

ANNUAL FINANCIAL REPORT

of the

**MONTGOMERY
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended
June 30, 2022

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

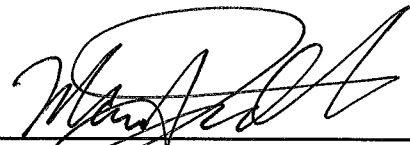
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CERTIFICATE OF BOARD

Montgomery Independent School District Montgomery 170-903
Name of School District County 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, 2022, at a meeting of the Board of Trustees of such school district on the 15th day of November, 2022


Signature of Board Secretary


Signature of Board President

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

(attach list as necessary)

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Montgomery Independent School District:

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery Independent School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the schedule of required response to selected school first indicators but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
October 26, 2022

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

As management of Montgomery Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial condition.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at June 30, 2022 was a deficit of \$58,501,117.
- For the fiscal year ended June 30, 2022, the District's general fund reported a total fund balance of \$22,672,349, all of which is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$35,707,462.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

Governmental Activities – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operations and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2022

The District has the following kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* – The District maintains one proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for workers' compensation self-insurance claims and fees. The internal service fund is included within *governmental activities* in the government-wide financial statements.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was a deficit of \$58,501,117 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the year. *Table 1* indicates assets and liabilities experienced decreases in the current year. Current assets and liabilities primarily decreased from the spending of unearned revenue reported as cash and cash equivalents and a current liability in prior fiscal year. Capital assets primarily decreased due to depreciation expense. The large decrease in long-term liabilities is mainly related to the decreases in other post-employment benefit and pension liabilities along with decreases in long-term debt from current year principal debt payments. The deferred inflows from pensions also significantly increased due to the difference between projected and actual investment earnings. *Table 2* reflects the District reporting an increase in total revenue of \$7,774,097, monies received from the Texas Education Agency for the Elementary and Secondary School Emergency Relief grants and an increase in property tax revenue due to increases in valuations. Total expenses experienced a total increase of \$5,252,239, which is primarily the result of an increase in payroll expenses due to an increase in number of District employees and cost per employee.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2022

Table 1
Net Position

<u>Description</u>	<u>Governmental</u> <u>Activities</u>		<u>Total</u>
	<u>2022</u>	<u>2021</u>	<u>Change</u> <u>2022-2021</u>
Current assets	\$ 49,904,820	\$ 57,590,076	\$ (7,685,256)
Capital assets	283,584,943	294,015,056	(10,430,113)
Total Assets	333,489,763	351,605,132	(18,115,369)
Deferred charge on refunding	3,837,210	3,715,273	121,937
Deferred outflows - pensions	6,735,755	9,742,303	(3,006,548)
Deferred outflows - OPEB	6,358,504	6,050,679	307,825
Total Deferred Outflows of Resources	16,931,469	19,508,255	(2,576,786)
Current liabilities	15,539,522	20,202,539	(4,663,017)
Long-term liabilities	364,366,097	392,629,645	(28,263,548)
Total Liabilities	379,905,619	412,832,184	(32,926,565)
Deferred inflows - pensions	12,143,049	2,993,348	9,149,701
Deferred inflows - OPEB	16,873,681	16,537,484	336,197
Total Deferred Inflows of Resources	29,016,730	19,530,832	9,485,898
Net Position:			
Net investment in capital assets	(44,284,291)	(46,640,313)	2,356,022
Restricted	8,837,913	6,708,664	2,129,249
Unrestricted	(23,054,739)	(21,317,980)	(1,736,759)
Total Net Position	\$ (58,501,117)	\$ (61,249,629)	\$ 2,748,512

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2022

Table 2
Changes in Net Position

	Governmental Activities		Total
	2022	2021	Change 2022-2021
Revenues			
Program revenues:			
Charges for services	\$ 2,792,898	\$ 3,128,752	\$ (335,854)
Operating grants and contributions	14,787,863	11,880,634	2,907,229
General revenues:			
Property taxes	91,988,646	85,603,662	6,384,984
Grants and contributions not restricted	9,927,365	10,808,275	(880,910)
Investment earnings	211,000	102,489	108,511
Miscellaneous local and intermediate revenue	1,866,652	2,276,515	(409,863)
Total Revenue	<u>121,574,424</u>	<u>113,800,327</u>	<u>7,774,097</u>
Expenses			
Instruction	60,846,789	60,763,161	83,628
Instructional resources and media services	812,402	854,182	(41,780)
Curriculum and staff development	406,720	61,246	345,474
Instructional leadership	1,342,594	819,393	523,201
School leadership	3,924,402	4,432,794	(508,392)
Guidance, counseling, and evaluation services	3,079,887	2,963,225	116,662
Social work/health services	835,641	807,398	28,243
Student (pupil) transportation	4,842,081	4,067,922	774,159
Food services	5,824,976	4,244,110	1,580,866
Co-curricular/extracurricular activities	3,283,795	2,961,979	321,816
General administration	2,847,379	2,455,226	392,153
Plant maintenance and operations	12,011,914	10,950,233	1,061,681
Security and monitoring	1,132,796	876,805	255,991
Data processing services	3,315,993	2,866,938	449,055
Community services	432,093	341,558	90,535
Interest on long-term debt	12,079,254	13,434,800	(1,355,546)
Bond issuance costs and fees	558,884	-	558,884
Contracted instructional services between public schools	548,521	-	548,521
Payments to juvenile justice alternative education programs	10,735	-	10,735
Other intergovernmental charges	689,056	672,703	16,353
Total Expenses	<u>118,825,912</u>	<u>113,573,673</u>	<u>5,252,239</u>
Change in Net Position	2,748,512	226,654	2,521,858
Beginning net position	(61,249,629)	(61,476,283)	226,654
Ending Net Position	<u>\$ (58,501,117)</u>	<u>\$ (61,249,629)</u>	<u>\$ 2,748,512</u>

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending June 30, 2022, the District's governmental funds reported a combined fund balance of \$35,707,462. This compares to a combined fund balance of \$39,663,199 at June 30, 2021.

