

SUPPLEMENT TO OFFICIAL STATEMENT
for
\$30,320,000
LOVEJOY INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2021

The Official Statement dated October 6, 2021 for the above-referenced issue of bonds is hereby supplemented to include the audited financial statements of the District for the fiscal year ended June 30, 2021, which was approved by the Board of Trustees of the District on October 25, 2021. The audited financial statements are being distributed to each recipient of this Supplement and will be posted to the Electronic Municipal Market Access website (EMMA) of the Municipal Securities Rulemaking Board.

This supplement is dated November 8, 2021.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2021

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LOVEJOY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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CERTIFICATE OF BOARD

Lovejoy Independent School District
Name of School District

Collin
County

043-919
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 June 30, 2021, at a meeting of the Board of Trustees of such school district on the 25th day of October, 2021.



Signature of Board Secretary



Signature of Board President



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Members:
AMERICAN INSTITUTE OF
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902 NORTH LOCUST
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Independent Auditor's Report

To the Board of Trustees
Lovejoy Independent School District
Allen, Texas 75002

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lovejoy Independent School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lovejoy Independent School District as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 13 and the Teacher Retirement System schedules on pages 62 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lovejoy Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2021 on our consideration of Lovejoy Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Lovejoy Independent School District's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 3, 2021

**LOVEJOY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

As management of Lovejoy Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2021. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of Lovejoy Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal year resulting in a negative net position of \$32,423,361.
- The District's total net position increased by \$781,455 during the fiscal year from the result of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$28,065,279, an increase of \$885,518 for the year. Over 29% of this total amount (\$8,363,410) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund of \$8,363,410 was 19.7% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 and 18). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or custodian for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 31) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, deferred inflows and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in it. The District's net position provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

All of the District's basic services are reported as governmental activities, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The fund financial statements begin on page 20 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 20 through 28 of this report.
- Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the custodian, or *fiduciary*, for these funds and 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 fund net position that can be found on pages 29 and 30. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Governmental Activities

Net Position. The net position of the District's governmental activities at June 30, 2021 was a \$32,423,361 deficit. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was a deficit of \$12,844,882 at June 30, 2021. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's governmental activities net position (\$9,221,517) represents resources that are subject to external restrictions on how they may be used. There was no unrestricted net position at June 30, 2021.

Changes in Net Position. The District's total revenues of its governmental activities were \$62,222,415. A significant portion, approximately 72.3 percent, of the revenue comes from property taxes. Another 9.6 percent comes from state aid - formula grants while only 6.1 percent relates to charges for services. This reflects a \$1,621,735 decrease in revenues from 2019-2020. The total revenues were used to fund the cost of all programs and services in the amount of \$61,440,960, and to pay down the District's debt. This reflects a \$2,321,367 decrease in expenditures from 2019-2020, or approximately 3.64%.

Governmental Activities. Funding for governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to \$11,084,337 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was \$50,356,623, which were primarily funded by property taxes in the amount of \$45,008,892 and state revenue of \$5,948,562.

**Table I
NET POSITION**

	Governmental Activities June 30, 2020	Governmental Activities June 30, 2021	Difference
Current and other assets	\$ 32,213,773	\$ 34,643,926	\$ 2,430,153
Capital assets	<u>140,743,322</u>	<u>135,988,539</u>	<u>(4,754,783)</u>
Total assets	172,957,095	170,632,465	(2,324,630)
Deferred outflows of resources	<u>15,398,530</u>	<u>12,026,716</u>	<u>(3,371,814)</u>
Total assets and deferred outflows of resources	<u>188,355,625</u>	<u>182,659,181</u>	<u>(5,696,444)</u>
Long-term liabilities	204,230,166	192,538,303	(11,691,863)
Other liabilities	<u>6,579,674</u>	<u>7,907,789</u>	<u>1,328,115</u>
Total liabilities	210,809,840	200,446,092	(10,363,748)
Deferred inflows of resources	<u>10,750,601</u>	<u>14,636,450</u>	<u>3,885,849</u>
Total liabilities and deferred inflows of resources	<u>221,560,441</u>	<u>215,082,542</u>	<u>(6,477,899)</u>
Net Position:			
Net investments in capital assets	(11,679,336)	(12,844,882)	(1,165,546)
Restricted	5,718,245	9,221,517	3,503,272
Unrestricted	<u>(27,243,725)</u>	<u>(28,799,996)</u>	<u>(1,556,271)</u>
Total Net Position	<u><u>\$(33,204,816)</u></u>	<u><u>\$(32,423,361)</u></u>	<u><u>\$ 781,455</u></u>

Table II
CHANGES IN NET POSITION

	Governmental Activities Year Ended June 30, 2020	Governmental Activities Year Ended June 30, 2021	Difference
Revenues:			
Program Revenues:			
Charges for services	\$ 3,778,134	\$ 3,794,415	\$ 16,281
Operating grants and contributions	7,869,392	7,151,047	(718,345)
Capital grants	369,000	138,875	(230,125)
General Revenues:			
Maintenance and operations taxes	29,910,329	30,551,365	641,036
Debt service taxes	14,004,347	14,457,527	453,180
State aid	7,393,408	5,948,562	(1,444,846)
Investment earnings	416,560	29,720	(386,840)
Miscellaneous	102,980	150,904	47,924
Total Revenue	<u>63,844,150</u>	<u>62,222,415</u>	<u>(1,621,735)</u>
Expenses:			
Instruction, curriculum and media services	32,300,612	31,765,383	(535,229)
Instructional and school leadership	4,062,345	3,716,158	(346,187)
Student support services	4,448,658	3,967,630	(481,028)
Child nutrition	2,013,987	1,513,609	(500,378)
Cocurricular activities	3,619,541	2,924,597	(694,944)
General administration	2,739,435	2,675,820	(63,615)
Plant maintenance, security and data processing	6,224,960	5,875,585	(349,375)
Community services	1,139,591	1,079,485	(60,106)
Debt services	6,209,343	5,858,221	(351,122)
Capital outlay	529,631	1,576,441	1,046,810
Intergovernmental charges	474,224	488,031	13,807
Total Expenses	<u>63,762,327</u>	<u>61,440,960</u>	<u>(2,321,367)</u>
Increase (Decrease) in Net Position	81,823	781,455	699,632
Net Position - beginning of period	(33,045,145)	(33,204,816)	(159,671)
Prior period adjustment	(241,494)	-	241,494
Net Position - end of period	<u>\$(33,204,816)</u>	<u>\$(32,423,361)</u>	<u>\$ 781,455</u>

THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$28,065,279, an increase of \$885,518. Approximately 67 percent of this total amount (\$18,692,230) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$9,221,517), or already spent on prepayments (\$151,532).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,363,410, while the total fund balance was \$8,514,942. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Total fund balance represents 20.09 percent of the total general fund expenditures and unassigned fund balance represents 19.73 percent of the total general fund expenditures.

The fund balance of the District's general fund decreased by \$821,042 during the current fiscal year, compared to a \$59,734 increase in the previous year. Key factors related to this change are as follows:

- A \$1,052,765 increase in property tax revenues combined with a \$1,444,846 decrease in the state foundation and per capita funding contributed to a \$578,969 overall decrease in total revenues. However, expenditures only increased \$184,697 or 0.44% compared to the prior year.

The debt service fund has a total fund balance of \$9,221,517, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$3,696,971, compared to a \$32,783 decrease in the previous year. Tax revenues were \$375,934 higher than the previous year but debt service expenditures were \$3,303,303 lower.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$1,783,502 due primarily to \$1,928,068 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 5 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget four times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2020). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$8,514,942 reported on page 20 differs from the General Fund's budgetary fund balance of \$6,223,984 reported in the budgetary comparison schedule on page 28. For the year ended June 30, 2021, actual general fund expenditures on a budgetary basis were \$42,386,677, below the final budget expenditures of \$44,644,000. Actual revenue on a budgetary basis was \$41,874,271 compared to the budget of \$41,542,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$135,988,539 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$4,754,783, or 3.38 percent, below last year.

This fiscal year's major additions included:

3 school buses	\$336,383
Door security system	<u>149,969</u>
TOTAL	<u>\$486,352</u>

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$166,341,984 in bonds outstanding (including accreted interest on bonds and premiums on bond issuances) versus \$171,559,254 last year—a decrease of 3.04 percent. No new debt was incurred during the current fiscal year. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$288,215,752, which is in excess of the District's outstanding general obligation debt.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Lovejoy ISD Board of Trustees adopted a balanced budget for 2020-21. As a result of the COVID-19 pandemic and its continued impact on school district enrollment and attendance throughout the state, the Texas Education Agency implemented a Hold Harmless provision to adjust the Average Daily Attendance (ADA) figure used to calculate the funding allotment formulas for school districts so that the effect of any reductions in attendance were not detrimental. This adjustment aided Lovejoy ISD as the 2020-21 budget was based on an ADA of 4,284 and the actual ADA was 4,056. The Hold Harmless provision allowed for a use of 4,257 ADA for funding purposes. More detail regarding the effect of COVID-19 on school district's financial outlook throughout the state is provided in Note 22 on page 58 of this report.

Several programmatic changes were also implemented in the 2020-21 fiscal year as part of budget development, including elimination of some transportation services. Further programmatic changes were implemented in the development of the 2021-22 budget to mitigate funding losses resulting from changes in funding formulas and slowing enrollment increases. These changes include the repurposing of Lovejoy Elementary School into the Lovejoy Child Development Center, a Reduction in Force, the elimination of charging out-of-district students for tuition, and the implementation of fees for transportation services. These measures allowed for the adoption of a balanced budget for 2021-22. Tax compression also occurred in 2020-21 with the adopted maintenance and operations tax rate of \$1.0547 and will continue in 2021-22 with an adopted maintenance and operations tax rate of \$1.0050.

Overall, the District's net position improved slightly from 2019-2020 (see p. 19), however the ending fund balance in the general fund decreased from the beginning of the year at \$9,335,984 to an ending fund balance of \$8,514,942. The ending fund balance is equivalent to 73 days of operating expenses and represents a three-year decrease of 10%. Any potential statewide adjustments in regard to the ADA used in funding formula calculations for 2021-22 have not been determined and the District has received no substantial CARES Act funding due to a lack of Title I, Part A eligibility. The District will receive some temporary ESSER Supplemental Funding to address the impacts of COVID-19 and learning loss beginning in 2021-22 through 2023, currently estimated at \$2.1 million total, but not yet received.

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 funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Lovejoy Independent School District, 259 Country Club Road, Allen, Texas 75002, (469) 742-8000.

BASIC FINANCIAL STATEMENTS

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LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 7,021,040
1120 Current Investments	23,972,580
1220 Property Taxes - Delinquent	1,073,793
1230 Allowance for Uncollectible Taxes	(10,738)
1240 Due from Other Governments	1,326,024
1290 Other Receivables, Net	1,046,248
1300 Inventories	63,447
1410 Prepayments	151,532
Capital Assets:	
1510 Land	6,053,893
1520 Buildings, Net	124,613,039
1530 Furniture and Equipment, Net	2,528,978
1540 Vehicles, Net	2,670,008
1580 Construction in Progress	122,621
1000 Total Assets	170,632,465
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	3,883,842
1705 Deferred Outflow Related to TRS Pension	5,514,756
1706 Deferred Outflow Related to TRS OPEB	2,628,118
1700 Total Deferred Outflows of Resources	12,026,716
LIABILITIES	
2110 Accounts Payable	291,699
2150 Payroll Deductions and Withholdings	(6,003)
2160 Accrued Wages Payable	3,600,475
2180 Due to Other Governments	1,724,617
2200 Accrued Expenses	2,288,598
2300 Unearned Revenue	8,403
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	5,849,664
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	160,492,320
2540 Net Pension Liability (District's Share)	13,215,255
2545 Net OPEB Liability (District's Share)	12,981,064
2000 Total Liabilities	200,446,092
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	3,814,850
2606 Deferred Inflow Related to TRS OPEB	10,821,600
2600 Total Deferred Inflows of Resources	14,636,450
NET POSITION	
3200 Net Investment in Capital Assets	(12,844,882)
3850 Restricted for Debt Service	9,221,517
3900 Unrestricted	(28,799,996)
3000 Total Net Position	\$ (32,423,361)

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11	Instruction	\$ 29,077,708	\$ 3,413,281
12	Instructional Resources and Media Services	886,179	50,505
13	Curriculum and Instructional Staff Development	1,801,496	169,880
21	Instructional Leadership	512,497	45,668
23	School Leadership	3,203,661	226,960
31	Guidance, Counseling, and Evaluation Services	2,063,975	301,133
32	Social Work Services	83,299	93,170
33	Health Services	564,341	40,117
34	Student (Pupil) Transportation	1,256,015	194,053
35	Food Services	1,513,609	71,554
36	Extracurricular Activities	2,924,597	1,149,011
41	General Administration	2,675,820	257,015
51	Facilities Maintenance and Operations	4,436,166	115,649
52	Security and Monitoring Services	769,919	252,568
53	Data Processing Services	669,500	25,618
61	Community Services	1,079,485	548,346
72	Debt Service - Interest on Long-Term Debt	5,849,653	146,519
73	Debt Service - Bond Issuance Cost and Fees	8,568	-
81	Capital Outlay	1,576,441	50,000
91	Contracted Instructional Services Between Schools	244,902	-
93	Payments Related to Shared Services Arrangements	17,200	-
99	Other Intergovernmental Charges	225,929	-
[TP]	TOTAL PRIMARY GOVERNMENT:	<u>\$ 61,440,960</u>	<u>\$ 7,151,047</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
5		6	
Capital Grants and Contributions		Governmental Activities	
\$	-	\$	(24,342,248)
	-		(835,674)
	-		(1,631,616)
	-		(466,829)
	-		(2,976,701)
	-		(1,762,842)
	-		9,871
	-		(157,492)
	-		(1,061,962)
	-		(476,324)
	-		(1,596,416)
	-		(2,418,805)
	-		(3,359,914)
	-		(517,351)
	-		(643,882)
	-		(531,139)
	-		(5,703,134)
	-		(8,568)
	138,875		(1,387,566)
	-		(244,902)
	-		(17,200)
	-		(225,929)
\$	<u>138,875</u>		<u>(50,356,623)</u>

30,551,365
14,457,527
5,948,562
29,720
150,904
<u>51,138,078</u>
781,455
<u>(33,204,816)</u>
<u>\$ (32,423,361)</u>

LOVEJOY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 4,457,471	\$ 136,642	\$ 1,500,863
1120 Investments - Current	7,407,567	8,979,433	7,585,580
1220 Property Taxes - Delinquent	735,253	338,540	-
1230 Allowance for Uncollectible Taxes	(7,353)	(3,385)	-
1240 Due from Other Governments	934,775	-	138,875
1290 Other Receivables	955,900	-	-
1300 Inventories	-	-	-
1410 Prepayments	151,532	-	-
1000 Total Assets	<u>\$ 14,635,145</u>	<u>\$ 9,451,230</u>	<u>\$ 9,225,318</u>
LIABILITIES			
2110 Accounts Payable	\$ 291,699	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	(6,003)	-	-
2160 Accrued Wages Payable	3,400,666	-	-
2180 Due to Other Governments	1,724,617	-	-
2200 Accrued Expenditures	174,047	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>5,585,026</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	535,177	229,713	-
2600 Total Deferred Inflows of Resources	<u>535,177</u>	<u>229,713</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	151,532	-	-
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	9,221,517	-
Committed Fund Balance:			
3510 Construction	-	-	9,225,318
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	8,363,410	-	-
3000 Total Fund Balances	<u>8,514,942</u>	<u>9,221,517</u>	<u>9,225,318</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 14,635,145</u>	<u>\$ 9,451,230</u>	<u>\$ 9,225,318</u>

