Work Services | 3,560 |
| Health Services | 9,707 |
| Student Transportation | 38,568 |
| Food Services | 60,723 |
| Extracurricular Activities | 56,982 |
| General Administration | 44,864 |
| Plant Maintenance and Operations | 127,366 |
| Security and Monitoring Services | 10,758 |
| Data Processing Services | 39,513 |
| Other Intergovernmental Charges | 4,297 |
| | <u>\$ 1,140,971</u> |

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2022, consisted of the following:

| <u>Due To Fund</u> | <u>Due From Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|--------------------------|----------------------|---------------|------------------|
| Other Governmental Funds | General Fund | \$ 508 | Short-term loans |
| | Total | \$ <u>508</u> | |

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds for the fiscal year ended August 31, 2022.

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, 2021, are as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---------------------------------|--------------------------|---------------------|---------------------|-----------------------|------------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Building & Refunding Bonds | \$ 13,985,000 | \$ -- | \$ (355,000) | \$ 13,630,000 | \$ 187,640 |
| Unlimited Tax Refunding Bonds | 8,200,000 | -- | (295,000) | 7,905,000 | -- |
| Capital Appreciation Bonds | 119,592 | -- | -- | 119,592 | -- |
| Capital Apprec Bd Acc Interest | 1,008,634 | 91,694 | -- | 1,100,328 | -- |
| Bond premiums | 613,592 | -- | (24,543) | 589,049 | -- |
| Right of Use Lease Activities | -- | 117,948 | (38,065) | 79,883 | 39,303 |
| Net Pension Liability * | 2,469,660 | (1,111,408) | (194,939) | 1,163,313 | -- |
| Net OPEB Liability * | 2,599,904 | 41,098 | (52,425) | 2,588,577 | -- |
| Total governmental activities | \$ <u>28,996,382</u> | \$ <u>(860,668)</u> | \$ <u>(959,972)</u> | \$ <u>27,175,742</u> | \$ <u>226,943</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 |

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, 2022 is \$119,592 and is considered capital appreciation bonds. The balance of the 2010 issue was refinanced with the 2020 Refunding Bonds.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022 is \$0.

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, 2022 is \$7,610,000.

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, 2022 is \$6,020,000.

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, 2022 is \$7,905,000.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2022, are as follows:

| <u>Year Ending 2022.</u> | Governmental Activities | | |
|--------------------------|-------------------------|----------------------|----------------------|
| | Bonds | | |
| | Principal | Interest | Total |
| 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 | 655,000 | 732,825 | 1,387,825 |
| 2027 | 685,000 | 702,175 | 1,387,175 |
| 2028-2032 | 3,855,000 | 3,064,959 | 6,919,959 |
| 2033-2037 | 4,420,000 | 2,503,725 | 6,923,725 |
| 2038-2042 | 5,170,000 | 1,762,925 | 6,932,925 |
| 2043-2047 | 6,310,000 | 623,747 | 6,933,747 |
| Totals | <u>\$ 21,654,592</u> | <u>\$ 13,028,664</u> | <u>\$ 34,683,256</u> |

G. Leases

Lease Liabilities

The District previously entered into a sixty-month leasing arrangement for copier/printer/scanner equipment that was revalued on September 1, 2021 in the amount of \$117,948, payable in monthly installments of \$3,492 at an interest rate of 3.25 percent. There are no variable payments not included in the measurement of the leases.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Future lease payment maturity schedule is as follows:

| Year ended August 31, | Principal | Interest | Total |
|--------------------------|------------------|-----------------|------------------|
| 2023 | \$ 39,303 | \$ 2,596 | \$ 41,899 |
| 2024 | 40,580 | 1,319 | 41,899 |
| | <u>\$ 79,883</u> | <u>\$ 3,915</u> | <u>\$ 83,798</u> |

Lease Receivables and Deferred Inflows

The District previously entered into a twenty-five year leasing arrangement for sign rental which was revalued to a eighteen year leasing arrangement at September 1, 2021 under GASB 87, totaling \$34,170, receivable in monthly installments ranging from \$170 to \$240 at an interest rate of 3.25 percent. The financial statements include \$33,132 lease receivables, \$1,898 lease revenue, and \$1,001 interest income related to this agreement.