The fund balance in the general fund decreased by \$3,443,517 which was a 13.19 percent decrease from the prior fiscal year ending fund balance. At June 30, 2022, the ending general fund fund balance of \$22,672,349 is unassigned and is 26.16 percent of fiscal year 2021-2022 general fund expenditures. There was a 13.72 percent increase in fiscal year 2021-2022 general fund expenditures from prior fiscal year expenditures which was primarily from an increase in cost for employees and cost for repairs from storm damage. Fiscal year 2021-2022 general fund revenues remained consistent from prior fiscal year revenues increasing by less than 1 percent.

There was a decrease in debt service fund fund balance of \$763,452 as a result of other uses for payments to bond escrow agents which exceeded the proceeds from issuance of refunding bonds and excess debt service fund revenues over expenditures. The ending debt service fund balance of \$8,069,255 is restricted for debt service payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally cover multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended June 30, 2022, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were significant general fund budgeted expenditure amendments to the original budget to account for an increase in payroll costs. The general fund's amended budgeted revenues of \$82,673,951 were consistent with actual revenues of \$82,639,044. The general fund's actual expenditures exceeded the amended budgeted expenditures of \$86,012,065 by less than 1 percent.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. The capital assets also include the right-to-use assets that are associated with leases payable. For the fiscal year ended June 30, 2022, the District's capital assets reported are defined as assets that have individual cost that exceed a minimum threshold of \$5,000.

At June 30, 2022, the District had a total of \$283,584,943 invested in capital assets (net of depreciation and amortization) such as land, buildings, and District equipment. This total includes capital assets not being depreciated in the amount of \$9,422,550.

Major capital asset events during the fiscal year included the following:

- Construction in progress for renovations for Lake Creek High School of \$853,047
- The purchase of new administration software of \$555,159
- Food service equipment for elementary schools for \$452,591
- Copiers for the use of assets from lease obligations for \$515,434

More detailed information about the District's capital assets can be found in the notes to the financial statements.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2022

LONG-TERM DEBT

At year end, the District had \$332,287,650 in general obligation and direct placement bonds and premiums outstanding versus \$346,758,100 last year. The decrease in long-term debt includes issuance of refunding bonds, series 2022 for \$56,485,000 which was issued to refund a portion of the 2015 bond series.

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

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGET AND RATES

The following are highlights of the 2022-2023 General Operating Budget:

Expenditures:

- Continuation of successful instructional plans and activities of the District
- Supports the goals as established by the Board of Trustees
- Supports the Campus Improvement Plans of the campuses
- Satisfies all state requirements and mandates

Revenues:

- 2022 certified values (Freeze Adjusted Taxable) of \$7,328,819,613
- 100% current and delinquent collection of local taxes
- Estimated enrollment of students of 9,900
- Tax rate: \$0.8546 for Maintenance & Operations and \$0.3743 for Debt Service for a combined total of \$1.2289, which is a reduction from the prior year.

In preparing the 2022-2023 budget, the District faced a number of challenges, both internally and externally, including rising non-salary costs with limited funding sources. The budget at adoption contained a surplus of funds with revenues exceeding expenses by \$46,001. The District administration continues to develop goals that ensure a transparent, collaborative budget process that culminates in the adoption of a balanced budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Montgomery Independent School District Administration Office at 20774 Eva Street, Montgomery, Texas 77353 or by calling (936) 276-2000.

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BASIC FINANCIAL STATEMENTS

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

June 30, 2022

1

Data Control Codes		<u>Governmental Activities</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 39,195,339
1220	Property taxes receivable (delinquent)	3,445,273
1230	Allowance for uncollectible taxes	(621,595)
1240	Due from other governments	7,848,764
1300	Inventories	37,039
		49,904,820
	Capital assets:	
1510	Land	8,569,503
1520	Buildings, net	270,372,815
1530	Furniture and equipment, net	1,532,883
1540	Vehicles, net	1,844,348
1550	Right-to-use assets, net	412,347
1580	Construction in progress	853,047
		283,584,943
1000	Total Assets	333,489,763
	<u>Deferred Outflows of Resources</u>	
1700	Deferred charge on refunding	3,837,210
1705	Deferred outflows - pensions	6,735,755
1710	Deferred outflows - OPEB	6,358,504
	Total Deferred Outflows of Resources	16,931,469
	<u>Liabilities</u>	
2110	Accounts payable	919,989
2140	Interest payable	4,411,603
2150	Payroll deductions and withholdings	882,879
2160	Accrued wages payable	8,714,824
2180	Due to other governments	35,966
2190	Due to fiduciary funds	308,345
2200	Accrued expenses	161,579
2300	Unearned revenue	104,337
		15,539,522
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	10,361,975
2502	Long-term liabilities due in more than one year	321,925,675
2540	Net pension liability	10,849,795
2545	Net OPEB liability	21,228,652
		364,366,097
2000	Total Liabilities	379,905,619
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pensions	12,143,049
2610	Deferred inflows - OPEB	16,873,681
	Total Deferred Inflows of Resources	29,016,730
	<u>Net Position</u>	
3200	Net investment in capital assets	(44,284,291)
	Restricted for:	
3820	State and federal programs	3,705,718
3850	Debt service	4,453,261
3870	Other purposes	678,934
3900	Unrestricted	(23,054,739)
3000	Total Net Position	\$ (58,501,117)