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

Other Funds	Total Governmental Funds
\$ 926,064	\$ 7,021,040
-	23,972,580
-	1,073,793
-	(10,738)
252,374	1,326,024
90,348	1,046,248
63,447	63,447
-	151,532
<u>\$ 1,332,233</u>	<u>\$ 34,643,926</u>
\$ -	\$ 291,699
-	(6,003)
199,809	3,600,475
-	1,724,617
20,519	194,566
8,403	8,403
<u>228,731</u>	<u>5,813,757</u>
-	764,890
<u>-</u>	<u>764,890</u>
-	151,532
-	9,221,517
-	9,225,318
1,103,502	1,103,502
-	8,363,410
<u>1,103,502</u>	<u>28,065,279</u>
<u>\$ 1,332,233</u>	<u>\$ 34,643,926</u>

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LOVEJOY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	28,065,279
1 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.		191,089,934
2 Accumulated depreciation is not reported in the fund financial statements.		(55,101,395)
3 Bonds payable are not reported in the fund financial statements.		(152,882,326)
4 Bond premiums and discounts are not recognized in the fund financial statements.		(9,060,255)
5 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(2,094,032)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$13,215,255, a Deferred Resource Inflow related to TRS in the amount of \$3,814,850, and a Deferred Resource Outflow related to TRS in the amount of \$5,514,756. This amounted to a decrease in Net Position in the amount of \$11,515,349.		(11,515,349)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$12,981,064, a Deferred Resource Inflow related to TRS OPEB in the amount of \$10,821,600, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$2,628,118. This amounted to a net decrease in Net Position in the amount of \$21,174,546.		(21,174,546)
8 Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		764,890
9 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.		(4,399,403)
10 Deferred charge on bond refundings is not recognized in the fund financial statements.		3,883,842
19 Net Position of Governmental Activities	\$	(32,423,361)

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 33,074,250	\$ 14,439,668	\$ 5,691
5800 State Program Revenues	8,421,199	145,530	138,875
5900 Federal Program Revenues	378,822	-	-
5020 Total Revenues	<u>41,874,271</u>	<u>14,585,198</u>	<u>144,566</u>
EXPENDITURES:			
Current:			
0011 Instruction	23,607,445	-	-
0012 Instructional Resources and Media Services	772,210	-	-
0013 Curriculum and Instructional Staff Development	1,513,013	-	-
0021 Instructional Leadership	433,367	-	-
0023 School Leadership	2,740,190	-	-
0031 Guidance, Counseling, and Evaluation Services	1,624,030	-	-
0032 Social Work Services	-	-	-
0033 Health Services	481,546	-	-
0034 Student (Pupil) Transportation	1,094,952	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,709,080	-	-
0041 General Administration	2,328,470	-	-
0051 Facilities Maintenance and Operations	4,128,837	-	-
0052 Security and Monitoring Services	687,683	-	-
0053 Data Processing Services	605,743	-	-
0061 Community Services	172,080	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	5,060,000	-
0072 Interest on Long-Term Debt	-	5,819,659	-
0073 Bond Issuance Cost and Fees	-	8,568	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	1,928,068
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	244,902	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	17,200	-	-
0099 Other Intergovernmental Charges	225,929	-	-
6030 Total Expenditures	<u>42,386,677</u>	<u>10,888,227</u>	<u>1,928,068</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(512,406)</u>	<u>3,696,971</u>	<u>(1,783,502)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(308,636)	-	-
7080 Total Other Financing Sources (Uses)	<u>(308,636)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	(821,042)	3,696,971	(1,783,502)
0100 Fund Balance - July 1 (Beginning)	<u>9,335,984</u>	<u>5,524,546</u>	<u>11,008,820</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 8,514,942</u>	<u>\$ 9,221,517</u>	<u>\$ 9,225,318</u>

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

	Other Funds	Total Governmental Funds
\$	2,971,401	\$ 50,491,010
	538,952	9,244,556
	998,482	1,377,304
	4,508,835	61,112,870
	1,365,563	24,973,008
	49	772,259
	32,446	1,545,459
	2,366	435,733
	1,289	2,741,479
	158,365	1,782,395
	75,246	75,246
	-	481,546
	-	1,094,952
	1,366,720	1,366,720
	977,247	2,686,327
	13,478	2,341,948
	90	4,128,927
	215,592	903,275
	-	605,743
	765,929	938,009
	-	5,060,000
	-	5,819,659
	-	8,568
	50,000	1,978,068
	-	244,902
	-	17,200
	-	225,929
	5,024,380	60,227,352
	(515,545)	885,518
	308,636	308,636
	-	(308,636)
	308,636	-
	(206,909)	885,518
	1,310,411	27,179,761
\$	1,103,502	\$ 28,065,279

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	885,518
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.		558,834
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.		(5,313,617)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		84,661
Revenues from property taxes are considered unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.		131,859
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2020 caused the change in the ending net position to increase in the amount of \$865,313. Contributions made before the measurement but during the 2021 FY were also de-expended and recorded as a reduction in the net pension liability for the District. This also caused an increase in the change in net position in the amount of \$163,839. These contributions were replaced with the District's pension expense for the year of \$1,989,942, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$960,790.		(960,790)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2020 but during the current fiscal year caused the ending net position to increase in the amount of \$212,656. These contributions were replaced with the District's OPEB expense for the year, which was \$236,989 and caused an increase in net position. The impact of both of these is to increase net position by \$449,645.		449,645
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.		584,664
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.		(427,394)
Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.		5,060,000

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C-4

Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements. (271,925)

Change in Net Position of Governmental Activities \$ 781,455

LOVEJOY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 34,916,245	\$ 32,905,885	\$ 33,074,250	\$ 168,365
5800 State Program Revenues	9,121,210	8,436,113	8,421,199	(14,914)
5900 Federal Program Revenues	217,687	200,002	378,822	178,820
5020 Total Revenues	44,255,142	41,542,000	41,874,271	332,271
EXPENDITURES:				
Current:				
0011 Instruction	24,292,244	24,000,000	23,607,445	392,555
0012 Instructional Resources and Media Services	804,038	800,000	772,210	27,790
0013 Curriculum and Instructional Staff Development	1,668,483	1,575,000	1,513,013	61,987
0021 Instructional Leadership	570,917	525,000	433,367	91,633
0023 School Leadership	2,773,919	2,770,000	2,740,190	29,810
0031 Guidance, Counseling, and Evaluation Services	1,830,184	1,825,000	1,624,030	200,970
0033 Health Services	473,690	500,000	481,546	18,454
0034 Student (Pupil) Transportation	999,535	1,145,000	1,094,952	50,048
0036 Extracurricular Activities	1,987,359	1,850,000	1,709,080	140,920
0041 General Administration	2,217,449	2,350,000	2,328,470	21,530
0051 Facilities Maintenance and Operations	4,359,848	5,000,000	4,128,837	871,163
0052 Security and Monitoring Services	754,411	723,000	687,683	35,317
0053 Data Processing Services	739,633	700,000	605,743	94,257
0061 Community Services	233,381	235,000	172,080	62,920
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	196,297	300,000	244,902	55,098
0093 Payments to Fiscal Agent/Member Districts of SSA	18,752	25,000	17,200	7,800
0095 Payments to Juvenile Justice Alternative Ed. Prg.	5,000	5,000	-	5,000
0099 Other Intergovernmental Charges	330,002	316,000	225,929	90,071
6030 Total Expenditures	44,255,142	44,644,000	42,386,677	2,257,323
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,102,000)	(512,406)	2,589,594
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(308,636)	(308,636)
1200 Net Change in Fund Balances	-	(3,102,000)	(821,042)	2,280,958
0100 Fund Balance - July 1 (Beginning)	9,335,984	9,335,984	9,335,984	-
3000 Fund Balance - June 30 (Ending)	\$ 9,335,984	\$ 6,233,984	\$ 8,514,942	\$ 2,280,958

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,487	\$ 29,522
Total Assets	<u>1,487</u>	<u>\$ 29,522</u>
LIABILITIES		
Due to Student Groups	<u>1,487</u>	<u>-</u>
Total Liabilities	<u>1,487</u>	<u>-</u>
NET POSITION		
Unrestricted Net Position	<u>-</u>	<u>29,522</u>
Total Net Position	<u>\$ -</u>	<u>\$ 29,522</u>

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Received from Student Groups	\$ -	\$ 753
Total Additions	<u>-</u>	<u>753</u>
DEDUCTIONS:		
Student Groups	-	484
Total Deductions	<u>-</u>	<u>484</u>
Change in Fiduciary Net Position	-	269
Total Net Position - July 1 (Beginning)	<u>-</u>	<u>29,253</u>
Total Net Position - June 30 (Ending)	<u>\$ -</u>	<u>\$ 29,522</u>

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lovejoy Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Lovejoy Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements, except that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. For many funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District uses this fund to account for scholarship funds.
3. **Custodial Funds** - These funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Custodial funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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Activities accounted for in the Special Revenue Funds are:

ESEA I, A Improving Basic Programs - funds granted to serve students needing reading and math assistance

IDEA-Part B Formula - funds granted for children with disabilities

IDEA-Part B Preschool - funds granted for preschool children

National Breakfast and Lunch Program - funds granted to serve meals to disadvantaged children

Career and Technical-Basic Grant - funds granted to provide career and technical education

ESEA II, A Training and Recruiting - funds for training to improve teacher and principal quality

Title III, A English Lang. Acquisition - funds to improve the education of limited English proficient children

Medicaid Admin Claim (MAC) - fund for administrative costs related to Medicaid services

ESSER-School Emergency Relief II - funds granted for operating costs during COVID-19

ESEA IV, Part A - funds granted to support the effective use of technology

Advanced Placement Incentives - funds granted under the Texas Advanced Placement Award incentive program

State Instructional Materials - funds granted for textbook and technology needs

ESC20 SPED Support Grant - funds granted to support special education

Ready to Read - funds received from State license plate program for reading initiatives

Campus Activity Funds - accounts for funds raised by a campus for the benefit of that campus

Grants/Donations - accounts for the expenditure of grants and donations received by the District

School Store - accounts for the operating activity of a school store on two campuses

Concessions Operations - accounts for the concessions activity of the child nutrition dept.

Catering Operations - accounts for the catering activity of the child nutrition dept.

Kids First/Day Care - accounts for the activity of an employee child care and an afterschool program

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Custodial funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 60-day availability period is also used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

The Board adopts an "appropriated budget" on a basis consistent with GAAP for the general fund, debt service fund and food service fund. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds. Many of the special revenue funds and the capital project fund adopt project-length budgets which do not correspond to the District's fiscal year.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

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

- Prior to June 20th the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one of more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to July 1st the Board legally adopts the budget for the general fund, debt service fund and food service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, some budgetary amendments were necessary throughout the year.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate budget manager (principal, department director or divisional administrator). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

Over the course of the year, the Board of Trustees revised the District’s budget at times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2020). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2021 <u>Fund Balance</u>
Appropriated Budget Funds	\$ -
Nonappropriated Budget Funds	<u>1,103,502</u>
All Special Revenue Funds	<u>\$1,103,502</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year’s budget.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the accompanying financial statements is comprised of demand accounts and imprest funds. The District maintains a demand account on an imprest basis through which most obligations are paid. Checking account balances for most governmental fund expenditures are pooled into one demand account.

Investments in the accompanying financial statements is comprised of investments in state investment pools. The District has no investments at year-end that require adjustment to fair value.

G. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the Child Nutrition Fund, reported inventories have been shown as nonspendable fund balance to indicate that they are unavailable as current expendable financial resources.

H. INTERFUND RECEIVABLES AND PAYABLES

During the course of normal operations, the District has numerous transactions between funds. The most significant are short-term interfund loans, due to the fact that checking account balances for most governmental funds are pooled into one demand account. There were no interfund balances at June 30, 2021.

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Building Improvements	39 Years
Vehicle	5 Years
Buses	15 Years
Other Equipment	3-7 Years

J. COMPENSATED ABSENCES

Vacations are to be taken within the same year they are earned, and any unused days at the end of the calendar year are forfeited. Therefore, no liability for unused vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

K. NET POSITION

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For the governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

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

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2021 was \$3,883,842.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2021 was \$5,514,756.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported in the governmental activities for deferred OPEB expense at June 30, 2021 was \$2,628,118.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2021 was \$764,890.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2021, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$3,814,850.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2020 measurement year). In fiscal year 2021, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$10,821,600.

N. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, Lovejoy ISD participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program.

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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Based on information provided by TASB for the year ended June 30, 2021, Lovejoy ISD will have no additional liability beyond the contractual obligations for payment of contributions. There were no significant reductions in coverage in the past fiscal year.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

O. SUBSEQUENT EVENTS

Management has reviewed events subsequent to June 30, 2021 through October 3, 2021, which is the date the financial statements were available to be issued. No subsequent events were identified that are required to be disclosed in the financial statements.

P. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in their Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

NOTE 2. FUND BALANCE

In a previous year the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provided more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories as being nonspendable as these items are not expected to be converted to cash.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law. Food service resources are to be used in the food service program.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2021 for campus activities and other various purposes.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned no fund balance as of June 30, 2021.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The Board of Trustees has no formal fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the General Fund but operates under a guideline of attempting to maintain a balance equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

The General Fund has unassigned fund balance of \$8,363,540 at June 30, 2021. \$151,532 is considered nonspendable fund balance as it consists of prepaid costs at June 30, 2021.

Other Major Funds

The Debt Service Fund has restricted funds of \$9,221,517 at June 30, 2021 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has a fund balance of \$9,225,318 at June 30, 2021 consisting primarily of unspent bond proceeds.

Other Funds

The fund balance of \$679,251 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of \$6,690 of the concessions and catering operations, and \$374,490 of the Grants/Donations Fund (all special revenue funds) are shown as committed due to similar Board policy.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3. 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 June 30, 2021, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$7,051,349 and the bank balance was \$7,119,775. The District's cash deposits at June 30, 2021 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 Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, the District's cash balances totaled \$7,119,775. This entire amount was either collateralized with a surety bond held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2021, the District held all of its investments in four public funds investment pools (TexPool, Texas Class, Lone Star and Texas Term). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAM (Standard & Poor's), and the credit quality rating for Texas Class, Lone Star and Texas Term was AA Af (Standard & Poor's).