Future lease revenue maturity schedule reported as deferred resource inflows is as follows:

| Year ended August 31, | Principal | Interest | Total |
|--------------------------|------------------|------------------|------------------|
| 2023 | \$ 1,898 | \$ 1,062 | \$ 2,960 |
| 2024 | 1,898 | 1,025 | 2,923 |
| 2025 | 1,898 | 979 | 2,877 |
| 2026 | 1,898 | 932 | 2,830 |
| 2027 | 1,898 | 884 | 2,782 |
| 2028-2032 | 9,492 | 3,636 | 13,128 |
| 2033-2037 | 9,492 | 1,960 | 11,452 |
| 2038-2040 | 3,797 | 192 | 3,989 |
| | <u>\$ 32,271</u> | <u>\$ 10,670</u> | <u>\$ 42,941</u> |

The District entered into a thirty-year leasing arrangement for broadband tower rental on May 5, 2022 under GASB 87, totaling \$952,600, receivable in monthly installments ranging from \$2,800 to \$6,598 at an interest rate of 3.25 percent. The financial statements include \$949,115 lease receivables, \$10,584 lease revenue, and \$7,715 interest income related to the agreement.

Future lease revenue maturity schedule reported as deferred resource inflows is as follows:

| Year ended August 31, | Principal | Interest | Total |
|--------------------------|-------------------|-------------------|---------------------|
| 2023 | \$ 31,753 | \$ 30,804 | \$ 62,557 |
| 2024 | 31,753 | 30,685 | 62,438 |
| 2025 | 31,753 | 30,529 | 62,282 |
| 2026 | 31,753 | 30,332 | 62,085 |
| 2027 | 31,753 | 30,093 | 61,846 |
| 2028-2032 | 158,767 | 145,201 | 303,968 |
| 2033-2037 | 158,767 | 131,254 | 290,021 |
| 2038-2042 | 158,767 | 108,553 | 267,320 |
| 2043-2047 | 158,767 | 74,555 | 233,322 |
| 2048-2052 | 148,183 | 26,214 | 174,397 |
| | <u>\$ 942,016</u> | <u>\$ 638,220</u> | <u>\$ 1,580,236</u> |

H. 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 2022, 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.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about%20publications.aspx> ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

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

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

4. Contributions

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

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.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

| | <u>Contribution Rates</u> | |
|---|---------------------------|-------------|
| | <u>2021</u> | <u>2022</u> |
| Member | 7.7% | 8.0% |
| Non-Employer Contributing Entity (State) | 7.5% | 7.75% |
| Employers | 7.5% | 7.75% |
| | | |
| District's 2022 Employer Contributions | | \$ 269,065 |
| District's 2022 Member Contributions | | \$ 566,485 |
| 2021 NECE On-Behalf Contributions (State) | | \$ 376,398 |

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

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

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

5. Actuarial Assumptions

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

| | |
|---|---|
| Valuation Date | August 31, 2020 rolled forward to August 31, 2021 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Single Discount Rate | 7.25% |
| Long-term expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2020 | 1.95% * |
| Last year ending August 31 in Projection Period | 2120 |
| Inflation | 2.30% |
| Salary Increases including inflation | 3.05% to 9.05% |
| Ad hoc post-employment benefit changes | None |

* The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"

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

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021 are summarized below:

RICE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

| Asset Class * | Target Allocation ** | Long-Term Expected Arithmetic Real Rate of Return *** | Expected Contribution to Long-Term Portfolio Returns |
|---|----------------------|---|--|
| Global Equity | | | |
| USA | 18.0% | 3.6% | 0.94% |
| Non-U.S. Developed | 13.0% | 4.4% | 0.83% |
| Emerging Markets | 9.0% | 4.6% | 0.74% |
| Private Equity | 14.0% | 6.3% | 1.36% |
| Stable Value | | | |
| Government Bonds | 16.0% | (0.2)% | 0.01% |
| Absolute Return | 0.0% | 1.1% | 0.00% |
| Stable Value Hedge Funds | 5.0% | 2.2% | 0.12% |
| Real Return | | | |
| Real Estate | 15.0% | 4.5% | 1.00% |
| Energy, Natural Resources and Infrastructure | 6.0% | 4.7% | 0.35% |
| Commodities | 0.0% | 1.7% | 0.00% |
| Risk Parity | 8.0% | 2.8% | 0.28% |
| Asset Allocation Leverage | | | |
| Cash | 2.0% | (0.7)% | (0.01)% |
| Asset Allocation Leverage | (6.0)% | (0.5)% | 0.03% |
| Inflation Expectation | | | 2.20% |
| Volatility Drag **** | - | | (0.95)% |
| Expected Return | <u><u>100.0%</u></u> | | <u><u>6.90%</u></u> |
| * Absolute Return includes Credit Sensitive Investments. | | | |
| ** Target allocations are based on the FY2021 policy model. | | | |
| *** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021) | | | |
| **** The volatility drag results from the conversion between arithmetic and geometric mean returns. | | | |