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended June 30, 2022

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government					
Governmental Activities					
11	Instruction	\$ 60,846,789	\$ 518,622	\$ 4,900,223	\$ (55,427,944)
12	Instructional resources and media services	812,402	-	30,928	(781,474)
13	Curriculum/instructional staff development	406,720	-	133,701	(273,019)
21	Instructional leadership	1,342,594	-	255,900	(1,086,694)
23	School leadership	3,924,402	-	239,062	(3,685,340)
31	Guidance, counseling, and evaluation services	3,079,887	-	1,779,467	(1,300,420)
33	Health services	835,641	-	31,367	(804,274)
34	Student (pupil) transportation	4,842,081	-	121,962	(4,720,119)
35	Food services	5,824,976	1,222,532	6,377,250	1,774,806
36	Extracurricular activities	3,283,795	1,037,860	47,463	(2,198,472)
41	General administration	2,847,379	-	102,500	(2,744,879)
51	Plant maintenance and operations	12,011,914	13,884	127,100	(11,870,930)
52	Security and monitoring services	1,132,796	-	32,246	(1,100,550)
53	Data processing services	3,315,993	-	203,965	(3,112,028)
61	Community services	432,093	-	1,996	(430,097)
72	Debt service - interest on long-term debt	12,079,254	-	402,734	(11,676,520)
73	Bond issuance costs and fees	558,884	-	-	(558,884)
91	Contracted instructional services between public schools	548,521	-	-	(548,521)
95	Payments to juvenile justice alternative education programs	10,735	-	-	(10,735)
99	Other intergovernment charges	689,056	-	-	(689,056)
	Total Governmental Activities	<u>\$ 118,825,912</u>	<u>\$ 2,792,898</u>	<u>\$ 14,787,863</u>	<u>(101,245,151)</u>
TP	Total Primary Government	<u>\$ 118,825,912</u>	<u>\$ 2,792,898</u>	<u>\$ 14,787,863</u>	<u>(101,245,151)</u>
General Revenues					
MT	Property taxes, levied for general purposes				64,787,736
DT	Property taxes, levied for debt service				27,200,910
GC	Grants and contributions not restricted for specific programs				9,927,365
IE	Investment earnings				211,000
MI	Miscellaneous local and intermediate revenue				1,866,652
	Total General Revenues				<u>103,993,663</u>
	Change in Net Position				<u>2,748,512</u>
	Beginning net position, as restated				(61,249,629)
NE	Ending Net Position				<u>\$ (58,501,117)</u>

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

June 30, 2022

<u>Data Control Codes</u>	10	50	98	Total Governmental Funds
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Funds</u>
<u>Assets</u>				
1110	\$ 22,707,165	\$ 7,847,281	\$ 8,380,391	\$ 38,934,837
1220	2,478,930	966,343	-	3,445,273
1230	(450,861)	(170,734)	-	(621,595)
1240	3,063,392	-	4,785,372	7,848,764
1260	6,963,150	257,940	411,029	7,632,119
1300	-	-	37,039	37,039
1000	Total Assets	Total Assets	Total Assets	Total Assets
	<u>\$ 34,761,776</u>	<u>\$ 8,900,830</u>	<u>\$ 13,613,831</u>	<u>\$ 57,276,437</u>
<u>Liabilities</u>				
2110	\$ -	\$ -	\$ 907,001	\$ 907,001
2150	882,879	-	-	882,879
2160	8,039,585	-	675,239	8,714,824
2170	668,969	-	6,963,150	7,632,119
2180	-	35,966	-	35,966
2190	308,345	-	-	308,345
2200	161,579	-	-	161,579
2300	1,754	-	102,583	104,337
2000	Total Liabilities	Total Liabilities	Total Liabilities	Total Liabilities
	<u>10,063,111</u>	<u>35,966</u>	<u>8,647,973</u>	<u>18,747,050</u>
<u>Deferred Inflows of Resources</u>				
2600	2,026,316	795,609	-	2,821,925
<u>Fund Balances</u>				
Nonspendable:				
3410	-	-	37,039	37,039
Restricted:				
3450	-	-	3,668,679	3,668,679
3470	-	-	581,206	581,206
3480	-	8,069,255	-	8,069,255
3490	-	-	678,934	678,934
3600	22,672,349	-	-	22,672,349
3000	Total Fund Balances	Total Fund Balances	Total Fund Balances	Total Fund Balances
	<u>22,672,349</u>	<u>8,069,255</u>	<u>4,965,858</u>	<u>35,707,462</u>
4000	Total Liabilities, Deferred Inflows			
4000	of Resources, and Fund Balances			
	<u>\$ 34,761,776</u>	<u>\$ 8,900,830</u>	<u>\$ 13,613,831</u>	<u>\$ 57,276,437</u>

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
June 30, 2022

Total fund balances for governmental funds \$ 35,707,462

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets – nondepreciable	9,422,550	
Capital assets – depreciable	273,750,046	
Right-to-use assets	412,347	
		283,584,943

Other long-term assets (deferred taxes) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 2,821,925

An internal service fund is used by management to charge the costs of certain capital activities to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position. 247,514

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Deferred outflows of resources related to the pension plan	6,735,755	
Deferred inflows of resources related to the pension plan	(12,143,049)	
Deferred outflows of resources related to the OPEB plan	6,358,504	
Deferred inflows of resources related to the OPEB plan	(16,873,681)	
Accrued interest	(4,411,603)	
Deferred charge on refunding	3,837,210	
Premium on long-term debt	(21,836,612)	
Long-term debt	(310,045,000)	
Leases payable	(406,038)	
Net pension liability	(10,849,795)	
Net OPEB liability	(21,228,652)	
		(380,862,961)