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, Texas Class, Lone Star and Texas Term investments is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2021, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

The District's investments at June 30, 2021, are shown below:

Name	Fair Value
Lone Star	\$ 7,390,502
TexPool	7,381,607
Texas Term	154,801
Texas Class	<u>9,045,670</u>
Total	<u>\$23,972,580</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investments in public funds investment pools are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,053,893	\$ -	\$ -	\$ 6,053,893
Construction in progress	122,621	-	-	122,621
Total capital assets not being depreciated	<u>6,176,514</u>	<u>-</u>	<u>-</u>	<u>6,176,514</u>
Capital assets, being depreciated				
Buildings and improvements	174,164,715	149,969	-	174,314,684
Furniture and equipment	5,644,421	72,482	-	5,716,903
Vehicles	4,822,755	336,383	(277,305)	4,881,833
Total capital assets being depreciated	<u>184,631,891</u>	<u>558,834</u>	<u>(277,305)</u>	<u>184,913,420</u>
Less accumulated depreciation for:				
Buildings and improvements	(45,279,533)	(4,422,112)	-	(49,701,645)
Furniture and equipment	(2,593,539)	(594,386)	-	(3,187,925)
Vehicles	(2,192,011)	(297,119)	277,305	(2,211,825)
Total accumulated depreciation	<u>(50,065,083)</u>	<u>(5,313,617)</u>	<u>277,305</u>	<u>(55,101,395)</u>
Total capital assets, being depreciated, net	<u>134,566,808</u>	<u>(4,754,783)</u>	<u>-</u>	<u>129,812,025</u>
Governmental activities capital assets, net	<u>\$ 140,743,322</u>	<u>\$ (4,754,783)</u>	<u>\$ -</u>	<u>\$ 135,988,539</u>

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$3,184,711
Instructional Resources & Media Services	91,250
Curriculum & Instructional Staff Development	194,288
Instructional Leadership	57,308
School Leadership	360,788
Guidance, Counseling & Evaluation Services	217,434
Health Services	64,770
Student Transportation	135,269
Food Services	124,464
Cocurricular/Extracurricular Activities	188,462
General Administration	263,206
Plant Maintenance and Operations	260,261
Data Processing Services	52,247
Community Services	119,159
Total depreciation expense-Governmental activities	<u>\$5,313,617</u>

Land and construction in progress are not depreciated.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5. LONG-TERM DEBT

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term debt of the District consists of twelve series of general obligation bonds, accreted interest on capital appreciation bonds and premiums/discounts on bond issuances. All long-term debt represents transactions in the District's governmental activities.

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2021:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 7/1/20	Additions	Refunded/ Retired	Amounts Outstanding 6/30/21	Due Within One Year
Bonded Indebtedness:							
2010 Building	4.25-4.38%	7,500,000	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -
2011 Refunding	3.01%	9,265,000	5,240,000	-	725,000	4,515,000	755,000
2012 Building	2.51-4.67%	25,995,234	25,562,326	-	-	25,562,326	-
2013 Refunding	2.16%	9,100,000	8,915,000	-	30,000	8,885,000	30,000
2014 Bldg/Refunding	2.00-5.00%	21,775,000	13,340,000	-	1,180,000	12,160,000	1,235,000
2015 Refunding	3.00-5.00%	23,435,000	20,270,000	-	895,000	19,375,000	965,000
2015 Building	1.50-4.00%	17,770,000	15,705,000	-	395,000	15,310,000	410,000
2016 Refunding	3.125-5.00%	41,540,000	39,880,000	-	1,005,000	38,875,000	1,010,000
2017 Building	3.00-5.00%	13,950,000	10,910,000	-	325,000	10,585,000	335,000
2018 Bldg/Refunding	3.00%	6,740,000	3,085,000	-	85,000	3,000,000	95,000
2019 Building	3.00%	9,535,000	7,975,000	-	420,000	7,555,000	430,000
2019 Refunding	2.125-5.00%	7,230,000	7,055,000	-	-	7,055,000	-
Total Bonded Indebtedness			<u>157,942,326</u>	-	<u>5,060,000</u>	<u>152,882,326</u>	<u>5,265,000</u>
Premiums/Discounts on Bond Issuance			9,644,919	-	584,664	9,060,255	584,664
Accreted Interest			<u>3,972,009</u>	<u>427,394</u>	-	<u>4,399,403</u>	-
Total Other Obligations			<u>13,616,928</u>	<u>427,394</u>	<u>584,664</u>	<u>13,459,658</u>	<u>584,664</u>
Total Obligations of District			<u>\$171,559,254</u>	<u>\$427,394</u>	<u>\$5,644,664</u>	<u>\$166,341,984</u>	<u>\$5,849,664</u>

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

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2021.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 5,265,000	\$ 5,615,109	\$ 10,880,109
2023	5,485,000	5,402,258	10,887,258
2024	5,710,000	5,178,908	10,888,908
2025	5,950,000	4,945,834	10,895,834
2026	6,190,000	4,701,709	10,891,709
2027-2031	34,335,000	20,104,124	54,439,124
2032-2036	35,906,548	13,996,781	49,903,329
2037-2041	36,435,778	8,192,931	44,628,709
2042-2045	<u>17,605,000</u>	<u>1,384,850</u>	<u>18,989,850</u>
Total	<u>\$152,882,326</u>	<u>\$69,522,504</u>	<u>\$222,404,830</u>

NOTE 7. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On June 30, 2021, \$43,620,000 of bonds outstanding are considered defeased.

NOTE 8. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Collin County Appraisal District (CCAD) is responsible for the appraisal of property for all taxing units in Collin County, including the District. Under the terms of a contract for appraisal services, the District paid CCAD \$225,929 in fiscal year 2021 for appraising property.

The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. CCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the CCAD Review Board through various appeals and, if necessary, legal action. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2020-21 fiscal year was based was \$2,882,157,522. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges at the rate of 1.5% per month of delinquency, plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.05470 and \$0.50 per \$100 valuation, respectively, for a total of \$1.55470 per \$ 100 valuation.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Current tax collections for the year ended June 30, 2021 were 98.71% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$535,177 and \$229,713 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as unavailable revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

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

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 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 this manner are determined by the System's actuary.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Lovejoy ISD FY2021 Employer Contributions	\$	1,029,152
Lovejoy ISD FY2021 Member Contributions	\$	2,559,882
Lovejoy ISD FY2021 NECE On-Behalf Contributions	\$	1,865,392

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 the 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, 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 including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
Stable Value			
Government Bonds	16%	- .7%	-0.05%
Stable Value Hedge Funds	5%	1.9%	0.11%
Real Return			
Real Estate	15%	4.6%	1.01%
Energy, Natural Resources	6%	6%	0.42%
Risk Parity			
Risk Parity	8%	3%	0.30%
Leverage			
Cash	2%	-1.5%	-0.03%
Asset Allocation Leverage	-6%	-1.3%	0.08%
Inflation Expectation	-		2.00%
Volatility Drag ³	-		-0.67%
Total	<u>100%</u>		<u>7.33%</u>

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Lovejoy ISD's proportionate share of the net pension liability:	\$20,378,393	\$13,215,255	\$7,396,191

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, Lovejoy Independent School District reported a liability of \$13,215,255 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Lovejoy Independent School District. The amount recognized by Lovejoy Independent School 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 Lovejoy Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$13,215,255
State's proportionate share that is associated with the District	<u>24,213,787</u>
Total	<u>\$37,429,042</u>

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

¹ Target allocations are based on the FY20 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0246746791%, a decrease of 16.76% from its proportionate share of 0.0296424650% at August 31, 2019.

Changes Since the Prior Actuarial Valuation – There were no changes in assumptions since the measurement period.

For the year ended June 30, 2021, Lovejoy Independent School District recognized pension expense of \$2,912,381 and revenue of \$2,912,381 for support provided by the State.

At June 30, 2021, Lovejoy Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 24,130	\$ 368,803
Changes in actuarial assumptions	3,066,409	1,303,816
Difference between projected and actual investment earnings	588,706	321,174
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	970,198	1,821,057
Contributions paid to TRS subsequent to the measurement date	865,313	-
Total	\$5,514,756	\$3,814,850

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

Year ended June 30:	Pension Expense Amount
2022	\$ 430,711
2023	540,515
2024	475,579
2025	(47,363)
2026	(459,560)
Thereafter	(105,289)

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 <http://www.trs.texas.gov/pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Lovejoy ISD FY21 Employer Contributions		\$254,335
Lovejoy ISD FY21 Member Contributions		\$216,093
Lovejoy ISD FY21 NECE On-behalf Contributions		\$348,763

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether or not they participate in the TRS Care OPEB program. When hiring a TRS retiree, employers are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

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

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020.

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District’s proportionate share of the Net OPEB Liability:	\$15,998,086	\$12,981,064	\$10,930,451

Healthcare Cost Trend Rates Sensitivity Analysis - The following shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$10,603,864	\$12,981,064	\$16,147,156

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2021, the District reported a liability of \$12,981,064 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s Proportionate share of the collective Net OPEB Liability	\$12,981,064
State’s proportionate share that is associated with the District	<u>\$17,443,438</u>
Total	<u>\$30,424,502</u>

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0341476501%, a decrease of 6.45% compared to the August 31, 2019 proportionate share of 0.0365011322%.

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 since the prior measurement period:

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

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

For the year ended June 30, 2021, the amount of OPEB expense recognized by the District in the reporting period was \$(121,121).

At June 30, 2021, the District reported its proportionate share of the TRS's 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	\$ 679,683	\$ 5,940,799
Changes in actuarial assumptions	800,662	3,564,667
Difference between projected and actual investment earnings	4,483	265
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	930,634	1,315,869
Contributions paid to TRS subsequent to the measurement date	212,656	-
Total	\$2,628,118	\$10,821,600

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

Year ended June 30:	OPEB Expense Amount
2022	\$ (1,349,581)
2023	(1,350,145)
2024	(1,350,467)
2025	(1,350,379)
2026	(1,003,649)
Thereafter	(2,001,917)

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2021, the contribution made on behalf of the District was \$161,031.

NOTE 12. WORKERS' COMPENSATION INSURANCE

During the year ended June 30, 2021, Lovejoy ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$102,365,912 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 13. HEALTH CARE COVERAGE

During the year ended June 30, 2021, employees of the District were covered by a health insurance plan (the plan). The District paid premiums of \$225 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents' health insurance coverage. All premiums were paid to a 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 licensed insurer is renewable September 1, 2021 and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross Blue Shield are available for the year ended December 31, 2020, and are filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

NOTE 14. UNEMPLOYMENT COMPENSATION POOL

During the year ended June 30, 2021, Lovejoy ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payments has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2020 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state and local governments as of June 30, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Local Entitlements	State Entitlements	Federal Grants	Total
General	\$ -	\$ 934,775	\$ -	\$ 934,775
Capital Projects	-	138,875	-	138,875
Special Revenue	-	<u>246,874</u>	<u>5,500</u>	<u>252,374</u>
Total	<u>\$ -</u>	<u>\$1,320,524</u>	<u>\$5,500</u>	<u>\$1,326,024</u>

NOTE 16. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, will not be known until as long as five years from the bond issuance date. At June 30, 2021, the estimated rebate liability on outstanding bond series was \$0.

NOTE 17. LITIGATION AND CONTINGENCIES

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District’s administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The Collin County Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$30,356,030	\$ -	\$14,387,545	\$ -	\$44,743,575
Investment Income	14,284	-	9,745	5,691	29,720
Food Sales	-	965,731	-	-	965,731
Penalties, interest and other tax related income	91,080	-	42,378	-	133,458
Co-curricular student activities	179,170	845,527	-	-	1,024,697
Tuition and fees	1,322,179	439,424	-	-	1,761,603
Gifts and bequests	16,065	720,719	-	-	736,784
Facilities rentals	4,703	-	-	-	4,703
Insurance recovery	955,900	-	-	-	955,900
Other	134,839	-	-	-	134,839
Total	<u>\$33,074,250</u>	<u>\$2,971,401</u>	<u>\$14,439,668</u>	<u>\$ 5,691</u>	<u>\$50,491,010</u>

NOTE 19. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Advanced placement incentives	\$ -	\$ 8,284	\$ -	\$ 8,284
Ready to read	-	119	-	119
	<u>\$ -</u>	<u>\$ 8,403</u>	<u>\$ -</u>	<u>\$ 8,403</u>

NOTE 20. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended June 30, 2021.

NOTE 21. SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement which provides a regional day school for the deaf to several member districts, and also participates in a shared services arrangement for juvenile justice alternative education services with several school districts. Although the District contributes to the shared services arrangement based on its participation, 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, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Lovejoy ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2021, the District incurred \$17,200 in costs in the regional day school for the deaf, and incurred no costs in the juvenile justice alternative education program.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 22. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2021, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation.

On June 3, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-36 (which became effective June 5, 2021), to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that, per Executive Order GA-36, school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

The TEA advised districts that for the 2020-2021 school year district funding would return to being based on “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”) calculations requiring attendance to be taken. However, the TEA has crafted an approach for determining ADA during the pandemic that provides districts with several options for determining daily attendance. These include remote synchronous instruction, remote asynchronous instruction, on-campus instruction and the Texas Virtual Schools Network. To stabilize funding expectations, districts were initially provided an ADA grace period for the first two six weeks of the 2020-2021 school year. If a district’s first two six-week average ADA is less than the ADA hold harmless projections (described below), the first two six-week attendance reporting periods for 2020-2021 were excluded from the calculation of annual ADA and student full-time equivalents (“FTE”) for Foundation School Program (“FSP”) funding purposes and replaced with the ADA and FTE hold harmless projections that were derived using a three-year average trend of final numbers from the 2017-2018 through 2019-2020 school years, unless the projection is both (i) 15% higher and (ii) 100 ADA higher than the 2020-2021 legislative planning estimate (“LPE”) projections provided by the TEA to the State legislature pursuant to Section 48.269 of the Texas Education Code, in which case the 2020-2021 LPE ADA and FTE were used as the hold harmless projections.