7. Discount Rate Sensitivity Analysis

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

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|--|---|-----------------------------|---|
| District's proportionate share of the net pension liability: | \$ 2,542,024 | \$ 1,163,313 | \$ 44,760 |

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

At August 31, 2022, the District reported a liability of \$1,163,313 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 | \$ 1,163,313 |
| State's proportionate share that is associated with District | <u>2,246,183</u> |
| Total | <u>\$ 3,409,496</u> |

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0045680207 percent which was an increase (decrease) of -0.0000431703 percent from its proportion measured as of August 31, 2020.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$125,787 and revenue of \$8,980 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Actuarial Experience | \$ 1,947 | \$ 81,898 |
| Changes in Actuarial Assumptions | 411,208 | 179,252 |
| Difference Between Projected and Actual Investment Earnings | -- | 975,423 |
| Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions | 46,297 | 147,448 |
| Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability | 269,065 | -- |
| Total | <u>\$ 728,517</u> | <u>\$ 1,384,021</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:

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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| Year ended August 31, | Pension Expense Amount |
|-----------------------|------------------------|
| 2023 | \$ (148,921) |
| 2024 | \$ (169,451) |
| 2025 | \$ (257,446) |
| 2026 | \$ (325,479) |
| 2027 | \$ (20,050) |
| Thereafter | \$ (3,221) |

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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 |

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

| Contribution Rates | |
|---|-------------|
| | <u>2022</u> |
| Active Employee | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% |
| Employers | 0.75% |
| Federal/Private Funding remitted by Employers | 1.25% |

| | | |
|---|----|--------|
| District's 2022 Employer Contributions | \$ | 64,127 |
| District's 2022 Member Contributions | \$ | 46,027 |
| 2021 NECE On-Behalf Contributions (state) | \$ | 70,238 |

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

5. Actuarial Assumptions

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

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

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

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

Additional Actuarial Methods and Assumptions:

| | |
|--|---|
| Valuation Date | August 31, 2020 rolled forward to August 31, 2021 |
| Actuarial Cost Method | Individual Entry-Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 1.95% as of August 31, 2021 |
| Aging Factors | Based on plan specific experience |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs. |
| Projected Salary Increases | 3.05% to 9.05%, including inflation |
| Health Care Trend Rates | 8.5% to 4.25% |
| Election Rates | Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at a age 65. |
| Ad hoc post-employment benefit changes | None |

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

6. Discount Rate

A single discount rate of 1.95 percent was used to measure the Total OPEB Liability. This was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to **not be able** to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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7. Discount Rate Sensitivity Analysis

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

| | 1% Decrease in Discount Rate (0.95%) | Current Single Discount Rate (1.95%) | 1% Increase in Discount Rate (2.95%) |
|---|---|---|---|
| District's proportionate share of the Net OPEB Liability: | \$ 3,122,420 | \$ 2,588,577 | \$ 2,168,425 |

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

At August 31, 2022, the District reported a liability of \$2,588,577 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 | \$ 2,588,577 |
| State's proportionate share that is associated with the District | <u>3,468,116</u> |
| Total | <u>\$ 6,056,693</u> |

The Net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2020 thru August 31, 2021.

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0067105966 percent, which was an increase (decrease) of (0.0001286431) percent from its proportion measured as of August 31, 2020.

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

| | 1% Decrease in Healthcare Trend Rate | Current Single Healthcare Trend Rate | 1% Increase in Healthcare Trend Rate |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| District's proportionate share of Net OPEB Liability: | \$ 2,096,662 | \$ 2,588,577 | \$ 3,248,605 |

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

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

RICE INDEPENDENT SCHOOL DISTRICT
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At August 31, 2022, 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 | \$ 111,450 | \$ 1,253,052 |
| Changes in actuarial assumptions | 286,715 | 547,436 |
| Difference between projected and actual investment earnings | 2,810 | -- |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 196,917 | 326,183 |
| Contributions paid to TRS subsequent to the measurement date | 64,127 | -- |
| Total | \$ 662,019 | \$ 2,126,671 |

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 |
|-----------------------|---------------------|
| 2023 | \$ (281,545) |
| 2024 | \$ (281,609) |
| 2025 | \$ (281,594) |
| 2026 | \$ (213,454) |
| 2027 | \$ (121,206) |
| Thereafter | \$ (349,370) |

For the year ended August 31, 2022, the District recognized OPEB expense of \$(223,438) and revenue of \$(128,000) for support provided by the State.