Net Position of Governmental Activities **\$ (58,501,117)**

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EXHIBIT C-2

For the Year Ended June 30, 2022

Data Control Codes	10 General	50 Debt Service	Nonmajor Governmental	98 Total Governmental Funds
Revenues				
5700 Local, intermediate, and out-of-state	\$ 67,409,388	\$ 27,231,814	\$ 2,047,225	\$ 96,688,427
5800 State program revenues	13,665,217	402,734	568,287	14,636,238
5900 Federal program revenues	1,564,439	-	11,170,737	12,735,176
5020 Total Revenues	<u>82,639,044</u>	<u>27,634,548</u>	<u>13,786,249</u>	<u>124,059,841</u>
Expenditures				
0011 Instruction	51,084,022	-	2,243,310	53,327,332
0012 Instructional resources and media services	707,422	-	-	707,422
0013 Curriculum/instructional staff development	237,438	-	133,743	371,181
0021 Instructional leadership	1,150,196	-	228,194	1,378,390
0023 School leadership	4,076,130	-	52,390	4,128,520
0031 Guidance, counseling, and evaluation services	1,534,375	-	1,659,758	3,194,133
0033 Health services	106,285	-	738,036	844,321
0034 Student (pupil) transportation	4,641,804	-	-	4,641,804
0035 Food services	-	-	5,700,410	5,700,410
0036 Extracurricular activities	2,117,814	-	662,036	2,779,850
0041 General administration	2,910,526	-	33,331	2,943,857
0051 Plant maintenance and operations	11,526,949	-	80,651	11,607,600
0052 Security and monitoring services	1,160,710	-	4,935	1,165,645
0053 Data processing services	3,211,400	-	152,186	3,363,586
0061 Community services	236,011	-	-	236,011
Debt service:				
0071 Principal	109,396	9,745,000	-	9,854,396
0072 Interest and fiscal charges	-	13,871,410	-	13,871,410
0073 Bond issuance costs	-	558,884	-	558,884
0081 Capital outlay	617,439	-	1,810,879	2,428,318
Intergovernmental:				
0091 Contracted instructional services				
0091 between public schools	548,521	-	-	548,521
0095 Payments to juvenile justice alternative				
0095 education programs	10,735	-	-	10,735
0099 Other governmental charges	689,056	-	-	689,056
6030 Total Expenditures	<u>86,676,229</u>	<u>24,175,294</u>	<u>13,499,859</u>	<u>124,351,382</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,037,185)</u>	<u>3,459,254</u>	<u>286,390</u>	<u>(291,541)</u>
Other Financing Sources (Uses)				
7912 Sale of real and personal property	43,076	-	-	43,076
7913 Proceeds from right-to-use leased assets	515,434	-	-	515,434
7911 Bonds issued	-	56,485,000	-	56,485,000
8949 Payment to bond escrow agent	-	(60,707,706)	-	(60,707,706)
7915 Transfers in	35,158	-	-	35,158
8911 Transfers (out)	-	-	(35,158)	(35,158)
7080 Total Other Financing Sources)	<u>593,668</u>	<u>(4,222,706)</u>	<u>(35,158)</u>	<u>(3,664,196)</u>
1200 Net Change in Fund Balances	<u>(3,443,517)</u>	<u>(763,452)</u>	<u>251,232</u>	<u>(3,955,737)</u>
0100 Beginning fund balances	26,115,866	8,832,707	4,714,626	39,663,199
3000 Ending Fund Balances	<u>\$ 22,672,349</u>	<u>\$ 8,069,255</u>	<u>\$ 4,965,858</u>	<u>\$ 35,707,462</u>

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3
For the Year Ended June 30, 2022

Net changes in fund balances - total governmental funds \$ (3,955,737)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or amortization of right-to-use assets.

Depreciation	(13,089,229)
Amortization of right-to-use assets	(103,087)
Capital outlay, net of disposal of assets	2,762,203

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	170,769
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

New bond issuance	(56,485,000)
Payment made to escrow for refunded debt	60,707,706
Principal repayments	9,745,000
Change in accrued interest	761,437
Amortization of loss on bond refunding	(544,597)
Amortization of premiums	1,575,316
Additions from lease agreements	(515,434)
Principal payments on leases	109,396

Pension and other postemployment benefits (OPEB) activity reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure or revenue in governmental funds.

Change in net pension liability	12,800,457
Change in net OPEB liability	992,641
Change in deferred outflows - pensions	(3,006,548)
Change in deferred inflows - pensions	(9,149,701)
Change in deferred outflows - OPEB	307,825
Change in deferred inflows - OPEB	(336,197)
Net on-behalf contributions adjustments - revenues	(2,656,186)
Net on behalf contributions adjustments - expenses	2,656,186

An internal service fund is used by management to charge the costs of certain activities, such as workers' compensation, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

1,292

Change in Net Position of Governmental Activities	\$ 2,748,512
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See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND - EXHIBIT D-1

June 30, 2022

<u>Data Control Codes</u>		770
		<u>Workers' Compensation</u>
Assets:		
1110	Cash and cash equivalents	\$ 260,502
	Total Assets	<u>260,502</u>
Liabilities:		
Current liabilities:		
2110	Accounts payable	12,988
2000	Total Liabilities	<u>12,988</u>
Net Position:		
3600	Unrestricted	247,514
4000	Total Net Position	<u>\$ 247,514</u>

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUND - EXHIBIT D-2

For the Year Ended June 30, 2022

<u>Data Control Codes</u>		<u>770 Workers' Compensation</u>
	Operating Revenues:	
5700	Local and intermediate sources	\$ 1,292
5020		<u>1,292</u>
	Total Operating Revenues	<u>1,292</u>
1200		1,292
	Changes in Net Position	<u>1,292</u>
0100	Beginning net position	<u>246,222</u>
3000		<u>247,514</u>
	Ending Net Position	<u><u>\$ 247,514</u></u>

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUND - EXHIBIT D-3

For the Year Ended June 30, 2022

	770
	<u>Workers'</u> <u>Compensation</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,292
Net Cash Provided by Operating Activities	<u>1,292</u>
 Beginning cash and cash equivalents	 <u>259,210</u>
Ending Cash and Cash Equivalents	\$ <u>260,502</u>
 Reconciliation of Operating Income (Loss)	
to Net Cash Provided by Operating Activities	
Operating income	\$ 1,292
Net Cash Provided by Operating Activities	\$ <u>1,292</u>

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-1

June 30, 2022

Data Control Codes		Private - Purpose Trust Funds	Custodial Funds
	<u>Assets</u>		
1110	Cash and cash equivalents	\$ 1,320,676	\$ 636,363
1260	Due from other funds	-	308,345
1000	Total Assets	1,320,676	944,708
	<u>Net Position</u>		
3800	Held in trust	1,320,676	944,708
3000	Total Net Position	\$ 1,320,676	\$ 944,708