The ADA hold harmless projection was also available for the third six-week attendance reporting period, but only for those districts that allowed on-campus instruction throughout the entire third six-week period, as further described below. The ADA hold harmless methodology was identical to the methodology used for the first two six-week attendance reporting periods, except that the third six-week period was examined independent of the first two six-week attendance reporting periods.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The ADA hold harmless projection was extended for the remainder of the 2020-2021 school year (the fourth, fifth, and sixth six-week attendance reporting periods). In order to qualify, a district must meet certain criteria established by the TEA related to on-campus.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District's bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

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REQUIRED SUPPLEMENTARY INFORMATION

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.2467467%	0.02964246%	0.02906351%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 13,215,255	\$ 15,409,080	\$ 15,997,259
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	24,213,787	22,615,060	24,373,728
Total	<u>\$ 37,429,042</u>	<u>\$ 38,024,140</u>	<u>\$ 40,370,987</u>
District's Covered Payroll	\$ 33,389,335	\$ 32,938,136	\$ 31,543,339
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	39.58%	46.78%	50.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.027638386%	0.026201154%	0.0268281%	0.0181979%
\$ 8,837,267	\$ 9,901,027	\$ 9,483,376	\$ 4,860,911
14,810,995	17,757,045	16,465,674	14,484,731
<u>\$ 23,648,262</u>	<u>\$ 27,658,072</u>	<u>\$ 25,949,050</u>	<u>\$ 19,345,642</u>
\$ 30,403,395	\$ 28,877,118	\$ 26,839,008	\$ 25,130,174
29.07%	34.29%	35.33%	19.34%
82.17%	78.00%	78.43%	83.25%

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 1,029,152	\$ 1,011,493	\$ 1,037,838
Contribution in Relation to the Contractually Required Contribution	(1,029,152)	(1,011,493)	(1,037,838)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 33,245,237	\$ 33,277,029	\$ 32,658,470
Contributions as a Percentage of Covered Payroll	3.10%	3.04%	3.18%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2018	2017	2016	2015
\$	968,869	\$ 900,035	\$ 821,878	\$ 735,270
	(968,869)	(900,035)	(821,878)	(735,270)
\$	-	\$ -	\$ -	\$ -
\$	31,447,998	\$ 30,159,743	\$ 28,664,041	\$ 26,839,008
	3.08%	2.98%	2.87%	2.74%

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.03414765%	0.03650113%	0.03608849%	\$ 0.03431364%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 12,981,064	\$ 17,261,832	\$ 18,019,313	\$ 14,921,715
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	17,443,438	22,937,114	28,166,916	\$ 24,917,669
Total	<u>\$ 30,424,502</u>	<u>\$ 40,198,946</u>	<u>\$ 46,186,229</u>	<u>\$ 39,839,384</u>
District's Covered Payroll	\$ 33,389,335	\$ 32,938,136	\$ 31,543,339	\$ 30,403,395
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	38.88%	52.41%	57.13%	\$ 49.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 254,335	\$ 259,408	\$ 255,675	\$ 231,818
Contribution in Relation to the Contractually Required Contribution	(254,335)	(259,408)	(255,675)	(231,818)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 33,245,237	\$ 33,277,029	\$ 32,658,470	\$ 31,447,998
Contributions as a Percentage of Covered Payroll	0.77%	0.78%	0.78%	0.74%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

PENSION LIABILITY:

Changes of benefit terms:

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

There were no changes in benefit terms since the prior measurement date.

Changes of assumptions:

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

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

COMBINING SCHEDULES

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 61,995	\$ -	\$ 82,374
1240	Due from Other Governments	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	1,891
1000	Total Assets	<u>\$ -</u>	<u>\$ 61,995</u>	<u>\$ -</u>	<u>\$ 84,265</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ -	\$ 55,406	\$ -	\$ 75,599
2200	Accrued Expenditures	-	6,589	-	8,666
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>61,995</u>	<u>-</u>	<u>84,265</u>
FUND BALANCES					
Committed Fund Balance:					
3545	Other Committed Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 61,995</u>	<u>\$ -</u>	<u>\$ 84,265</u>

EXHIBIT H-1 (Cont'd)

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	272 Medicaid Admin. Claim MAC	281 ESSE Relief II	289 ESEA Title IV Part A	397 Advanced Placement Incentives	410 State Instructional Materials	427 ESC20 SPED Support Grant
\$ -	\$ (5,500)	\$ -	\$ -	\$ -	\$ 8,284	\$ (61,104)	\$ -
-	5,500	-	-	-	-	61,104	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,284</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	8,284	-	-
-	-	-	-	-	<u>8,284</u>	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,284</u>	<u>\$ -</u>	<u>\$ -</u>

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

Data Control Codes	429 Ready to Read	461 Campus Activity Funds	465 Grants/ Donations	495 School Store
ASSETS				
1110 Cash and Cash Equivalents	\$ 119	\$ 679,251	\$ 98,372	\$ (18,485)
1240 Due from Other Governments	-	-	185,770	-
1290 Other Receivables	-	-	90,348	-
1300 Inventories	-	-	-	61,556
1000 Total Assets	<u>\$ 119</u>	<u>\$ 679,251</u>	<u>\$ 374,490</u>	<u>\$ 43,071</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -
2200 Accrued Expenditures	-	-	-	-
2300 Unearned Revenue	119	-	-	-
2000 Total Liabilities	<u>119</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	679,251	374,490	43,071
3000 Total Fund Balances	<u>-</u>	<u>679,251</u>	<u>374,490</u>	<u>43,071</u>
4000 Total Liabilities and Fund Balances	<u>\$ 119</u>	<u>\$ 679,251</u>	<u>\$ 374,490</u>	<u>\$ 43,071</u>

497 Concessions Operations	498 Catering Operations	499 Kids First/ Daycare	Total Nonmajor Governmental Funds
\$ 4,414	\$ 2,276	\$ 74,068	\$ 926,064
-	-	-	252,374
-	-	-	90,348
-	-	-	63,447
<u>\$ 4,414</u>	<u>\$ 2,276</u>	<u>\$ 74,068</u>	<u>\$ 1,332,233</u>
\$ -	\$ -	\$ 68,804	\$ 199,809
-	-	5,264	20,519
-	-	-	8,403
-	-	74,068	228,731
4,414	2,276	-	1,103,502
<u>4,414</u>	<u>2,276</u>	<u>-</u>	<u>1,103,502</u>
<u>\$ 4,414</u>	<u>\$ 2,276</u>	<u>\$ 74,068</u>	<u>\$ 1,332,233</u>

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 787,746
5800 State Program Revenues	-	-	-	68,235
5900 Federal Program Revenues	3,210	490,057	900	98,184
5020 Total Revenues	3,210	490,057	900	954,165
EXPENDITURES:				
Current:				
0011 Instruction	3,210	414,719	900	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	92	-	-
0032 Social Work Services	-	75,246	-	-
0035 Food Services	-	-	-	1,333,512
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	3,210	490,057	900	1,333,512
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(379,347)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	185,648
1200 Net Change in Fund Balance	-	-	-	(193,699)
0100 Fund Balance - July 1 (Beginning)	-	-	-	193,699
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	272 Medicaid Admin. Claim MAC	281 ESSE Relief II	289 ESEA Title IV Part A	397 Advanced Placement Incentives	410 State Instructional Materials	427 ESC20 SPED Support Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	347,795	65,550
29,660	20,905	2,366	50,000	8,450	-	-	-
29,660	20,905	2,366	50,000	8,450	-	347,795	65,550
29,660	-	-	-	-	-	347,749	-
-	-	-	-	-	-	-	-
-	20,905	-	-	8,450	-	-	-
-	-	2,366	-	-	-	-	-
-	-	-	-	-	-	46	-
-	-	-	-	-	-	-	65,550
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	50,000	-	-	-	-
29,660	20,905	2,366	50,000	8,450	-	347,795	65,550
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	429 Ready to Read	461 Campus Activity Funds	465 Grants/ Donations	495 School Store
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 821,709	\$ 720,219	\$ 177,385
5800 State Program Revenues	49	4,491	356	-
5900 Federal Program Revenues	-	-	294,750	-
5020 Total Revenues	49	826,200	1,015,325	177,385
EXPENDITURES:				
Current:				
0011 Instruction	-	43,759	525,566	-
0012 Instructional Resources and Media Services	49	-	-	-
0013 Curriculum and Instructional Staff Development	-	3,091	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	1,243	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	92,723	-
0032 Social Work Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	726,809	116,124	134,314
0041 General Administration	-	-	13,478	-
0051 Facilities Maintenance and Operations	-	-	90	-
0052 Security and Monitoring Services	-	-	215,592	-
0061 Community Services	-	-	8,566	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	49	774,902	972,139	134,314
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	51,298	43,186	43,071
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	51,298	43,186	43,071
0100 Fund Balance - July 1 (Beginning)	-	627,953	331,304	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 679,251	\$ 374,490	\$ 43,071

	497 Concessions Operations	498 Catering Operations	499 Kids First/ Daycare	Total Nonmajor Governmental Funds
\$	24,918	\$ -	\$ 439,424	\$ 2,971,401
	1,790	-	50,686	538,952
	-	-	-	998,482
	26,708	-	490,110	4,508,835
	-	-	-	1,365,563
	-	-	-	49
	-	-	-	32,446
	-	-	-	2,366
	-	-	-	1,289
	-	-	-	158,365
	-	-	-	75,246
	33,208	-	-	1,366,720
	-	-	-	977,247
	-	-	-	13,478
	-	-	-	90
	-	-	-	215,592
	-	-	757,363	765,929
	-	-	-	50,000
	33,208	-	757,363	5,024,380
	(6,500)	-	(267,253)	(515,545)
	-	-	122,988	308,636
	(6,500)	-	(144,265)	(206,909)
	10,914	2,276	144,265	1,310,411
\$	4,414	\$ 2,276	\$ -	\$ 1,103,502

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REQUIRED T.E.A. SCHEDULES

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2021

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.060000	0.475000	1,548,565,472
2014	1.060000	0.475000	1,670,693,029
2015	1.060000	0.500000	1,837,430,448
2016	1.060000	0.500000	1,974,616,410
2017	1.170000	0.500000	2,155,176,826
2018	1.170000	0.500000	2,373,340,778
2019	1.170000	0.500000	2,590,912,275
2020	1.068350	0.500000	2,792,293,047
2021 (School year under audit)	1.054700	0.500000	2,882,157,522
1000 TOTALS			

(10) Beginning Balance 7/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2021
\$ 27,648	\$ -	\$ 823	\$ 370	\$ -	\$ 26,455
7,338	-	33	15	-	7,290
22,699	-	129	58	-	22,512
31,238	-	(747)	(352)	(1,114)	31,223
61,481	-	(1,449)	(684)	(3,008)	60,606
67,327	-	6,251	2,671	6,024	64,429
81,685	-	9,384	4,010	12,555	80,846
107,604	-	12,636	5,400	947	90,515
608,801	-	322,033	150,715	(22,760)	113,293
-	44,808,903	30,006,937	14,225,342	-	576,624
<u>\$ 1,015,821</u>	<u>\$ 44,808,903</u>	<u>\$ 30,356,030</u>	<u>\$ 14,387,545</u>	<u>\$ (7,356)</u>	<u>\$ 1,073,793</u>

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,750,000	\$ 1,749,500	\$ 787,746	\$ (961,754)
5800 State Program Revenues	60,000	59,500	68,235	8,735
5900 Federal Program Revenues	225,000	226,000	98,184	(127,816)
5020 Total Revenues	2,035,000	2,035,000	954,165	(1,080,835)
EXPENDITURES:				
Current:				
0035 Food Services	2,035,000	2,035,000	1,333,512	701,488
6030 Total Expenditures	2,035,000	2,035,000	1,333,512	701,488
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(379,347)	(379,347)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	185,648	185,648
1200 Net Change in Fund Balances	-	-	(193,699)	(193,699)
0100 Fund Balance - July 1 (Beginning)	193,699	193,699	193,699	-
3000 Fund Balance - June 30 (Ending)	\$ 193,699	\$ 193,699	\$ -	\$ (193,699)

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT J-3

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 14,781,591	\$ 14,781,591	\$ 14,439,668	\$ (341,923)
5800 State Program Revenues	161,409	161,409	145,530	(15,879)
5020 Total Revenues	14,943,000	14,943,000	14,585,198	(357,802)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	9,114,771	9,114,771	5,060,000	4,054,771
0072 Interest on Long-Term Debt	5,819,661	5,819,661	5,819,659	2
0073 Bond Issuance Cost and Fees	8,568	8,568	8,568	-
6030 Total Expenditures	14,943,000	14,943,000	10,888,227	4,054,773
1200 Net Change in Fund Balances	-	-	3,696,971	3,696,971
0100 Fund Balance - July 1 (Beginning)	5,524,546	5,524,546	5,524,546	-
3000 Fund Balance - June 30 (Ending)	\$ 5,524,546	\$ 5,524,546	\$ 9,221,517	\$ 3,696,971

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FEDERAL AWARDS SECTION

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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*

To the Board of Trustees
Lovejoy Independent School District
Allen, Texas 75002

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lovejoy Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Lovejoy Independent School District's basic financial statements, and have issued our report dated October 3, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

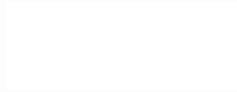
Purpose of this Report

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



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 3, 2021



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

To the Board of Trustees
Lovejoy Independent School District
Allen, Texas 75002

Report on Compliance for Each Major Federal Program

We have audited Lovejoy Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lovejoy Independent School District's major federal programs for the year ended June 30, 2021. Lovejoy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lovejoy Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lovejoy Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lovejoy Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lovejoy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Lovejoy Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lovejoy Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lovejoy Independent School District's internal control over compliance.

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

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

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



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 3, 2021

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:
IDEA-B Cluster:
84.027 IDEA, Part B, Formula
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: No

II. Findings Related to the Financial Statements

None

III. Other Findings

None

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

NONE

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 989
Total Direct Programs			989
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101043919	3,210
*IDEA - Part B, Formula	84.027	206600010439196600	53,664
*IDEA - Part B, Formula	84.027	216600010439196600	436,393
Total Assistance Listing Number 84.027			490,057
Total Special Education Cluster (IDEA)			490,057
Career and Technical - Basic Grant	84.048A	204200287110051	29,660
IDEA - Part B, Preschool	84.173	206610010439196610	900
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501043919	20,905
ESEA Title IV, Part A	84.424A	20680101043919	8,450
ESSER - Prior Purchase Reimbursement Program	84.425D	52102135	50,000
Total Passed Through State Department of Education			603,182
TOTAL U.S. DEPARTMENT OF EDUCATION			604,171
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Medicaid Administrative Claiming Program - MAC	93.778	01-043919	2,366
Total Direct Programs			2,366
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,366
 U.S. DEPARTMENT OF JUSTICE			
<u>Direct Programs</u>			
STOP School Violence	16.839	2018-YS-BX-0149	27,530
STOP School Violence	16.839	2018-YS-BX-0108	65,194
Total Assistance Listing Number 16.839			92,724
Total Direct Programs			92,724
<u>Passed Through Town of Fairview</u>			
COPS Office STOP School Violence	16.710	2018-SV-WX-0086	202,026
Total Passed Through Town of Fairview			202,026
TOTAL U.S. DEPARTMENT OF JUSTICE			294,750

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*National School Lunch Program - Cash Assistance	10.555	713020	56,441
*National School Lunch Prog. - Non-Cash Assistance	10.555	713020	41,743
Total Assistance Listing Number 10.555			98,184
Total Child Nutrition Cluster			98,184
Total Passed Through the State Department of Agriculture			98,184
TOTAL U.S. DEPARTMENT OF AGRICULTURE			98,184
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 999,471

*Clustered Programs

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2021

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

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used in the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$-0-.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$ 999,471
SHARS Revenue reported in the General Fund	366,732
Tax Credit Revenue reported in the Debt Service Fund	-
Plus Revenue Received for Coronavirus Relief Fund for FY20 Expenditures	11,101
Total Federal Program Revenue	<u>\$1,377,304</u>

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LOVEJOY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2021

LOVEJOY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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CERTIFICATE OF BOARD

Lovejoy Independent School District
Name of School District


Collin
County

043-919
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 June 30, 2021, at a meeting of the Board of Trustees of such school district on the 25th day of October, 2021.