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, 2022, 2021 and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$29,054, \$28,997 and \$30,528.

K. Employee Health Care Coverage

During the year ended August 31, 2022, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$386 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 Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2022, and terms of coverage and premium costs are included in the contractual provisions.

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Latest financial statements for the TRS Care are available for the year ended December 31, 2021, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. 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, 2022.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a Shared Services Arrangement ("SSA") which provides a credit recovery program and alternative education program with the following school districts:

Member Districts

Blooming Grove ISD
Dawson ISD
Frost ISD
Hubbard ISD
Kerens ISD
Mildred ISD
Rice ISD
Wortham ISD
Fairfield 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, Dawson 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.

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 | |

RICE INDEPENDENT SCHOOL DISTRICT
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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 |

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.

N. 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 | 2022 | 2021 |
|---|------------------|-----------------|
| Unpaid (overpayment) claims, beginning of fiscal year | \$ 2,077 | \$ 9,866 |
| Net claims incurred or (adjusted) during the year | 21,645 | 28,341 |
| Payments of claims during the year | (10,035) | (36,130) |
| Unpaid claims, fiscal year end | <u>\$ 13,687</u> | <u>\$ 2,077</u> |

The above amount represents old claims, and is included in liabilities on the financial statements as of August 31, 2022.

O. Accumulated Unpaid Vacation and Personal Leave Benefits

At August 31, 2022, 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, 2022 which are not recorded on the financial statements in the amount of \$526,396. These benefits are recorded as expenditures as used.

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, 2022

EXHIBIT G-1
Page 1 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|---|---|-------------------|-------------------|-------------------|---|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 1,834,356 | \$ 1,909,261 | \$ 2,211,152 | \$ 301,891 |
| 5800 | State Program Revenues | 9,668,722 | 9,396,304 | 10,975,694 | 1,579,390 |
| 5900 | Federal Program Revenues | 160,000 | 160,000 | 176,675 | 16,675 |
| 5020 | Total Revenues | <u>11,663,078</u> | <u>11,465,565</u> | <u>13,363,521</u> | <u>1,897,956</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction and Instructional Related Services: | | | | | |
| 0011 | Instruction | 5,397,118 | 6,103,168 | 5,905,087 | 198,081 |
| 0012 | Instructional Resources and Media Services | 154,454 | 154,454 | 139,372 | 15,082 |
| 0013 | Curriculum and Staff Development | 20,700 | 36,900 | 30,767 | 6,133 |
| | Total Instruction and Instr. Related Services | <u>5,572,272</u> | <u>6,294,522</u> | <u>6,075,226</u> | <u>219,296</u> |
| Instructional and School Leadership: | | | | | |
| 0021 | Instructional Leadership | 202,205 | 209,491 | 206,856 | 2,635 |
| 0023 | School Leadership | 820,278 | 826,180 | 789,286 | 36,894 |
| | Total Instructional and School Leadership | <u>1,022,483</u> | <u>1,035,671</u> | <u>996,142</u> | <u>39,529</u> |
| Support Services - Student (Pupil): | | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | 334,570 | 339,570 | 245,434 | 94,136 |
| 0032 | Social Work Services | 36,894 | 37,894 | 36,819 | 1,075 |
| 0033 | Health Services | 113,738 | 113,738 | 97,353 | 16,385 |
| 0034 | Student (Pupil) Transportation | 593,352 | 633,012 | 469,156 | 163,856 |
| 0035 | Food Services | 3,500 | 3,500 | 1,039 | 2,461 |
| 0036 | Cocurricular/Extracurricular Activities | 560,610 | 672,839 | 583,606 | 89,233 |
| | Total Support Services - Student (Pupil) | <u>1,642,664</u> | <u>1,800,553</u> | <u>1,433,407</u> | <u>367,146</u> |
| Administrative Support Services: | | | | | |
| 0041 | General Administration | 456,859 | 479,359 | 460,986 | 18,373 |
| | Total Administrative Support Services | <u>456,859</u> | <u>479,359</u> | <u>460,986</u> | <u>18,373</u> |
| Support Services - Nonstudent Based: | | | | | |
| 0051 | Plant Maintenance and Operations | 1,437,401 | 1,724,175 | 1,552,773 | 171,402 |
| 0052 | Security and Monitoring Services | 121,719 | 156,719 | 143,350 | 13,369 |
| 0053 | Data Processing Services | 438,761 | 454,165 | 423,268 | 30,897 |
| | Total Support Services - Nonstudent Based | <u>1,997,881</u> | <u>2,335,059</u> | <u>2,119,391</u> | <u>215,668</u> |
| Ancillary Services: | | | | | |
| 0061 | Community Services | 1,200 | 1,200 | -- | 1,200 |
| | Total Ancillary Services | <u>1,200</u> | <u>1,200</u> | <u>--</u> | <u>1,200</u> |
| Debt Service: | | | | | |
| 0071 | Principal on Long-Term Debt | -- | 38,065 | 38,065 | -- |
| 0072 | Interest on Long-Term Debt | -- | 3,934 | 3,834 | -- |
| | Total Debt Service | <u>--</u> | <u>41,899</u> | <u>41,899</u> | <u>--</u> |
| Capital Outlay: | | | | | |
| 0081 | Capital Outlay | 450,000 | 567,663 | 424,293 | 143,370 |
| | Total Capital Outlay | <u>450,000</u> | <u>567,663</u> | <u>424,293</u> | <u>143,370</u> |