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-2

For the Year Ended June 30, 2022

	Private - Purpose Trust Funds	Custodial Funds
<u>Additions</u>		
Investment income	\$ 6,588	\$ 3,148
Donations	42,667	1,743,598
Total Additions	49,255	1,746,746
<u>Deductions</u>		
Scholarship awards	59,500	-
Athletics	-	528,271
Band	-	89,415
Cheer	-	170,856
Choir	-	175,948
Dance	-	148,036
Future Farmers of America	-	67,622
Fishing team	-	28,836
Junior class	-	100,703
Student council	-	83,770
Theatre	-	84,170
Yearbook	-	53,923
Other expenses	-	151,213
Total Deductions	59,500	1,682,763
Change in Net Position	(10,245)	63,983
Beginning net position	1,330,921	880,725
Ending Net Position	\$ 1,320,676	\$ 944,708

See Notes to Financial Statements.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Montgomery Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas (the “State”). It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by GAAP, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Additionally, prescribed criteria under GAAP include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on these considerations, the Montgomery Independent School District Education Foundation (the “Foundation”) has been identified as a related organization to the District but is not included as part of the District’s reporting entity.

The Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to provide grants designed to encourage, facilitate, recognize, and reward innovative and creative instructional approaches that will enhance the education of the students of the District. The Foundation was formed in 2015 and is governed by an eleven-member board of directors (the “Foundation Board”). In addition, the Superintendent of the District serves as an Ex-Officio member of the Foundation Board but has no voting privileges. Vacancies to the Foundation Board are appointed by the Board, but the District’s accountability for the Foundation does not extend beyond making the appointments.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance are accounted for in a special revenue fund.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of material, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District has the following types of proprietary fund:

Internal Service Fund

This fund is used to account for and report revenue and expenses related to services provided to parties inside the District on a cost reimbursement basis and account for the District's workers' compensation risk management. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. 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 has the following type of fiduciary funds:

Custodial Funds

The custodial funds report resources, not in a trust, that are held by the District for other parties outside of the District. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

Private-Purpose Trust Funds

The private-purpose trust funds are used to report resources held in trust. The trust funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's scholarship trust funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents. The District uses a consolidated claim on cash to track each participating fund's claim on cash which is net of each fund's current receivable and payables. The general fund's financial statements include gross receivables and payable for all funds, and the general fund's claim on cash is adjusted accordingly.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized repurchase agreements that meet certain criteria
- Government investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost that exceed a minimum threshold of \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 to 40 years
Furniture, equipment and vehicles	5 to 20 years

The right-to-use assets associated with leases payable is included with capital assets and amortized using straight line depreciation similar to the other property, plant, and equipment of the primary government.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding 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.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

7. Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible, right-to-use lease asset (the “lease asset”) in the government-wide financial statements. The District recognizes a lease liability and right-to-use asset that have an initial, individual value that exceeds \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

8. Compensated Absences

State law entitles all employees to five days of paid personal leave per year. Paraprofessional and professional employees earn five days of local leave per school year at the same rate as state personal leave. All part-time employees, whether contract or non-contract, earn 2.5 days of local leave per school year, at the same rate as state personal leave. The District’s compensatory time policy requires that compensatory time be taken by the end of the school year in which it was earned.

Any unused leave accumulates without monetary value and is not paid upon termination, and as such, no liability for compensated absences is accrued in the District’s financial statements.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

12. Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

13. Data Control Codes

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

14. Pensions

The fiduciary net position of 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.

15. Other Postemployment Benefits

The fiduciary net position of TRS Texas Public School Retired Employees Group Insurance Program ("TRS-Care") 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 OPEB, 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to the District to fund workers' compensation costs. Operating expenses for the internal service fund include the workers' compensation and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. These amendments caused material changes in budgeted amounts.

A. Expenditures in Excess of Appropriations

For the year, expenditures exceeded appropriations at the legal level of control as follows:

General Fund	
Instruction	\$ 1,454,663
Health services	\$ 69,551
Student (pupil) transportation	\$ 222,709
Extracurricular activities	\$ 37,329
General administration	\$ 159,079
Security and monitoring services	\$ 50,655
Community services	\$ 52,520
National School Breakfast Lunch Program Fund	
Food services	\$ 400,354

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2022, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Texas CLASS Investment Pool	\$ 5,711,055	0.09
Texas TERM Investment Pool	7,618,613	0.06
Total Investments	<u>\$ 13,329,668</u>	
Portfolio weighted average maturity		0.07

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primary in short-term securities.

Credit risk. The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of June 30, 2022, the District's investments in investment pools were rated "AAAm' or 'AAA' by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of June 30, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that 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 in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Texas TERM

The Texas Term Local Government Investment Pool (“TexasTERM”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexasTERM is administered by PFM Asset Management LLC, which also serves as the investment advisor. The reported value of TexasTERM is the same as the fair value of the TexasTERM shares. Investment options include TexasDAILY, a money market portfolio, that is rated ‘AAAm’ by Standard & Poor’s, and TexasTERM CD Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured certificates of deposit from banks throughout the United States.