Signature of Board Secretary



Signature of Board President

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL (940) 387-8563
FAX (940) 383-4746

Independent Auditor's Report

To the Board of Trustees
Lovejoy Independent School District
Allen, Texas 75002

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lovejoy Independent School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lovejoy Independent School District as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 13 and the Teacher Retirement System schedules on pages 62 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lovejoy Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2021 on our consideration of Lovejoy Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Lovejoy Independent School District's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 3, 2021

**LOVEJOY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

As management of Lovejoy Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2021. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of Lovejoy Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal year resulting in a negative net position of \$32,423,361.
- The District's total net position increased by \$781,455 during the fiscal year from the result of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$28,065,279, an increase of \$885,518 for the year. Over 29% of this total amount (\$8,363,410) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund of \$8,363,410 was 19.7% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 and 18). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or custodian for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 31) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, deferred inflows and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in it. The District's net position provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

All of the District's basic services are reported as governmental activities, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The fund financial statements begin on page 20 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 20 through 28 of this report.
- Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the custodian, or *fiduciary*, for these funds and 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 fund net position that can be found on pages 29 and 30. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Governmental Activities

Net Position. The net position of the District's governmental activities at June 30, 2021 was a \$32,423,361 deficit. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was a deficit of \$12,844,882 at June 30, 2021. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's governmental activities net position (\$9,221,517) represents resources that are subject to external restrictions on how they may be used. There was no unrestricted net position at June 30, 2021.

Changes in Net Position. The District's total revenues of its governmental activities were \$62,222,415. A significant portion, approximately 72.3 percent, of the revenue comes from property taxes. Another 9.6 percent comes from state aid - formula grants while only 6.1 percent relates to charges for services. This reflects a \$1,621,735 decrease in revenues from 2019-2020. The total revenues were used to fund the cost of all programs and services in the amount of \$61,440,960, and to pay down the District's debt. This reflects a \$2,321,367 decrease in expenditures from 2019-2020, or approximately 3.64%.

Governmental Activities. Funding for governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to \$11,084,337 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was \$50,356,623, which were primarily funded by property taxes in the amount of \$45,008,892 and state revenue of \$5,948,562.

**Table I
NET POSITION**

	Governmental Activities June 30, 2020	Governmental Activities June 30, 2021	Difference
Current and other assets	\$ 32,213,773	\$ 34,643,926	\$ 2,430,153
Capital assets	140,743,322	135,988,539	(4,754,783)
Total assets	<u>172,957,095</u>	<u>170,632,465</u>	<u>(2,324,630)</u>
Deferred outflows of resources	<u>15,398,530</u>	<u>12,026,716</u>	<u>(3,371,814)</u>
Total assets and deferred outflows of resources	<u>188,355,625</u>	<u>182,659,181</u>	<u>(5,696,444)</u>
Long-term liabilities	204,230,166	192,538,303	(11,691,863)
Other liabilities	<u>6,579,674</u>	<u>7,907,789</u>	<u>1,328,115</u>
Total liabilities	<u>210,809,840</u>	<u>200,446,092</u>	<u>(10,363,748)</u>
Deferred inflows of resources	<u>10,750,601</u>	<u>14,636,450</u>	<u>3,885,849</u>
Total liabilities and deferred inflows of resources	<u>221,560,441</u>	<u>215,082,542</u>	<u>(6,477,899)</u>
Net Position:			
Net investments in capital assets	(11,679,336)	(12,844,882)	(1,165,546)
Restricted	5,718,245	9,221,517	3,503,272
Unrestricted	<u>(27,243,725)</u>	<u>(28,799,996)</u>	<u>(1,556,271)</u>
Total Net Position	<u><u>\$(33,204,816)</u></u>	<u><u>\$(32,423,361)</u></u>	<u><u>\$ 781,455</u></u>

Table II
CHANGES IN NET POSITION

	Governmental Activities Year Ended June 30, 2020	Governmental Activities Year Ended June 30, 2021	Difference
Revenues:			
Program Revenues:			
Charges for services	\$ 3,778,134	\$ 3,794,415	\$ 16,281
Operating grants and contributions	7,869,392	7,151,047	(718,345)
Capital grants	369,000	138,875	(230,125)
General Revenues:			
Maintenance and operations taxes	29,910,329	30,551,365	641,036
Debt service taxes	14,004,347	14,457,527	453,180
State aid	7,393,408	5,948,562	(1,444,846)
Investment earnings	416,560	29,720	(386,840)
Miscellaneous	102,980	150,904	47,924
Total Revenue	<u>63,844,150</u>	<u>62,222,415</u>	<u>(1,621,735)</u>
Expenses:			
Instruction, curriculum and media services	32,300,612	31,765,383	(535,229)
Instructional and school leadership	4,062,345	3,716,158	(346,187)
Student support services	4,448,658	3,967,630	(481,028)
Child nutrition	2,013,987	1,513,609	(500,378)
Cocurricular activities	3,619,541	2,924,597	(694,944)
General administration	2,739,435	2,675,820	(63,615)
Plant maintenance, security and data processing	6,224,960	5,875,585	(349,375)
Community services	1,139,591	1,079,485	(60,106)
Debt services	6,209,343	5,858,221	(351,122)
Capital outlay	529,631	1,576,441	1,046,810
Intergovernmental charges	474,224	488,031	13,807
Total Expenses	<u>63,762,327</u>	<u>61,440,960</u>	<u>(2,321,367)</u>
Increase (Decrease) in Net Position	81,823	781,455	699,632
Net Position - beginning of period	(33,045,145)	(33,204,816)	(159,671)
Prior period adjustment	(241,494)	-	241,494
Net Position - end of period	<u><u>\$(33,204,816)</u></u>	<u><u>\$(32,423,361)</u></u>	<u><u>\$ 781,455</u></u>

THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$28,065,279, an increase of \$885,518. Approximately 67 percent of this total amount (\$18,692,230) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$9,221,517), or already spent on prepayments (\$151,532).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,363,410, while the total fund balance was \$8,514,942. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Total fund balance represents 20.09 percent of the total general fund expenditures and unassigned fund balance represents 19.73 percent of the total general fund expenditures.

The fund balance of the District's general fund decreased by \$821,042 during the current fiscal year, compared to a \$59,734 increase in the previous year. Key factors related to this change are as follows:

- A \$1,052,765 increase in property tax revenues combined with a \$1,444,846 decrease in the state foundation and per capita funding contributed to a \$578,969 overall decrease in total revenues. However, expenditures only increased \$184,697 or 0.44% compared to the prior year.

The debt service fund has a total fund balance of \$9,221,517, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$3,696,971, compared to a \$32,783 decrease in the previous year. Tax revenues were \$375,934 higher than the previous year but debt service expenditures were \$3,303,303 lower.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$1,783,502 due primarily to \$1,928,068 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 5 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget four times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2020). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$8,514,942 reported on page 20 differs from the General Fund's budgetary fund balance of \$6,223,984 reported in the budgetary comparison schedule on page 28. For the year ended June 30, 2021, actual general fund expenditures on a budgetary basis were \$42,386,677, below the final budget expenditures of \$44,644,000. Actual revenue on a budgetary basis was \$41,874,271 compared to the budget of \$41,542,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$135,988,539 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$4,754,783, or 3.38 percent, below last year.

This fiscal year's major additions included:

3 school buses	\$336,383
Door security system	<u>149,969</u>
TOTAL	<u>\$486,352</u>

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$166,341,984 in bonds outstanding (including accreted interest on bonds and premiums on bond issuances) versus \$171,559,254 last year—a decrease of 3.04 percent. No new debt was incurred during the current fiscal year. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$288,215,752, which is in excess of the District's outstanding general obligation debt.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Lovejoy ISD Board of Trustees adopted a balanced budget for 2020-21. As a result of the COVID-19 pandemic and its continued impact on school district enrollment and attendance throughout the state, the Texas Education Agency implemented a Hold Harmless provision to adjust the Average Daily Attendance (ADA) figure used to calculate the funding allotment formulas for school districts so that the effect of any reductions in attendance were not detrimental. This adjustment aided Lovejoy ISD as the 2020-21 budget was based on an ADA of 4,284 and the actual ADA was 4,056. The Hold Harmless provision allowed for a use of 4,257 ADA for funding purposes. More detail regarding the effect of COVID-19 on school district's financial outlook throughout the state is provided in Note 22 on page 58 of this report.

Several programmatic changes were also implemented in the 2020-21 fiscal year as part of budget development, including elimination of some transportation services. Further programmatic changes were implemented in the development of the 2021-22 budget to mitigate funding losses resulting from changes in funding formulas and slowing enrollment increases. These changes include the repurposing of Lovejoy Elementary School into the Lovejoy Child Development Center, a Reduction in Force, the elimination of charging out-of-district students for tuition, and the implementation of fees for transportation services. These measures allowed for the adoption of a balanced budget for 2021-22. Tax compression also occurred in 2020-21 with the adopted maintenance and operations tax rate of \$1.0547 and will continue in 2021-22 with an adopted maintenance and operations tax rate of \$1.0050.

Overall, the District's net position improved slightly from 2019-2020 (see p. 19), however the ending fund balance in the general fund decreased from the beginning of the year at \$9,335,984 to an ending fund balance of \$8,514,942. The ending fund balance is equivalent to 73 days of operating expenses and represents a three-year decrease of 10%. Any potential statewide adjustments in regard to the ADA used in funding formula calculations for 2021-22 have not been determined and the District has received no substantial CARES Act funding due to a lack of Title I, Part A eligibility. The District will receive some temporary ESSER Supplemental Funding to address the impacts of COVID-19 and learning loss beginning in 2021-22 through 2023, currently estimated at \$2.1 million total, but not yet received.

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 funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Lovejoy Independent School District, 259 Country Club Road, Allen, Texas 75002, (469) 742-8000.

BASIC FINANCIAL STATEMENTS

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LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 7,021,040
1120 Current Investments	23,972,580
1220 Property Taxes - Delinquent	1,073,793
1230 Allowance for Uncollectible Taxes	(10,738)
1240 Due from Other Governments	1,326,024
1290 Other Receivables, Net	1,046,248
1300 Inventories	63,447
1410 Prepayments	151,532
Capital Assets:	
1510 Land	6,053,893
1520 Buildings, Net	124,613,039
1530 Furniture and Equipment, Net	2,528,978
1540 Vehicles, Net	2,670,008
1580 Construction in Progress	122,621
1000 Total Assets	170,632,465
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	3,883,842
1705 Deferred Outflow Related to TRS Pension	5,514,756
1706 Deferred Outflow Related to TRS OPEB	2,628,118
1700 Total Deferred Outflows of Resources	12,026,716
LIABILITIES	
2110 Accounts Payable	291,699
2150 Payroll Deductions and Withholdings	(6,003)
2160 Accrued Wages Payable	3,600,475
2180 Due to Other Governments	1,724,617
2200 Accrued Expenses	2,288,598
2300 Unearned Revenue	8,403
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	5,849,664
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	160,492,320
2540 Net Pension Liability (District's Share)	13,215,255
2545 Net OPEB Liability (District's Share)	12,981,064
2000 Total Liabilities	200,446,092
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	3,814,850
2606 Deferred Inflow Related to TRS OPEB	10,821,600
2600 Total Deferred Inflows of Resources	14,636,450
NET POSITION	
3200 Net Investment in Capital Assets	(12,844,882)
3850 Restricted for Debt Service	9,221,517
3900 Unrestricted	(28,799,996)
3000 Total Net Position	\$ (32,423,361)

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11	Instruction	\$ 29,077,708	\$ 3,413,281
12	Instructional Resources and Media Services	886,179	50,505
13	Curriculum and Instructional Staff Development	1,801,496	169,880
21	Instructional Leadership	512,497	45,668
23	School Leadership	3,203,661	226,960
31	Guidance, Counseling, and Evaluation Services	2,063,975	301,133
32	Social Work Services	83,299	93,170
33	Health Services	564,341	40,117
34	Student (Pupil) Transportation	1,256,015	194,053
35	Food Services	1,513,609	71,554
36	Extracurricular Activities	2,924,597	1,149,011
41	General Administration	2,675,820	257,015
51	Facilities Maintenance and Operations	4,436,166	115,649
52	Security and Monitoring Services	769,919	252,568
53	Data Processing Services	669,500	25,618
61	Community Services	1,079,485	548,346
72	Debt Service - Interest on Long-Term Debt	5,849,653	146,519
73	Debt Service - Bond Issuance Cost and Fees	8,568	-
81	Capital Outlay	1,576,441	50,000
91	Contracted Instructional Services Between Schools	244,902	-
93	Payments Related to Shared Services Arrangements	17,200	-
99	Other Intergovernmental Charges	225,929	-
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 61,440,960	\$ 7,151,047

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
		5	6
		Capital Grants and Contributions	Governmental Activities
\$	-	\$	(24,342,248)
	-		(835,674)
	-		(1,631,616)
	-		(466,829)
	-		(2,976,701)
	-		(1,762,842)
	-		9,871
	-		(157,492)
	-		(1,061,962)
	-		(476,324)
	-		(1,596,416)
	-		(2,418,805)
	-		(3,359,914)
	-		(517,351)
	-		(643,882)
	-		(531,139)
	-		(5,703,134)
	-		(8,568)
	138,875		(1,387,566)
	-		(244,902)
	-		(17,200)
	-		(225,929)
\$	<u>138,875</u>		<u>(50,356,623)</u>

30,551,365
14,457,527
5,948,562
29,720
150,904
<u>51,138,078</u>
781,455
(33,204,816)
<u><u>\$ (32,423,361)</u></u>

LOVEJOY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 4,457,471	\$ 136,642	\$ 1,500,863
1120 Investments - Current	7,407,567	8,979,433	7,585,580
1220 Property Taxes - Delinquent	735,253	338,540	-
1230 Allowance for Uncollectible Taxes	(7,353)	(3,385)	-
1240 Due from Other Governments	934,775	-	138,875
1290 Other Receivables	955,900	-	-
1300 Inventories	-	-	-
1410 Prepayments	151,532	-	-
1000 Total Assets	<u>\$ 14,635,145</u>	<u>\$ 9,451,230</u>	<u>\$ 9,225,318</u>
LIABILITIES			
2110 Accounts Payable	\$ 291,699	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	(6,003)	-	-
2160 Accrued Wages Payable	3,400,666	-	-
2180 Due to Other Governments	1,724,617	-	-
2200 Accrued Expenditures	174,047	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>5,585,026</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	535,177	229,713	-
2600 Total Deferred Inflows of Resources	<u>535,177</u>	<u>229,713</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	151,532	-	-
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	9,221,517	-
Committed Fund Balance:			
3510 Construction	-	-	9,225,318
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	8,363,410	-	-
3000 Total Fund Balances	<u>8,514,942</u>	<u>9,221,517</u>	<u>9,225,318</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 14,635,145</u>	<u>\$ 9,451,230</u>	<u>\$ 9,225,318</u>