RICE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-1
Page 2 of 2

| Data Control Codes | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) | |
|--------------------------|--|---------------------|---------------------|---|---------------------|
| | Budgeted Amounts | | Actual | | |
| | Original | Final | | | |
| | Intergovernmental Charges: | | | | |
| 0093 | Payments to Fiscal Agent/Member Dist.-SSA | 78,920 | 84,740 | 84,740 | -- |
| 0099 | Other Intergovernmental Charges | 43,000 | 44,440 | 44,440 | -- |
| | Total Intergovernmental Charges | <u>121,920</u> | <u>129,180</u> | <u>129,180</u> | <u>--</u> |
| 6030 | Total Expenditures | <u>11,265,279</u> | <u>12,685,106</u> | <u>11,680,524</u> | <u>1,004,582</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | <u>397,799</u> | <u>(1,219,541)</u> | <u>1,682,997</u> | <u>2,902,538</u> |
| | Other Financing Sources (Uses): | | | | |
| 7912 | Sale of Real or Personal Property | -- | 250,617 | 250,617 | -- |
| 7913 | Issuance of Right to Use Leased Assets | -- | 117,948 | 117,948 | -- |
| 8949 | Other Uses | (212,999) | -- | -- | -- |
| 7080 | Total Other Financing Sources and (Uses) | <u>(212,999)</u> | <u>368,565</u> | <u>368,565</u> | <u>--</u> |
| 1200 | Net Change in Fund Balance | 184,800 | (850,976) | 2,051,562 | 2,902,538 |
| 0100 | Fund Balance - Beginning | 9,339,457 | 9,339,457 | 9,339,457 | -- |
| 3000 | Fund Balance - Ending | <u>\$ 9,524,257</u> | <u>\$ 8,488,481</u> | <u>\$ 11,391,019</u> | <u>\$ 2,902,538</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 Ended August 31, | | | | | | | | | |
|--|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| District's proportion of the net pension liability (asset) | 0.005% | 0.005% | 0.005% | 0.005% | 0.005% | 0.005% | 0.005% | 0.003% | -- | -- |
| District's proportionate share of the net pension liability (asset) | \$ 1,163,313 | \$ 2,469,660 | \$ 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 | 2,246,183 | 4,796,949 | 4,337,530 | 4,780,814 | 2,861,600 | 3,596,000 | 3,430,525 | 2,795,783 | -- | -- |
| Total | \$ 3,409,496 | \$ 7,266,609 | \$ 6,962,885 | \$ 7,534,498 | \$ 4,432,781 | \$ 5,407,314 | \$ 5,092,337 | \$ 3,493,885 | \$ -- | \$ -- |
| District's covered payroll | \$ 6,436,726 | \$ 6,357,899 | \$ 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 | 18.07% | 38.84% | 45.16% | 48.13% | 28.34% | 32.74% | 31.88% | 14.56% | -- | -- |
| Plan fiduciary net position as a percentage of the total pension liability | 88.79% | 75.54% | 75.24% | 73.74% | 82.17% | 78.00% | 78.43% | 83.25% | -- | -- |