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,569,503	\$ -	\$ -	\$ 8,569,503
Construction in progress	-	853,047	-	853,047
Total Capital Assets Not Being Depreciated	<u>8,569,503</u>	<u>853,047</u>	<u>-</u>	<u>9,422,550</u>
Other capital assets:				
Buildings and improvements	391,142,325	362,607	-	391,504,932
Furniture and equipment	2,945,161	1,067,330	-	4,012,491
Vehicles	10,234,354	26,275	(62,490)	10,198,139
Right-to-use assets	-	515,434	-	515,434
Total Other Capital Assets	<u>404,321,840</u>	<u>1,971,646</u>	<u>(62,490)</u>	<u>406,230,996</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	(108,562,578)	(12,569,539)	-	(121,132,117)
Furniture and equipment	(2,305,942)	(173,666)	-	(2,479,608)
Vehicles	(8,007,767)	(408,514)	62,490	(8,353,791)
Right-to-use assets	-	(103,087)	-	(103,087)
Total Accumulated Depreciation and Amortization	<u>(118,876,287)</u>	<u>(13,254,806)</u>	<u>62,490</u>	<u>(132,068,603)</u>
Other capital assets, net	<u>285,445,553</u>	<u>(11,283,160)</u>	<u>-</u>	<u>274,162,393</u>
Governmental Activities Capital Assets, Net	<u>\$ 294,015,056</u>	<u>\$ (10,430,113)</u>	<u>\$ -</u>	<u>283,584,943</u>
			Less associated debt	(332,287,650)
			Plus unspent bond proceeds	581,206
			Plus deferred charge on refunding	3,837,210
			Net Investment in Capital Assets	<u>\$ (44,284,291)</u>

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Depreciation was charged to governmental functions as follows:

11	Instruction	\$ 10,294,232
12	Instructional resources and media services	156,341
13	Curriculum and instructional staff development	35,519
23	School leadership	85,414
31	Guidance, counseling, and evaluation services	34,985
33	Health services	36,689
34	Student (pupil) transportation	451,052
35	Food service	285,000
36	Cocurricular/extracurricular activities	576,232
41	General administration	1,685
51	Plant maintenance and operations	1,045,109
52	Security and monitoring	24,770
53	Data processing services	28,019
61	Community services	199,759
Total Depreciation and amortization of right-to-use asset Expense and		\$ 13,254,806

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities. The liability for the net pension liability and the net OPEB liability are liquidated by the general fund.

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Bonds, notes payable:						
Series 2015	2.25 - 5.00%	\$ 235,700,000	\$ -	\$ (60,645,000)	\$ 175,055,000	\$ 4,365,000
Series 2015A	2.00 - 5.00%	10,540,000	-	(1,875,000)	8,665,000	2,825,000
Series 2016	2.00 - 5.00%	64,720,000	-	(1,610,000)	63,110,000	1,695,000
Series 2019	5.00%	4,525,000	-	(1,465,000)	3,060,000	1,380,000
Series 2022	4.00 - 5.00%	-	56,485,000	-	56,485,000	-
Direct borrowings/placements:						
Series 2013	1.70%	4,305,000	-	(635,000)	3,670,000	-
Leases payables		-	515,434	(109,396)	406,038	96,975
Less deferred amounts:						
Unamortized bond premium		26,968,100	-	(5,131,488)	21,836,612	-
		346,758,100	57,000,434	(71,470,884)	332,287,650	10,361,975
Other liabilities:						
Net pension liability		23,650,252	-	(12,800,457)	10,849,795	-
Net OPEB liability		22,221,293	-	(992,641)	21,228,652	-
		45,871,545	-	(13,793,098)	32,078,447	-
Total Governmental Activities		\$ 392,629,645	\$ 57,000,434	\$ (85,263,982)	\$ 364,366,097	\$ 10,361,975
					Long-term liabilities due in more than one year	\$ 354,004,122
					*Debt associated with capital assets	\$ 332,287,650

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

New Debt

During the fiscal year, the District partially refunded the Unlimited Tax School Building and Refunding Bonds, Series 2015 (the “Series 2015 Bonds”) in the amount of \$56,485,000 from the issuance of the Bonds, Series 2022 debt. As a result, that portion of the Series 2015 bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The carrying cost of the new debt exceeded that of the old debt by \$909,694. The refunding represented an overall economic gain of \$10,440,699 and the net present value of savings of \$6,969,524. The amounts provided by the issuance of the new debt were placed in an irrevocable trust to provide for all future debt service payments on the Series 2015 Bonds that were refunded. The outstanding balance of the Series 2015 Bonds at year end was \$56,485,000.

Direct Borrowing – Series 2013

The District issued \$9,310,000 of Montgomery Independent School District Unlimited Tax Refunding Bonds, Series 2013, (the “Bonds”) as authorized by Chapter 1207 of the Texas Education Code, as amended. The proceeds were used to refund a portion of the District’s outstanding Unlimited Tax School Building Bonds, Series 2004A for \$5,300,000 and Unlimited Tax Refunding Bonds, Series 2004B for \$4,010,000 in order to lower the overall debt service requirement of the District. Annual payments of principal on the Bonds are due from February 15, 2015 through February 15, 2022 and February 15, 2024 through February 15, 2027. Semiannual interest payments on the Bonds bearing an interest rate of 1.700% are accrued from the delivery date of December 19, 2013 and on each August 15 and February 15 thereafter until maturity or earlier redemption on February 15, 2023.

The annual requirements to amortize debt issues outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation		Direct Placement		Total Requirements
	Principal	Interest	Principal	Interest	
2023	\$ 10,265,000	\$ 12,307,445	\$ -	\$ 62,390	\$ 22,634,835
2024	9,700,000	12,405,024	895,000	62,390	23,062,414
2025	10,295,000	11,920,024	915,000	47,175	23,177,199
2026	10,750,000	11,420,924	940,000	31,620	23,142,544
2027	11,240,000	10,900,274	920,000	15,640	23,075,914
2028-2032	63,295,000	46,217,405	-	-	109,512,405
2033-2037	74,475,000	32,875,176	-	-	107,350,176
2038-2042	65,475,000	17,793,254	-	-	83,268,254
2043-2046	50,880,000	4,373,800	-	-	55,253,800
	<u>\$ 306,375,000</u>	<u>\$ 160,213,326</u>	<u>\$ 3,670,000</u>	<u>\$ 219,215</u>	<u>\$ 470,477,541</u>

Leases Payables

During the current fiscal year, the District entered into a five-year lease agreement as lessee for the acquisition and use of copiers which is recorded with capital assets. An initial lease liability and use of assets for copiers was recorded in the amount of \$515,434 during the current fiscal year. As of

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

June 30, 2022, the value of the copier lease liabilities was \$406,038. The District is required to make annual principal and interest payments on the leases of approximately \$109,396. The range of the interest rates on the copier leases are 2.50 to 3.00 percent. The copiers have a five-year estimated useful life. The value of the right-to-use assets for copier leases as of the end of the current fiscal year was \$515,434 and had accumulated amortization of \$103,087.