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

Other Funds	Total Governmental Funds
\$ 926,064	\$ 7,021,040
-	23,972,580
-	1,073,793
-	(10,738)
252,374	1,326,024
90,348	1,046,248
63,447	63,447
-	151,532
<u>\$ 1,332,233</u>	<u>\$ 34,643,926</u>
\$ -	\$ 291,699
-	(6,003)
199,809	3,600,475
-	1,724,617
20,519	194,566
8,403	8,403
<u>228,731</u>	<u>5,813,757</u>
-	764,890
-	764,890
-	151,532
-	9,221,517
-	9,225,318
1,103,502	1,103,502
-	8,363,410
<u>1,103,502</u>	<u>28,065,279</u>
<u>\$ 1,332,233</u>	<u>\$ 34,643,926</u>

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LOVEJOY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	28,065,279
1 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.		191,089,934
2 Accumulated depreciation is not reported in the fund financial statements.		(55,101,395)
3 Bonds payable are not reported in the fund financial statements.		(152,882,326)
4 Bond premiums and discounts are not recognized in the fund financial statements.		(9,060,255)
5 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(2,094,032)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$13,215,255, a Deferred Resource Inflow related to TRS in the amount of \$3,814,850, and a Deferred Resource Outflow related to TRS in the amount of \$5,514,756. This amounted to a decrease in Net Position in the amount of \$11,515,349.		(11,515,349)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$12,981,064, a Deferred Resource Inflow related to TRS OPEB in the amount of \$10,821,600, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$2,628,118. This amounted to a net decrease in Net Position in the amount of \$21,174,546.		(21,174,546)
8 Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		764,890
9 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.		(4,399,403)
10 Deferred charge on bond refundings is not recognized in the fund financial statements.		3,883,842
19 Net Position of Governmental Activities	\$	(32,423,361)

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 33,074,250	\$ 14,439,668	\$ 5,691
5800 State Program Revenues	8,421,199	145,530	138,875
5900 Federal Program Revenues	378,822	-	-
5020 Total Revenues	<u>41,874,271</u>	<u>14,585,198</u>	<u>144,566</u>
EXPENDITURES:			
Current:			
0011 Instruction	23,607,445	-	-
0012 Instructional Resources and Media Services	772,210	-	-
0013 Curriculum and Instructional Staff Development	1,513,013	-	-
0021 Instructional Leadership	433,367	-	-
0023 School Leadership	2,740,190	-	-
0031 Guidance, Counseling, and Evaluation Services	1,624,030	-	-
0032 Social Work Services	-	-	-
0033 Health Services	481,546	-	-
0034 Student (Pupil) Transportation	1,094,952	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,709,080	-	-
0041 General Administration	2,328,470	-	-
0051 Facilities Maintenance and Operations	4,128,837	-	-
0052 Security and Monitoring Services	687,683	-	-
0053 Data Processing Services	605,743	-	-
0061 Community Services	172,080	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	5,060,000	-
0072 Interest on Long-Term Debt	-	5,819,659	-
0073 Bond Issuance Cost and Fees	-	8,568	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	1,928,068
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	244,902	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	17,200	-	-
0099 Other Intergovernmental Charges	225,929	-	-
6030 Total Expenditures	<u>42,386,677</u>	<u>10,888,227</u>	<u>1,928,068</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(512,406)</u>	<u>3,696,971</u>	<u>(1,783,502)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(308,636)	-	-
7080 Total Other Financing Sources (Uses)	<u>(308,636)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	(821,042)	3,696,971	(1,783,502)
0100 Fund Balance - July 1 (Beginning)	<u>9,335,984</u>	<u>5,524,546</u>	<u>11,008,820</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 8,514,942</u>	<u>\$ 9,221,517</u>	<u>\$ 9,225,318</u>

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

	Other Funds	Total Governmental Funds
\$	2,971,401	\$ 50,491,010
	538,952	9,244,556
	998,482	1,377,304
	4,508,835	61,112,870
	1,365,563	24,973,008
	49	772,259
	32,446	1,545,459
	2,366	435,733
	1,289	2,741,479
	158,365	1,782,395
	75,246	75,246
	-	481,546
	-	1,094,952
	1,366,720	1,366,720
	977,247	2,686,327
	13,478	2,341,948
	90	4,128,927
	215,592	903,275
	-	605,743
	765,929	938,009
	-	5,060,000
	-	5,819,659
	-	8,568
	50,000	1,978,068
	-	244,902
	-	17,200
	-	225,929
	5,024,380	60,227,352
	(515,545)	885,518
	308,636	308,636
	-	(308,636)
	308,636	-
	(206,909)	885,518
	1,310,411	27,179,761
\$	1,103,502	\$ 28,065,279

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	885,518
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.		558,834
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.		(5,313,617)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		84,661
Revenues from property taxes are considered unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.		131,859
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2020 caused the change in the ending net position to increase in the amount of \$865,313. Contributions made before the measurement but during the 2021 FY were also de-expended and recorded as a reduction in the net pension liability for the District. This also caused an increase in the change in net position in the amount of \$163,839. These contributions were replaced with the District's pension expense for the year of \$1,989,942, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$960,790.		(960,790)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2020 but during the current fiscal year caused the ending net position to increase in the amount of \$212,656. These contributions were replaced with the District's OPEB expense for the year, which was \$236,989 and caused an increase in net position. The impact of both of these is to increase net position by \$449,645.		449,645
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.		584,664
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.		(427,394)
Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.		5,060,000

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

EXHIBIT C-4

Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(271,925)
Change in Net Position of Governmental Activities	<u>\$ 781,455</u>

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 34,916,245	\$ 32,905,885	\$ 33,074,250	\$ 168,365
5800 State Program Revenues	9,121,210	8,436,113	8,421,199	(14,914)
5900 Federal Program Revenues	217,687	200,002	378,822	178,820
5020 Total Revenues	44,255,142	41,542,000	41,874,271	332,271
EXPENDITURES:				
Current:				
0011 Instruction	24,292,244	24,000,000	23,607,445	392,555
0012 Instructional Resources and Media Services	804,038	800,000	772,210	27,790
0013 Curriculum and Instructional Staff Development	1,668,483	1,575,000	1,513,013	61,987
0021 Instructional Leadership	570,917	525,000	433,367	91,633
0023 School Leadership	2,773,919	2,770,000	2,740,190	29,810
0031 Guidance, Counseling, and Evaluation Services	1,830,184	1,825,000	1,624,030	200,970
0033 Health Services	473,690	500,000	481,546	18,454
0034 Student (Pupil) Transportation	999,535	1,145,000	1,094,952	50,048
0036 Extracurricular Activities	1,987,359	1,850,000	1,709,080	140,920
0041 General Administration	2,217,449	2,350,000	2,328,470	21,530
0051 Facilities Maintenance and Operations	4,359,848	5,000,000	4,128,837	871,163
0052 Security and Monitoring Services	754,411	723,000	687,683	35,317
0053 Data Processing Services	739,633	700,000	605,743	94,257
0061 Community Services	233,381	235,000	172,080	62,920
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	196,297	300,000	244,902	55,098
0093 Payments to Fiscal Agent/Member Districts of SSA	18,752	25,000	17,200	7,800
0095 Payments to Juvenile Justice Alternative Ed. Prg.	5,000	5,000	-	5,000
0099 Other Intergovernmental Charges	330,002	316,000	225,929	90,071
6030 Total Expenditures	44,255,142	44,644,000	42,386,677	2,257,323
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,102,000)	(512,406)	2,589,594
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(308,636)	(308,636)
1200 Net Change in Fund Balances	-	(3,102,000)	(821,042)	2,280,958
0100 Fund Balance - July 1 (Beginning)	9,335,984	9,335,984	9,335,984	-
3000 Fund Balance - June 30 (Ending)	\$ 9,335,984	\$ 6,233,984	\$ 8,514,942	\$ 2,280,958

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,487	\$ 29,522
Total Assets	<u>1,487</u>	<u>\$ 29,522</u>
LIABILITIES		
Due to Student Groups	<u>1,487</u>	<u>-</u>
Total Liabilities	<u>1,487</u>	<u>-</u>
NET POSITION		
Unrestricted Net Position	<u>-</u>	<u>29,522</u>
Total Net Position	<u>\$ -</u>	<u>\$ 29,522</u>

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Received from Student Groups	\$ -	\$ 753
Total Additions	<u>-</u>	<u>753</u>
DEDUCTIONS:		
Student Groups	-	484
Total Deductions	<u>-</u>	<u>484</u>
Change in Fiduciary Net Position	-	269
Total Net Position - July 1 (Beginning)	<u>-</u>	<u>29,253</u>
Total Net Position - June 30 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ 29,522</u></u>

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lovejoy Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Lovejoy Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements, except that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. For many funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District uses this fund to account for scholarship funds.
3. **Custodial Funds** - These funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Custodial funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Activities accounted for in the Special Revenue Funds are:

ESEA I, A Improving Basic Programs - funds granted to serve students needing reading and math assistance
IDEA-Part B Formula - funds granted for children with disabilities
IDEA-Part B Preschool - funds granted for preschool children
National Breakfast and Lunch Program - funds granted to serve meals to disadvantaged children
Career and Technical-Basic Grant - funds granted to provide career and technical education
ESEA II, A Training and Recruiting - funds for training to improve teacher and principal quality
Title III, A English Lang. Acquisition - funds to improve the education of limited English proficient children
Medicaid Admin Claim (MAC) - fund for administrative costs related to Medicaid services
ESSER-School Emergency Relief II - funds granted for operating costs during COVID-19
ESEA IV, Part A - funds granted to support the effective use of technology
Advanced Placement Incentives - funds granted under the Texas Advanced Placement Award incentive program
State Instructional Materials - funds granted for textbook and technology needs
ESC20 SPED Support Grant - funds granted to support special education
Ready to Read - funds received from State license plate program for reading initiatives
Campus Activity Funds - accounts for funds raised by a campus for the benefit of that campus
Grants/Donations - accounts for the expenditure of grants and donations received by the District
School Store - accounts for the operating activity of a school store on two campuses
Concessions Operations - accounts for the concessions activity of the child nutrition dept.
Catering Operations - accounts for the catering activity of the child nutrition dept.
Kids First/Day Care - accounts for the activity of an employee child care and an afterschool program

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Custodial funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 60-day availability period is also used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

The Board adopts an "appropriated budget" on a basis consistent with GAAP for the general fund, debt service fund and food service fund. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds. Many of the special revenue funds and the capital project fund adopt project-length budgets which do not correspond to the District's fiscal year.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

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

- Prior to June 20th the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one of more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to July 1st the Board legally adopts the budget for the general fund, debt service fund and food service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, some budgetary amendments were necessary throughout the year.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate budget manager (principal, department director or divisional administrator). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

Over the course of the year, the Board of Trustees revised the District’s budget at times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2020). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2021
	<u>Fund Balance</u>
Appropriated Budget Funds	\$ -
Nonappropriated Budget Funds	<u>1,103,502</u>
All Special Revenue Funds	<u>\$1,103,502</u>

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the accompanying financial statements is comprised of demand accounts and imprest funds. The District maintains a demand account on an imprest basis through which most obligations are paid. Checking account balances for most governmental fund expenditures are pooled into one demand account.

Investments in the accompanying financial statements is comprised of investments in state investment pools. The District has no investments at year-end that require adjustment to fair value.

G. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the Child Nutrition Fund, reported inventories have been shown as nonspendable fund balance to indicate that they are unavailable as current expendable financial resources.

H. INTERFUND RECEIVABLES AND PAYABLES

During the course of normal operations, the District has numerous transactions between funds. The most significant are short-term interfund loans, due to the fact that checking account balances for most governmental funds are pooled into one demand account. There were no interfund balances at June 30, 2021.

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Building Improvements	39 Years
Vehicle	5 Years
Buses	15 Years
Other Equipment	3-7 Years

J. COMPENSATED ABSENCES

Vacations are to be taken within the same year they are earned, and any unused days at the end of the calendar year are forfeited. Therefore, no liability for unused vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

K. NET POSITION

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For the governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

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

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2021 was \$3,883,842.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2021 was \$5,514,756.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported in the governmental activities for deferred OPEB expense at June 30, 2021 was \$2,628,118.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2021 was \$764,890.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2021, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$3,814,850.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2020 measurement year). In fiscal year 2021, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$10,821,600.

N. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, Lovejoy ISD participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program.

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Based on information provided by TASB for the year ended June 30, 2021, Lovejoy ISD will have no additional liability beyond the contractual obligations for payment of contributions. There were no significant reductions in coverage in the past fiscal year.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

O. SUBSEQUENT EVENTS

Management has reviewed events subsequent to June 30, 2021 through October 3, 2021, which is the date the financial statements were available to be issued. No subsequent events were identified that are required to be disclosed in the financial statements.

P. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in their Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

NOTE 2. FUND BALANCE

In a previous year the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provided more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventories as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law. Food service resources are to be used in the food service program.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2021 for campus activities and other various purposes.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned no fund balance as of June 30, 2021.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The Board of Trustees has no formal fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the General Fund but operates under a guideline of attempting to maintain a balance equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

The General Fund has unassigned fund balance of \$8,363,540 at June 30, 2021. \$151,532 is considered nonspendable fund balance as it consists of prepaid costs at June 30, 2021.

Other Major Funds

The Debt Service Fund has restricted funds of \$9,221,517 at June 30, 2021 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has a fund balance of \$9,225,318 at June 30, 2021 consisting primarily of unspent bond proceeds.

Other Funds

The fund balance of \$679,251 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of \$6,690 of the concessions and catering operations, and \$374,490 of the Grants/Donations Fund (all special revenue funds) are shown as committed due to similar Board policy.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3. 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 June 30, 2021, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$7,051,349 and the bank balance was \$7,119,775. The District's cash deposits at June 30, 2021 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 Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, the District's cash balances totaled \$7,119,775. This entire amount was either collateralized with a surety bond held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2021, the District held all of its investments in four public funds investment pools (TexPool, Texas Class, Lone Star and Texas Term). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAM (Standard & Poor's), and the credit quality rating for Texas Class, Lone Star and Texas Term was AA Af (Standard & Poor's).