* 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 Ended August 31, | | | | | | | | | |
|--|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------|-------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Contractually required contribution | \$ 269,065 | \$ 193,741 | \$ 190,259 | \$ 176,753 | \$ 168,533 | \$ 161,047 | \$ 144,984 | \$ 258,465 | -- | \$ -- |
| Contributions in relation to the contractually required contribution | (269,065) | (193,741) | (190,259) | (176,753) | (168,533) | (161,047) | (144,984) | (258,465) | -- | -- |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered payroll | \$ 7,081,057 | \$ 6,436,726 | \$ 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 | 3.80% | 3.01% | 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 August 31, | | | | | | | | | |
|---|-----------------------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| District's proportion of the collective net OPEB liability | 0.007% | 0.007% | 0.007% | 0.007% | 0.007% | -- | -- | -- | -- | -- |
| District's proportionate share of the collective net OPEB liability | \$ 2,588,577 | \$ 2,599,904 | \$ 3,481,059 | \$ 3,565,516 | \$ 2,971,763 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| State proportionate share of the collective net OPEB liability associated with the District | 3,468,116 | 3,493,648 | 4,625,549 | 4,900,415 | 4,325,658 | -- | -- | -- | -- | -- |
| Total | <u>\$ 6,056,693</u> | <u>\$ 6,093,552</u> | <u>\$ 8,106,608</u> | <u>\$ 8,465,931</u> | <u>\$ 7,297,421</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| District's covered payroll | \$ 6,436,726 | \$ 6,357,899 | \$ 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 | 40.22% | 40.89% | 59.87% | 62.32% | 53.61% | -- | -- | -- | -- | -- |
| Plan fiduciary net position as a percentage of the total OPEB liability | 6.18% | 4.99% | 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 August 31, | | | | | | | | | |
|--|------------------------------|--------------|--------------|--------------|--------------|-------|-------|-------|-------|-------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Statutorily or contractually required District contribution | \$ 64,127 | \$ 52,226 | \$ 51,983 | \$ 52,580 | \$ 49,262 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions recognized by OPEB in relation to statutorily or contractually required contribution | (64,127) | (52,226) | (51,983) | (52,580) | (49,262) | -- | -- | -- | -- | -- |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered payroll | \$ 7,081,057 | \$ 6,436,726 | \$ 6,357,899 | \$ 5,813,910 | \$ 5,721,326 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions as a percentage of covered payroll | 0.91% | 0.81% | 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, 2022

Budget

The official budget was prepared for adoption for the General Fund, the National School Breakfast and Lunch Program, and the 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 and Other Post-Benefit Plans

Changes in actuarial assumptions and inputs

| Measurement Date August 31, | Net Pension Liability | | Net OPEB Liability |
|-----------------------------|-----------------------|-----------------------------------|--------------------|
| | Discount Rate | Long-Term Expected Rate of Return | Discount Rate |
| 2021 | 7.25% | 7.25% | 1.95% |
| 2020 | 7.25% | 7.25% | 2.33% |
| 2019 | 7.25% | 7.25% | 2.63% |
| 2018 | 6.91% | 7.25% | 3.69% |
| 2017 | 8.00% | 8.00% | 3.42% |
| 2016 | 8.00% | 8.00% | -- |
| 2015 | 8.00% | 8.00% | -- |
| 2014 | 8.00% | 8.00% | -- |

RICE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

Changes in demographic and economic assumptions

For measurement date August 31, 2018 - Net Pension and Net OPEB Liability:

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

For measurement date August 31, 2020 - Net OPEB Liability:

The participant rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the total OPEB liability.

The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the total OPEB liability.

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, 2022

| Year Ended August 31 | 1 Tax Rates | | 2 | 3 Assessed/Appraised Value For School Tax Purposes |
|--------------------------------|----------------|--------------|---|---|
| | Maintenance | Debt Service | | |
| 2013 and Prior Years | \$ Various | \$ Various | | \$ Various |
| 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 | 1.0684 | .4565 | | 156,571,569 |
| 2021 | .9698 | .4565 | | 177,890,276 |
| 2022 (School Year Under Audit) | .9603 | .4565 | | 193,814,723 |
| 1000 Totals | | | | |

| 10 Beginning Balance 9/1/21 | 20 Current Year's Total Levy | 31 Maintenance Collections | 32 Debt Service Collections | 40 Entire Year's Adjustments | 50 Ending Balance 8/31/22 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 23,545 | \$ -- | \$ 2,785 | \$ 231 | \$ (182) | \$ 20,347 |
| 2,980 | -- | 529 | 173 | (1) | 2,277 |
| 4,417 | -- | 638 | 209 | 1 | 3,571 |
| 4,037 | -- | 301 | 86 | 1 | 3,651 |
| 6,958 | -- | 596 | 170 | -- | 6,192 |
| 10,973 | -- | 2,274 | 887 | 1 | 7,813 |
| 20,629 | -- | 6,624 | 2,584 | (1) | 11,420 |
| 61,689 | -- | 28,690 | 12,259 | 362 | 21,102 |
| 114,620 | -- | 57,436 | 27,036 | (4,439) | 25,709 |
| -- | 2,745,967 | 1,800,226 | 855,778 | 1 | 89,964 |
| \$ 249,848 | \$ 2,745,967 | \$ 1,900,099 | \$ 899,413 | \$ (4,257) | \$ 192,046 |