The future principal and interest lease payments as of June 30, 2022 were as follows:

Fiscal Year Ending June 30	Lease Obligations		Total	Remaining Use of Asset
	Principal	Interest	Requirements	Amortization
2023	\$ 96,975	\$ 12,421	\$ 109,396	103,087
2024	99,934	9,462	109,396	103,087
2025	102,988	6,408	109,396	103,087
2026	106,141	3,255	109,396	103,086
	<u>\$ 406,038</u>	<u>\$ 31,546</u>	<u>\$ 437,584</u>	<u>\$ 412,347</u>

D. Interfund Transactions

The following is a summary of the District's interfund transactions for the year:

Receivable Fund	Payable Fund	Amount
General fund	Special revenue non major funds	\$ 6,350,731
General fund	Capital projects non major fund	612,419
Debt service fund	General fund	257,940
Special revenue non major funds	General fund	411,029
Custodial funds	General fund	308,345
	Total	<u>\$ 7,940,464</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Transfers between funds during the fiscal year were as follows:

Transfers In	Transfers Out	Amount
General fund	Special revenue fund	\$ 35,158

The transfer from the special revenue fund was used to reimburse cost related to textbook supplies in the general fund.

IV. OTHER INFORMATION

A. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

During previous years, the District participated in an interlocal agreement providing for pooled coverage of workers' compensation benefits for employees. Claims incurred by the employees of the

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

District were handled by a third-party administrator, Claims Administrative Services (CAS), who was responsible for estimating losses to be incurred by the District and ultimately paid to the claimant. The District has accrued claims payable of \$12,988 as of June 30, 2021, which includes provisions for claims reported but not reported. The provision for reported claims and claims incurred but not yet reported is determined by estimating the amount that will ultimately be paid to each claimant and is calculated and provided by the District's third-party administrator. Accrued claims payable have not been discounted to their present value as the District expects that any discount of the claims payable would not be material to the overall financial statements.

Changes in the claims liability for workers' compensation benefits for the fiscal year ended June 30, 2021 and 2020 are as follows:

	Fiscal Year	
	2022	2021
Claims liability at beginning of year	\$ 12,988	\$ 15,439
Current year claims and estimated changes	1,553	(928)
Claims payments	(1,523)	(1,523)
Claims liability at year end	<u>\$ 12,988</u>	<u>\$ 12,988</u>

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

C. Defined Benefit Pension Plan

Teacher Retirement System

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

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 the State. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment 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 the manner are determined by TRS's actuary.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

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 TRS during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. 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 through 2025.

Contribution Rates			
Fiscal Year	State	Public Education Employer	Active Employee
2021	7.50%	1.60%	7.70%
2022	7.75%	1.70%	8.00%
2023	8.00%	1.80%	8.00%
2024	8.25%	1.90%	8.25%
2025	8.25%	2.00%	8.25%

Contribution Rates		
	2021	2022
Member	7.70%	8.00%
NECE (State)	7.50%	7.75%
Employers	7.50%	7.50%

	Measurement Year (2021)	Fiscal Year (2022)
Employer Contributions	\$ 1,818,126	\$ 2,068,966
Member Contributions	\$ 4,121,362	\$ 4,575,528
NECE On-Behalf Contributions	\$ 2,844,531	\$ 2,950,183

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, or from non-educational and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

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

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2021 actuarial valuation, rolled forward to August 31, 2020, was determined using the following actuarial assumptions:

Valuation date	August 31, 2020, rolled forward to August 31, 2021
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair Value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal bond rate	1.95%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
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 TPL are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the TRS actuarial valuation report dated November 9, 2020.

Discount Rate

A single discount rate of 7.25% was used to measure the TPL. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the NECE will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the TRS'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 TRS investments was applied to all periods of projected benefit payments to determine the TPL.

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

Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2021 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2021

Asset Class	Target Allocation (1)	Long-Term Expected Geometric Real Rate of Return (2)	Expected Contributions to Long-Term Portfolio Returns (3)
Global			
U.S.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, National Resources, and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity			
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag (3)			-0.95%
Total	<u>100.00%</u>	<u>34.50%</u>	<u>6.90%</u>

(1) Target allocations are based on the FY2021 policy model.

(2) Capital market assumptions come from Aon Hewitt (as of 8/31/2021).

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Discount Rate Sensitivity Analysis

The following table presents the net pension liability (NPL) of TRS using the discount rate of 7.25% and what the NPL would be if it was calculated using a discount rate that is 1% lower (6.25) or 1% higher (8.25%) than the current year rate:

	1% Decrease in Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	\$ 23,708,523	\$ 10,849,795	\$ 417,463

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2022, the District reported a liability of \$10,849,795 for its proportionate share of the TRS's NPL. This liability reflects a reduction for state pension support provided to the District. The amounts recognized by the District as its proportionate share of the NPL, the related state support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 10,849,795
State's proportionate share that is associated with the District	16,974,942
Total	\$ 27,824,737

The NPL was measured as of August 31, 2019 and rolled forward to August 31, 2021 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2020 through August 31, 2021.

At June 30, 2022, the District's proportion of the collective NPL was 0.04260%, which was an decrease of 0.00016% from its proportion measured as of June 30, 2021.