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, Texas Class, Lone Star and Texas Term investments is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2021, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

The District's investments at June 30, 2021, are shown below:

Name	Fair Value
Lone Star	\$ 7,390,502
TexPool	7,381,607
Texas Term	154,801
Texas Class	<u>9,045,670</u>
Total	<u>\$23,972,580</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investments in public funds investment pools are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,053,893	\$ -	\$ -	\$ 6,053,893
Construction in progress	122,621	-	-	122,621
Total capital assets not being depreciated	<u>6,176,514</u>	<u>-</u>	<u>-</u>	<u>6,176,514</u>
Capital assets, being depreciated				
Buildings and improvements	174,164,715	149,969	-	174,314,684
Furniture and equipment	5,644,421	72,482	-	5,716,903
Vehicles	4,822,755	336,383	(277,305)	4,881,833
Total capital assets being depreciated	<u>184,631,891</u>	<u>558,834</u>	<u>(277,305)</u>	<u>184,913,420</u>
Less accumulated depreciation for:				
Buildings and improvements	(45,279,533)	(4,422,112)	-	(49,701,645)
Furniture and equipment	(2,593,539)	(594,386)	-	(3,187,925)
Vehicles	(2,192,011)	(297,119)	277,305	(2,211,825)
Total accumulated depreciation	<u>(50,065,083)</u>	<u>(5,313,617)</u>	<u>277,305</u>	<u>(55,101,395)</u>
Total capital assets, being depreciated, net	<u>134,566,808</u>	<u>(4,754,783)</u>	<u>-</u>	<u>129,812,025</u>
Governmental activities capital assets, net	<u>\$ 140,743,322</u>	<u>\$ (4,754,783)</u>	<u>\$ -</u>	<u>\$ 135,988,539</u>

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$3,184,711
Instructional Resources & Media Services	91,250
Curriculum & Instructional Staff Development	194,288
Instructional Leadership	57,308
School Leadership	360,788
Guidance, Counseling & Evaluation Services	217,434
Health Services	64,770
Student Transportation	135,269
Food Services	124,464
Cocurricular/Extracurricular Activities	188,462
General Administration	263,206
Plant Maintenance and Operations	260,261
Data Processing Services	52,247
Community Services	<u>119,159</u>
Total depreciation expense-Governmental activities	<u>\$5,313,617</u>

Land and construction in progress are not depreciated.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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NOTE 5. LONG-TERM DEBT

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term debt of the District consists of twelve series of general obligation bonds, accreted interest on capital appreciation bonds and premiums/discounts on bond issuances. All long-term debt represents transactions in the District's governmental activities.

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2021:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 7/1/20	Additions	Refunded/ Retired	Amounts Outstanding 6/30/21	Due Within One Year
Bonded Indebtedness:							
2010 Building	4.25-4.38%	7,500,000	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -
2011 Refunding	3.01%	9,265,000	5,240,000	-	725,000	4,515,000	755,000
2012 Building	2.51-4.67%	25,995,234	25,562,326	-	-	25,562,326	-
2013 Refunding	2.16%	9,100,000	8,915,000	-	30,000	8,885,000	30,000
2014 Bldg/Refunding	2.00-5.00%	21,775,000	13,340,000	-	1,180,000	12,160,000	1,235,000
2015 Refunding	3.00-5.00%	23,435,000	20,270,000	-	895,000	19,375,000	965,000
2015 Building	1.50-4.00%	17,770,000	15,705,000	-	395,000	15,310,000	410,000
2016 Refunding	3.125-5.00%	41,540,000	39,880,000	-	1,005,000	38,875,000	1,010,000
2017 Building	3.00-5.00%	13,950,000	10,910,000	-	325,000	10,585,000	335,000
2018 Bldg/Refunding	3.00%	6,740,000	3,085,000	-	85,000	3,000,000	95,000
2019 Building	3.00%	9,535,000	7,975,000	-	420,000	7,555,000	430,000
2019 Refunding	2.125-5.00%	7,230,000	7,055,000	-	-	7,055,000	-
Total Bonded Indebtedness			<u>157,942,326</u>	-	<u>5,060,000</u>	<u>152,882,326</u>	<u>5,265,000</u>
Premiums/Discounts on Bond Issuance			9,644,919	-	584,664	9,060,255	584,664
Accreted Interest			<u>3,972,009</u>	<u>427,394</u>	-	<u>4,399,403</u>	-
Total Other Obligations			<u>13,616,928</u>	<u>427,394</u>	<u>584,664</u>	<u>13,459,658</u>	<u>584,664</u>
Total Obligations of District			<u>\$171,559,254</u>	<u>\$427,394</u>	<u>\$5,644,664</u>	<u>\$166,341,984</u>	<u>\$5,849,664</u>

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

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2021.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2022	\$ 5,265,000	\$ 5,615,109	\$ 10,880,109
2023	5,485,000	5,402,258	10,887,258
2024	5,710,000	5,178,908	10,888,908
2025	5,950,000	4,945,834	10,895,834
2026	6,190,000	4,701,709	10,891,709
2027-2031	34,335,000	20,104,124	54,439,124
2032-2036	35,906,548	13,996,781	49,903,329
2037-2041	36,435,778	8,192,931	44,628,709
2042-2045	<u>17,605,000</u>	<u>1,384,850</u>	<u>18,989,850</u>
Total	<u>\$152,882,326</u>	<u>\$69,522,504</u>	<u>\$222,404,830</u>

NOTE 7. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On June 30, 2021, \$43,620,000 of bonds outstanding are considered defeased.

NOTE 8. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Collin County Appraisal District (CCAD) is responsible for the appraisal of property for all taxing units in Collin County, including the District. Under the terms of a contract for appraisal services, the District paid CCAD \$225,929 in fiscal year 2021 for appraising property.

The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. CCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the CCAD Review Board through various appeals and, if necessary, legal action. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2020-21 fiscal year was based was \$2,882,157,522. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges at the rate of 1.5% per month of delinquency, plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.05470 and \$0.50 per \$100 valuation, respectively, for a total of \$1.55470 per \$ 100 valuation.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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Current tax collections for the year ended June 30, 2021 were 98.71% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of June 30, 2021, property taxes receivable, net of estimated uncollectible taxes, totaled \$535,177 and \$229,713 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as unavailable revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

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

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 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 this manner are determined by the System's actuary.

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

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

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

	<u>Contribution Rates</u>	<u>2020</u>	<u>2021</u>
Member		7.7%	7.7%
Non-Employer Contributing Entity (State)		7.5%	7.5%
Employers		7.5%	7.5%
Lovejoy ISD FY2021 Employer Contributions			\$ 1,029,152
Lovejoy ISD FY2021 Member Contributions			\$ 2,559,882
Lovejoy ISD FY2021 NECE On-Behalf Contributions			\$ 1,865,392

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 the 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, 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 including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non (OASDI) surcharge that was in effect in fiscal year 2019.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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In addition to the employer contributions listed above, there is an additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
Stable Value			
Government Bonds	16%	-.7%	-0.05%
Stable Value Hedge Funds	5%	1.9%	0.11%
Real Return			
Real Estate	15%	4.6%	1.01%
Energy, Natural Resources	6%	6%	0.42%
Risk Parity			
Risk Parity	8%	3%	0.30%
Leverage			
Cash	2%	-1.5%	-0.03%
Asset Allocation Leverage	-6%	-1.3%	0.08%
Inflation Expectation	-		2.00%
Volatility Drag ³	-		-0.67%
Total	<u>100%</u>		<u>7.33%</u>

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Lovejoy ISD's proportionate share of the net pension liability:	\$20,378,393	\$13,215,255	\$7,396,191

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, Lovejoy Independent School District reported a liability of \$13,215,255 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Lovejoy Independent School District. The amount recognized by Lovejoy Independent School 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 Lovejoy Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$13,215,255
State's proportionate share that is associated with the District	<u>24,213,787</u>
Total	<u>\$37,429,042</u>

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

¹ Target allocations are based on the FY20 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0246746791%, a decrease of 16.76% from its proportionate share of 0.0296424650% at August 31, 2019.

Changes Since the Prior Actuarial Valuation – There were no changes in assumptions since the measurement period.

For the year ended June 30, 2021, Lovejoy Independent School District recognized pension expense of \$2,912,381 and revenue of \$2,912,381 for support provided by the State.

At June 30, 2021, Lovejoy Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 24,130	\$ 368,803
Changes in actuarial assumptions	3,066,409	1,303,816
Difference between projected and actual investment earnings	588,706	321,174
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	970,198	1,821,057
Contributions paid to TRS subsequent to the measurement date	865,313	-
Total	\$5,514,756	\$3,814,850

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

Year ended June 30:	Pension Expense Amount
2022	\$ 430,711
2023	540,515
2024	475,579
2025	(47,363)
2026	(459,560)
Thereafter	(105,289)

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
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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 <http://www.trs.texas.gov/pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Lovejoy ISD FY21 Employer Contributions		\$254,335
Lovejoy ISD FY21 Member Contributions		\$216,093
Lovejoy ISD FY21 NECE On-behalf Contributions		\$348,763

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

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

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

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020.

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District’s proportionate share of the Net OPEB Liability:	\$15,998,086	\$12,981,064	\$10,930,451

Healthcare Cost Trend Rates Sensitivity Analysis - The following shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$10,603,864	\$12,981,064	\$16,147,156

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2021, the District reported a liability of \$12,981,064 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s Proportionate share of the collective Net OPEB Liability	\$12,981,064
State’s proportionate share that is associated with the District	<u>\$17,443,438</u>
Total	<u>\$30,424,502</u>

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

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0341476501%, a decrease of 6.45% compared to the August 31, 2019 proportionate share of 0.0365011322%.

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 since the prior measurement period:

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

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

For the year ended June 30, 2021, the amount of OPEB expense recognized by the District in the reporting period was \$(121,121).

At June 30, 2021, the District reported its proportionate share of the TRS's 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	\$ 679,683	\$ 5,940,799
Changes in actuarial assumptions	800,662	3,564,667
Difference between projected and actual investment earnings	4,483	265
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	930,634	1,315,869
Contributions paid to TRS subsequent to the measurement date	212,656	-
Total	\$2,628,118	\$10,821,600

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

Year ended June 30:	OPEB Expense Amount
2022	\$ (1,349,581)
2023	(1,350,145)
2024	(1,350,467)
2025	(1,350,379)
2026	(1,003,649)
Thereafter	(2,001,917)

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2021, the contribution made on behalf of the District was \$161,031.

NOTE 12. WORKERS' COMPENSATION INSURANCE

During the year ended June 30, 2021, Lovejoy ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$102,365,912 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 13. HEALTH CARE COVERAGE

During the year ended June 30, 2021, employees of the District were covered by a health insurance plan (the plan). The District paid premiums of \$225 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents' health insurance coverage. All premiums were paid to a 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 licensed insurer is renewable September 1, 2021 and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross Blue Shield are available for the year ended December 31, 2020, and are filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

NOTE 14. UNEMPLOYMENT COMPENSATION POOL

During the year ended June 30, 2021, Lovejoy ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payments has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2020 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state and local governments as of June 30, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Local Entitlements	State Entitlements	Federal Grants	Total
General	\$ -	\$ 934,775	\$ -	\$ 934,775
Capital Projects	-	138,875	-	138,875
Special Revenue	-	246,874	5,500	252,374
Total	<u>\$ -</u>	<u>\$1,320,524</u>	<u>\$5,500</u>	<u>\$1,326,024</u>

NOTE 16. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, will not be known until as long as five years from the bond issuance date. At June 30, 2021, the estimated rebate liability on outstanding bond series was \$0.

NOTE 17. LITIGATION AND CONTINGENCIES

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District’s administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The Collin County Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$30,356,030	\$ -	\$14,387,545	\$ -	\$44,743,575
Investment Income	14,284	-	9,745	5,691	29,720
Food Sales	-	965,731	-	-	965,731
Penalties, interest and other tax related income	91,080	-	42,378	-	133,458
Co-curricular student activities	179,170	845,527	-	-	1,024,697
Tuition and fees	1,322,179	439,424	-	-	1,761,603
Gifts and bequests	16,065	720,719	-	-	736,784
Facilities rentals	4,703	-	-	-	4,703
Insurance recovery	955,900	-	-	-	955,900
Other	134,839	-	-	-	134,839
Total	<u>\$33,074,250</u>	<u>\$2,971,401</u>	<u>\$14,439,668</u>	<u>\$ 5,691</u>	<u>\$50,491,010</u>

NOTE 19. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Advanced placement incentives	\$ -	\$ 8,284	\$ -	\$ 8,284
Ready to read	-	119	-	119
	<u>\$ -</u>	<u>\$ 8,403</u>	<u>\$ -</u>	<u>\$ 8,403</u>

NOTE 20. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended June 30, 2021.

NOTE 21. SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement which provides a regional day school for the deaf to several member districts, and also participates in a shared services arrangement for juvenile justice alternative education services with several school districts. Although the District contributes to the shared services arrangement based on its participation, 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, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Lovejoy ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2021, the District incurred \$17,200 in costs in the regional day school for the deaf, and incurred no costs in the juvenile justice alternative education program.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 22. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2021, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation.

On June 3, 2021, TEA issued updated public planning health guidance in accordance with Executive Order GA-36 (which became effective June 5, 2021), to address on-campus instruction, administrative activities by teachers, staff or students that occur on school campuses, non-UIL extracurricular sports and activities, and any other activities that teachers, staff, or students must complete. Within the guidance, TEA instructs schools that, per Executive Order GA-36, school systems cannot require students or staff to wear a mask; however, school systems must allow individuals to wear a mask if they choose to do so.

Within the guidance, TEA instructs schools to notify their local health department, in accordance with applicable federal, state, and local laws and regulations, including any applicable confidentiality requirements, of individuals who have been in a school and test-confirmed to have COVID-19. Additionally, upon receipt of information that any teacher, staff member, student, or visitor at a school is test-confirmed to have COVID-19, the school must submit a report to the Texas Department of Health Services via its online portal.

The TEA advised districts that for the 2020-2021 school year district funding would return to being based on “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”) calculations requiring attendance to be taken. However, the TEA has crafted an approach for determining ADA during the pandemic that provides districts with several options for determining daily attendance. These include remote synchronous instruction, remote asynchronous instruction, on-campus instruction and the Texas Virtual Schools Network. To stabilize funding expectations, districts were initially provided an ADA grace period for the first two six weeks of the 2020-2021 school year. If a district’s first two six-week average ADA is less than the ADA hold harmless projections (described below), the first two six-week attendance reporting periods for 2020-2021 were excluded from the calculation of annual ADA and student full-time equivalents (“FTE”) for Foundation School Program (“FSP”) funding purposes and replaced with the ADA and FTE hold harmless projections that were derived using a three-year average trend of final numbers from the 2017-2018 through 2019-2020 school years, unless the projection is both (i) 15% higher and (ii) 100 ADA higher than the 2020-2021 legislative planning estimate (“LPE”) projections provided by the TEA to the State legislature pursuant to Section 48.269 of the Texas Education Code, in which case the 2020-2021 LPE ADA and FTE were used as the hold harmless projections.

The ADA hold harmless projection was also available for the third six-week attendance reporting period, but only for those districts that allowed on-campus instruction throughout the entire third six-week period, as further described below. The ADA hold harmless methodology was identical to the methodology used for the first two six-week attendance reporting periods, except that the third six-week period was examined independent of the first two six-week attendance reporting periods.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

The ADA hold harmless projection was extended for the remainder of the 2020-2021 school year (the fourth, fifth, and sixth six-week attendance reporting periods). In order to qualify, a district must meet certain criteria established by the TEA related to on-campus.