RICE INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
 GENERAL FUND
 AS OF AUGUST 31, 2022

EXHIBIT J-2

| Data Control Codes | Explanation | Amount |
|--------------------------|--|---------------------|
| 1 | Total General Fund Fund Balance as of August 31, 2022 (Exhibit C-1 object 3000 for the General Fund only) | \$ 11,391,019 |
| 2 | Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only) | -- |
| 3 | Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only) | -- |
| 4 | Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only) | 2,250,000 |
| 5 | Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only) | -- |
| 6 | Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues) | -- |
| 7 | Estimate of two months' average cash disbursements during the fiscal year | 2,000,000 |
| 8 | Estimate of delayed payments from state sources (58XX) | -- |
| 9 | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount | -- |
| 10 | Estimate of delayed payments from federal sources (59XX) | -- |
| 11 | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds) | -- |
| 12 | General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11) | 4,250,000 |
| 13 | Excess (Deficit) Unassigned General Fund Fund Balance (1-12) | <u>\$ 7,141,019</u> |

Above amount anticipated to be used for future building and equipment.

RICE INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2022

| <u>Data Control Codes</u> | | <u>Responses</u> |
|--|--|------------------|
| <u>Section A: Compensatory Education Programs</u> | | |
| AP1 | Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year? | Yes |
| AP2 | Does the LEA have written policies and procedures for its state compensatory education program? | Yes |
| AP3 | List the total state allotment funds received for state compensatory education programs during the district's fiscal year. | \$ 1,220,824 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34) | \$ 834,467 |
| <u>Section B: Bilingual Education Programs</u> | | |
| AP5 | Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year? | Yes |
| AP6 | Does the LEA have written policies and procedures for its bilingual education program? | Yes |
| AP7 | List the total state allotment funds received for bilingual education programs during the LEA's fiscal year. | \$ 122,025 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35) | \$ 102,119 |

RICE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-4

| Data Control Codes | 1 | 2 | 3 |
|---|------------------|-------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 Local and Intermediate Sources | \$ 50,500 | \$ 51,728 | \$ 1,228 |
| 5800 State Program Revenues | 19,843 | 28,472 | 8,629 |
| 5900 Federal Program Revenues | 608,417 | 819,902 | 211,485 |
| 5020 Total Revenues | <u>678,760</u> | <u>900,102</u> | <u>221,342</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Support Services - Student (Pupil): | | | |
| 0035 Food Services | 678,760 | 621,169 | 57,591 |
| Total Support Services - Student (Pupil) | <u>678,760</u> | <u>621,169</u> | <u>57,591</u> |
| 6030 Total Expenditures | <u>678,760</u> | <u>621,169</u> | <u>57,591</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | -- | 278,933 | 278,933 |
| 1200 Net Change in Fund Balance | <u>--</u> | <u>278,933</u> | <u>278,933</u> |
| 0100 Fund Balance - Beginning | 39,457 | 39,457 | -- |
| 3000 Fund Balance - Ending | <u>\$ 39,457</u> | <u>\$ 318,390</u> | <u>\$ 278,933</u> |

RICE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-5

| Data Control Codes | 1 | 2 | 3 |
|---|-------------------|-------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 Local and Intermediate Sources | \$ 788,950 | \$ 929,573 | \$ 140,623 |
| 5800 State Program Revenues | 638,313 | 649,652 | 11,339 |
| 5020 Total Revenues | <u>1,427,263</u> | <u>1,579,225</u> | <u>151,962</u> |
| EXPENDITURES: | | | |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | 650,000 | 650,000 | -- |
| 0072 Interest on Long-Term Debt | 769,763 | 769,763 | -- |
| 0073 Bond Issuance Costs and Fees | 7,500 | 5,000 | 2,500 |
| Total Debt Service | <u>1,427,263</u> | <u>1,424,763</u> | <u>2,500</u> |
| 6030 Total Expenditures | <u>1,427,263</u> | <u>1,424,763</u> | <u>2,500</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | -- | 154,462 | 154,462 |
| 1200 Net Change in Fund Balance | -- | 154,462 | 154,462 |
| 0100 Fund Balance - Beginning | 128,685 | 128,685 | -- |
| 3000 Fund Balance - Ending | <u>\$ 128,685</u> | <u>\$ 283,147</u> | <u>\$ 154,462</u> |

*Overall Compliance, Internal Control Section
and Federal Awards*

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 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, 2022, 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 November 30, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rice Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
November 30, 2022

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rice Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Rice Independent School District's major federal programs for the year ended August 31, 2022. Rice Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Rice Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rice Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Rice Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Rice Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
November 30, 2022

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

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

Version of compliance supplement used in audit: April 2022

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes No

Identification of major programs:

| <u>ALN Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------|---|
| 84.425d | COVID-19 ESSER Fund II of the CRRSA Act |
| 84.425u | COVID-19 ESSER Fund III of the American Rescue Plan Act |

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE NOTED

C. Federal Award Findings and Questioned Costs

NONE NOTED

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

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

RICE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

None noted so none required.

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

EXHIBIT K-1

| (1) | (2) | (2A) | (3) | (3) |
|--|--------------------------|---|---------------------------------------|-------------------------|
| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal ALN Number | Pass- Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
| CHILD NUTRITION CLUSTER: | | | | |
| <u>U. S. Department of Agriculture</u> | | | | |
| Passed Through Texas Department of Agriculture School Breakfast Program | 10.553 | 226TX332N1099 | \$ -- | \$ 134,995 |
| National School Lunch Program (Cash) | 10.555 | 226TX332N1099 | -- | 599,451 |
| National School Lunch Program (Non-cash) | 10.555 | 226TX332N1099 | -- | 55,456 |
| National School Lunch Program - SCA | 10.555 | 6TX300400 | -- | 29,386 |
| Total ALN Number 10.555 | | | -- | <u>684,293</u> |
| COVID-19 Pandemic Electronic Benefit Transfer | 10.649 | 226TX109S9009 | | 614 |
| Total Passed Through Texas Department of Agriculture | | | -- | <u>819,902</u> |
| Total U. S. Department of Agriculture | | | -- | <u>819,902</u> |
| Total Child Nutrition Cluster | | | -- | <u>819,902</u> |
| OTHER PROGRAMS: | | | | |
| <u>U. S. Department of Education</u> | | | | |
| Passed Through State Department of Education: | | | | |
| ESEA Title I Part A - Improving Basic Programs | 84.010a | 22610101175911 | -- | 197,141 |
| ESEA Title I Part A - Improving Basic Programs | 84.010a | 22610141175911 | -- | 14,518 |
| Total ALN Number 84.010a | | | -- | <u>211,659</u> |
| ESEA, Title V, Part B, Subpart 2-Rural and Low Income School Grant Program | 84.358b | 22696001175911 | -- | 21,222 |
| Title III, Part A-English Language Acquisition and Language Enhancement | 84.365a | 22671001175911 | -- | 18,493 |
| ESEA Title II, Part A - Teacher and Principal Training and Recruiting | 84.367a | 23694501175911 | -- | 3,370 |
| ESEA Title II, Part A - Teacher & Principal Training & Recruiting | 84.367a | 22694501175911 | -- | 20,854 |
| Total ALN Number 84.367a | | | -- | <u>24,224</u> |
| Title IV, Part A, Subpart 1 | 84.424a | 22680101175911 | -- | 16,848 |
| COVID-19 ESSER Fund II of the CRRSA Act | 84.425d | 21521001175911 | -- | 310,809 |
| COVID-19 ESSER Fund III of the American Rescue Plan Act of 2021 | 84.425u | 21528001175911 | -- | 710,149 |
| Total Passed Through State Department of Education | | | -- | <u>1,313,404</u> |
| Total U. S. Department of Education | | | -- | <u>1,313,404</u> |
| <u>Federal Communications Commission</u> | | | | |
| Direct Programs: | | | | |
| Emergency Connectivity Fund Program | 32.009 | -- | -- | 19,344 |
| Total Direct Programs | | | -- | <u>19,344</u> |
| Total Federal Communications Commission | | | -- | <u>19,344</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ -- | <u>\$ 2,152,650</u> |

The accompanying notes are an integral part of this schedule.

RICE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2022

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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

Reconciliation of Schedule of Expenditures of Federal Awards to Exhibit C-2:

| | | |
|--|----|------------------|
| Total Expenditures of Federal Awards per Exhibit K-1 | \$ | 2,152,650 |
| SHARS Program | | 157,331 |
| ESSER II Funds Expended in Prior Year but Award not Issued until Fiscal Year 2022 | | (11,447) |
| Total per Exhibit C-2 | \$ | <u>2,298,534</u> |

Other Information

RICE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2022

| 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 warrant 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? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end? | Yes |
| SF8 | Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget? | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end | \$ 1,100,328 |