The full extent of the ongoing impact of COVID-19 on the District's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District's bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

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REQUIRED SUPPLEMENTARY INFORMATION

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2021

	FY 2021 <u>Plan Year 2020</u>	FY 2020 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>
District's Proportion of the Net Pension Liability (Asset)	0.2467467%	0.02964246%	0.02906351%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 13,215,255	\$ 15,409,080	\$ 15,997,259
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	24,213,787	22,615,060	24,373,728
Total	<u>\$ 37,429,042</u>	<u>\$ 38,024,140</u>	<u>\$ 40,370,987</u>
District's Covered Payroll	\$ 33,389,335	\$ 32,938,136	\$ 31,543,339
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	39.58%	46.78%	50.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.027638386%	0.026201154%	0.0268281%	0.0181979%
\$ 8,837,267	\$ 9,901,027	\$ 9,483,376	\$ 4,860,911
14,810,995	17,757,045	16,465,674	14,484,731
<u>\$ 23,648,262</u>	<u>\$ 27,658,072</u>	<u>\$ 25,949,050</u>	<u>\$ 19,345,642</u>
\$ 30,403,395	\$ 28,877,118	\$ 26,839,008	\$ 25,130,174
29.07%	34.29%	35.33%	19.34%
82.17%	78.00%	78.43%	83.25%

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 1,029,152	\$ 1,011,493	\$ 1,037,838
Contribution in Relation to the Contractually Required Contribution	(1,029,152)	(1,011,493)	(1,037,838)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 33,245,237	\$ 33,277,029	\$ 32,658,470
Contributions as a Percentage of Covered Payroll	3.10%	3.04%	3.18%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2018	2017	2016	2015
\$	968,869	\$ 900,035	\$ 821,878	\$ 735,270
	(968,869)	(900,035)	(821,878)	(735,270)
\$	-	\$ -	\$ -	\$ -
\$	31,447,998	\$ 30,159,743	\$ 28,664,041	\$ 26,839,008
	3.08%	2.98%	2.87%	2.74%

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.03414765%	0.03650113%	0.03608849%	\$ 0.03431364%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 12,981,064	\$ 17,261,832	\$ 18,019,313	\$ 14,921,715
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	17,443,438	22,937,114	28,166,916	\$ 24,917,669
Total	<u>\$ 30,424,502</u>	<u>\$ 40,198,946</u>	<u>\$ 46,186,229</u>	<u>\$ 39,839,384</u>
District's Covered Payroll	\$ 33,389,335	\$ 32,938,136	\$ 31,543,339	\$ 30,403,395
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	38.88%	52.41%	57.13%	\$ 49.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 254,335	\$ 259,408	\$ 255,675	\$ 231,818
Contribution in Relation to the Contractually Required Contribution	(254,335)	(259,408)	(255,675)	(231,818)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 33,245,237	\$ 33,277,029	\$ 32,658,470	\$ 31,447,998
Contributions as a Percentage of Covered Payroll	0.77%	0.78%	0.78%	0.74%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

LOVEJOY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

PENSION LIABILITY:

Changes of benefit terms:

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

There were no changes in benefit terms since the prior measurement date.

Changes of assumptions:

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

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

COMBINING SCHEDULES

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 61,995	\$ -	\$ 82,374
1240 Due from Other Governments	-	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	1,891
1000 Total Assets	<u>\$ -</u>	<u>\$ 61,995</u>	<u>\$ -</u>	<u>\$ 84,265</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ -	\$ 55,406	\$ -	\$ 75,599
2200 Accrued Expenditures	-	6,589	-	8,666
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>61,995</u>	<u>-</u>	<u>84,265</u>
FUND BALANCES				
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 61,995</u>	<u>\$ -</u>	<u>\$ 84,265</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	272 Medicaid Admin. Claim MAC	281 ESSE Relief II	289 ESEA Title IV Part A	397 Advanced Placement Incentives	410 State Instructional Materials	427 ESC20 SPED Support Grant
\$ -	\$ (5,500)	\$ -	\$ -	\$ -	\$ 8,284	\$ (61,104)	\$ -
-	5,500	-	-	-	-	61,104	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,284</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	8,284	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,284</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,284</u>	<u>\$ -</u>	<u>\$ -</u>

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

Data Control Codes	429 Ready to Read	461 Campus Activity Funds	465 Grants/ Donations	495 School Store
ASSETS				
1110 Cash and Cash Equivalents	\$ 119	\$ 679,251	\$ 98,372	\$ (18,485)
1240 Due from Other Governments	-	-	185,770	-
1290 Other Receivables	-	-	90,348	-
1300 Inventories	-	-	-	61,556
1000 Total Assets	<u>\$ 119</u>	<u>\$ 679,251</u>	<u>\$ 374,490</u>	<u>\$ 43,071</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -
2200 Accrued Expenditures	-	-	-	-
2300 Unearned Revenue	119	-	-	-
2000 Total Liabilities	<u>119</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	679,251	374,490	43,071
3000 Total Fund Balances	<u>-</u>	<u>679,251</u>	<u>374,490</u>	<u>43,071</u>
4000 Total Liabilities and Fund Balances	<u>\$ 119</u>	<u>\$ 679,251</u>	<u>\$ 374,490</u>	<u>\$ 43,071</u>

497 Concessions Operations	498 Catering Operations	499 Kids First/ Daycare	Total Nonmajor Governmental Funds
\$ 4,414	\$ 2,276	\$ 74,068	\$ 926,064
-	-	-	252,374
-	-	-	90,348
-	-	-	63,447
<u>\$ 4,414</u>	<u>\$ 2,276</u>	<u>\$ 74,068</u>	<u>\$ 1,332,233</u>
\$ -	\$ -	\$ 68,804	\$ 199,809
-	-	5,264	20,519
-	-	-	8,403
<u>-</u>	<u>-</u>	<u>74,068</u>	<u>228,731</u>
4,414	2,276	-	1,103,502
<u>4,414</u>	<u>2,276</u>	<u>-</u>	<u>1,103,502</u>
<u>\$ 4,414</u>	<u>\$ 2,276</u>	<u>\$ 74,068</u>	<u>\$ 1,332,233</u>

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 787,746
5800 State Program Revenues	-	-	-	68,235
5900 Federal Program Revenues	3,210	490,057	900	98,184
5020 Total Revenues	3,210	490,057	900	954,165
EXPENDITURES:				
Current:				
0011 Instruction	3,210	414,719	900	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	92	-	-
0032 Social Work Services	-	75,246	-	-
0035 Food Services	-	-	-	1,333,512
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	3,210	490,057	900	1,333,512
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(379,347)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	185,648
1200 Net Change in Fund Balance	-	-	-	(193,699)
0100 Fund Balance - July 1 (Beginning)	-	-	-	193,699
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	272 Medicaid Admin. Claim MAC	281 ESSE Relief II	289 ESEA Title IV Part A	397 Advanced Placement Incentives	410 State Instructional Materials	427 ESC20 SPED Support Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	347,795	65,550
29,660	20,905	2,366	50,000	8,450	-	-	-
29,660	20,905	2,366	50,000	8,450	-	347,795	65,550
29,660	-	-	-	-	-	347,749	-
-	-	-	-	-	-	-	-
-	20,905	-	-	8,450	-	-	-
-	-	2,366	-	-	-	-	-
-	-	-	-	-	-	46	-
-	-	-	-	-	-	-	65,550
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	50,000	-	-	-	-
29,660	20,905	2,366	50,000	8,450	-	347,795	65,550
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	429 Ready to Read	461 Campus Activity Funds	465 Grants/ Donations	495 School Store
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 821,709	\$ 720,219	\$ 177,385
5800 State Program Revenues	49	4,491	356	-
5900 Federal Program Revenues	-	-	294,750	-
5020 Total Revenues	49	826,200	1,015,325	177,385
EXPENDITURES:				
Current:				
0011 Instruction	-	43,759	525,566	-
0012 Instructional Resources and Media Services	49	-	-	-
0013 Curriculum and Instructional Staff Development	-	3,091	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	1,243	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	92,723	-
0032 Social Work Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	726,809	116,124	134,314
0041 General Administration	-	-	13,478	-
0051 Facilities Maintenance and Operations	-	-	90	-
0052 Security and Monitoring Services	-	-	215,592	-
0061 Community Services	-	-	8,566	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	49	774,902	972,139	134,314
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	51,298	43,186	43,071
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	51,298	43,186	43,071
0100 Fund Balance - July 1 (Beginning)	-	627,953	331,304	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 679,251	\$ 374,490	\$ 43,071

497 Concessions Operations	498 Catering Operations	499 Kids First/ Daycare	Total Nonmajor Governmental Funds
\$ 24,918	\$ -	\$ 439,424	\$ 2,971,401
1,790	-	50,686	538,952
-	-	-	998,482
26,708	-	490,110	4,508,835
-	-	-	1,365,563
-	-	-	49
-	-	-	32,446
-	-	-	2,366
-	-	-	1,289
-	-	-	158,365
-	-	-	75,246
33,208	-	-	1,366,720
-	-	-	977,247
-	-	-	13,478
-	-	-	90
-	-	-	215,592
-	-	757,363	765,929
-	-	-	50,000
33,208	-	757,363	5,024,380
(6,500)	-	(267,253)	(515,545)
-	-	122,988	308,636
(6,500)	-	(144,265)	(206,909)
10,914	2,276	144,265	1,310,411
\$ 4,414	\$ 2,276	\$ -	\$ 1,103,502

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REQUIRED T.E.A. SCHEDULES

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2021

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.060000	0.475000	1,548,565,472
2014	1.060000	0.475000	1,670,693,029
2015	1.060000	0.500000	1,837,430,448
2016	1.060000	0.500000	1,974,616,410
2017	1.170000	0.500000	2,155,176,826
2018	1.170000	0.500000	2,373,340,778
2019	1.170000	0.500000	2,590,912,275
2020	1.068350	0.500000	2,792,293,047
2021 (School year under audit)	1.054700	0.500000	2,882,157,522
1000 TOTALS			

(10) Beginning Balance 7/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2021
\$ 27,648	\$ -	\$ 823	\$ 370	\$ -	\$ 26,455
7,338	-	33	15	-	7,290
22,699	-	129	58	-	22,512
31,238	-	(747)	(352)	(1,114)	31,223
61,481	-	(1,449)	(684)	(3,008)	60,606
67,327	-	6,251	2,671	6,024	64,429
81,685	-	9,384	4,010	12,555	80,846
107,604	-	12,636	5,400	947	90,515
608,801	-	322,033	150,715	(22,760)	113,293
-	44,808,903	30,006,937	14,225,342	-	576,624
<u>\$ 1,015,821</u>	<u>\$ 44,808,903</u>	<u>\$ 30,356,030</u>	<u>\$ 14,387,545</u>	<u>\$ (7,356)</u>	<u>\$ 1,073,793</u>

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,750,000	\$ 1,749,500	\$ 787,746	\$ (961,754)
5800 State Program Revenues	60,000	59,500	68,235	8,735
5900 Federal Program Revenues	225,000	226,000	98,184	(127,816)
5020 Total Revenues	2,035,000	2,035,000	954,165	(1,080,835)
EXPENDITURES:				
Current:				
0035 Food Services	2,035,000	2,035,000	1,333,512	701,488
6030 Total Expenditures	2,035,000	2,035,000	1,333,512	701,488
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(379,347)	(379,347)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	185,648	185,648
1200 Net Change in Fund Balances	-	-	(193,699)	(193,699)
0100 Fund Balance - July 1 (Beginning)	193,699	193,699	193,699	-
3000 Fund Balance - June 30 (Ending)	\$ 193,699	\$ 193,699	\$ -	\$ (193,699)

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 14,781,591	\$ 14,781,591	\$ 14,439,668	\$ (341,923)
5800 State Program Revenues	161,409	161,409	145,530	(15,879)
5020 Total Revenues	14,943,000	14,943,000	14,585,198	(357,802)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	9,114,771	9,114,771	5,060,000	4,054,771
0072 Interest on Long-Term Debt	5,819,661	5,819,661	5,819,659	2
0073 Bond Issuance Cost and Fees	8,568	8,568	8,568	-
6030 Total Expenditures	14,943,000	14,943,000	10,888,227	4,054,773
1200 Net Change in Fund Balances	-	-	3,696,971	3,696,971
0100 Fund Balance - July 1 (Beginning)	5,524,546	5,524,546	5,524,546	-
3000 Fund Balance - June 30 (Ending)	\$ 5,524,546	\$ 5,524,546	\$ 9,221,517	\$ 3,696,971

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FEDERAL AWARDS SECTION

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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*

To the Board of Trustees
Lovejoy Independent School District
Allen, Texas 75002

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lovejoy Independent School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Lovejoy Independent School District's basic financial statements, and have issued our report dated October 3, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 3, 2021

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

To the Board of Trustees
Lovejoy Independent School District
Allen, Texas 75002

Report on Compliance for Each Major Federal Program

We have audited Lovejoy Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lovejoy Independent School District's major federal programs for the year ended June 30, 2021. Lovejoy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lovejoy Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lovejoy Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lovejoy Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lovejoy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Lovejoy Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lovejoy Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lovejoy Independent School District's internal control over compliance.

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

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

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



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

October 3, 2021

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:
IDEA-B Cluster:
84.027 IDEA, Part B, Formula
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: No

II. Findings Related to the Financial Statements

None

III. Other Findings

None

LOVEJOY INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

NONE

LOVEJOY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 989
Total Direct Programs			989
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101043919	3,210
*IDEA - Part B, Formula	84.027	206600010439196600	53,664
*IDEA - Part B, Formula	84.027	216600010439196600	436,393
Total Assistance Listing Number 84.027			490,057
Total Special Education Cluster (IDEA)			490,057
Career and Technical - Basic Grant	84.048A	204200287110051	29,660
IDEA - Part B, Preschool	84.173	206610010439196610	900
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501043919	20,905
ESEA Title IV, Part A	84.424A	20680101043919	8,450
ESSER - Prior Purchase Reimbursement Program	84.425D	52102135	50,000
Total Passed Through State Department of Education			603,182
TOTAL U.S. DEPARTMENT OF EDUCATION			604,171
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Medicaid Administrative Claiming Program - MAC	93.778	01-043919	2,366
Total Direct Programs			2,366
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,366
 U.S. DEPARTMENT OF JUSTICE			
<u>Direct Programs</u>			
STOP School Violence	16.839	2018-YS-BX-0149	27,530
STOP School Violence	16.839	2018-YS-BX-0108	65,194
Total Assistance Listing Number 16.839			92,724
Total Direct Programs			92,724
<u>Passed Through Town of Fairview</u>			
COPS Office STOP School Violence	16.710	2018-SV-WX-0086	202,026
Total Passed Through Town of Fairview			202,026
TOTAL U.S. DEPARTMENT OF JUSTICE			294,750

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*National School Lunch Program - Cash Assistance	10.555	713020	56,441
*National School Lunch Prog. - Non-Cash Assistance	10.555	713020	41,743
Total Assistance Listing Number 10.555			98,184
Total Child Nutrition Cluster			98,184
Total Passed Through the State Department of Agriculture			98,184
TOTAL U.S. DEPARTMENT OF AGRICULTURE			98,184
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 999,471

*Clustered Programs

LOVEJOY INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2021

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

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used in the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$-0-.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal awards	\$ 999,471
SHARS Revenue reported in the General Fund	366,732
Tax Credit Revenue reported in the Debt Service Fund	-
Plus Revenue Received for Coronavirus Relief Fund for FY20 Expenditures	<u>11,101</u>
 Total Federal Program Revenue	 <u>\$1,377,304</u>

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