Changes Since the Prior Actuarial Valuation

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

For the year ended June 30, 2022, the District recognized pension expense of \$67,864 and revenue of \$67,864 for support provided by the State.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

At June 30, 2022, the District reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 18,157	\$ 763,834
Changes in actuarial assumptions	3,835,190	1,671,814
Difference between projected and actual investment earnings	-	9,097,412
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,101,604	609,989
Contributions paid to TRS subsequent to the measurement date	1,780,804	-
Total	\$ 6,735,755	\$ 12,143,049

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

Fiscal Year Ended June 30	Pension Expense
2023	\$ (972,144)
2024	(1,153,250)
2025	(2,034,277)
2026	(2,786,999)
2027	(185,105)
Thereafter	(56,323)
Total	\$ (7,188,098)

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined OPEB plan with a special funding situation. TRS-Care was established in 1986 by the Texas Legislature.

The TRS Board of Trustees (the "Board") administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board 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.

OPEB Plan Fiduciary Net Position

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

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Components of the net OPEB liability of TRS-Care as of August 31, 2021 are as follows:

Total OPEB liability		\$ 41,113,711,083
Less: plan fiduciary net position		(2,539,242,470)
Net OPEB Liability		<u>\$ 43,652,953,553</u>
Net position as a percentage of total OPEB liability		-6.18%

Benefits Provided

TRS-Care provides a basic health insurance coverage to retirees from public schools and charter schools, regional education service centers, and other educational districts who are members of TRS. 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 TRS. There are no automatic postemployment benefit changes, including automatic COLAs.

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

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	\$ 529	\$ 689
Retiree and children*	\$ 468	\$ 408
Retiree and family	\$ 1,020	\$ 999

**or surviving spouse and children*

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 does not have the authority to set or amend contribution rates.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to TRS-Care by type of contributor:

	Contribution Rates	
	Fiscal Year	
	2021	2022
Active employee	0.65%	0.65%
NECE (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	Measurement	Fiscal
	Year (2021)	Year (2022)
District contributions	\$ 429,932	\$ 472,029
Member contributions	\$ 137,810	\$ 185,800
NECE on-behalf contributions	\$ 576,013	\$ 714,614

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

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

Actuarial Assumptions

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

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

- | | |
|-------------------------|----------------------------------|
| 1. Rates of Mortality | 4. Rates of Disability Incidence |
| 2. Rates of Retirement | 5. General Inflation |
| 3. Rates of Termination | 6. Wage Inflation |

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

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2020 rolled forward to 8/31/2021
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	1.95% as of August 31, 2021.
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected salary increases	3.05% to 9.05%, including inflation
Healthcare trend rates	Medical trend rates: 8.50% (Medicare retirees) and 7.10% (non-Medicare retirees) Prescription drug trend rate: 8.50%
Election rates	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc postemployment benefit changes	None

Discount Rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because TRS-Care 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 NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (1.95%) in measuring the net OPEB liability:

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of net OPEB liability	\$ 25,606,646	\$ 21,228,652	\$ 17,783,028

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 17,194,505	\$ 21,228,652	\$ 26,641,475

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2022, the District reported a liability of \$21,228,652 for its proportionate share of TRS-Care'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	\$ 21,228,652
State's proportionate share that is associated with the District	28,441,663
Total	\$ 49,670,315

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2020 through August 31, 2021.

At June 30, 2022, the employer's proportion of the collective net OPEB liability was 0.05503%, compared to 0.058455% as of June 30, 2021.

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 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

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

For the year ended June 30, the District recognized OPEB expense of \$1,049,715 and revenue of \$1,049,715 for support provided by the State.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

At June 30, 2022, the District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 913,994	\$ 10,276,153
Changes in actuarial assumptions	2,351,322	4,489,467
Differences between projected and actual investment earnings	23,047	-
Changes in proportion and difference between the District's	2,670,206	2,108,061
Contributions paid to TRS subsequent to the measurement date	399,935	-
Total	\$ 6,358,504	\$ 16,873,681

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

Fiscal Year Ended June 30	Expense Amount
2023	\$ (2,020,292)
2024	(2,020,812)
2025	(2,020,670)
2026	(1,461,876)
2027	(705,365)
Thereafter	(2,686,097)
	\$ (10,915,112)

Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$242,426, \$238,377, and \$230,588, respectively.

E. Workers' Compensation Pool

During the year ended June 30, 2022, the District 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' 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 \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of June 30, 2022, the Fund carries a discounted reserve of \$44,985,187 for future development on reported claims and claims that have been incurred but not yet reported.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

For the year ended June 30, 2022, 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 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, 2021 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

F. Unemployment Compensation

During the year ended June 30, 2022, the District met its statutory unemployment compensation obligations by participating as a self-funded member of 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 and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all unemployment compensation claims costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

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, 2021 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

G. Auto, Liability, and/or Property Programs

During the year ended June 30, 2022, the District participated in the following TASB Risk Management (the "Fund") programs:

- Auto liability
- Auto physical damage
- Privacy and information security
- Property
- School liability

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 its auto, liability and property programs. 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. For the year ended June 30, 2022, the Fund anticipates that the District has no additional liability beyond the 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 year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2022

following year. The Fund's audited financial statements as of August 31, 2021 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

H. Employee Health Care Coverage

During the year ended June 30, 2022, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$370 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a 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 insurer is renewable September 1, 2022 and terms of coverage and premiums costs are included in the contractual provisions.

I. Shared Services Arrangement

The District participates in a shared services arrangement (SSA) for the improvement of the education of English Learner (EL) children and youth by helping them learn English and meet challenging state academic content and student academic achievement standards funded with Title III, Part A ELA. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center – Region VI, nor does the District have an equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared arrangement. Region VI is reporting \$14,636 as expenditures incurred on behalf of the District.

J. Subsequent Event

The District issued Unlimited Tax School Building Bonds, Series 2022 for \$99,060,000 in July 2022 to be used for the construction, acquisition, rehabilitation, renovation, expansion, improvements, and equipment of school buildings in the District.

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REQUIRED SUPPLEMENTARY INFORMATION

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND - EXHIBIT G-1

For the Year Ended June 30, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 68,279,102	\$ 68,279,102	\$ 67,409,388	\$ (869,714)
5800	State program revenues	10,861,357	12,841,057	13,665,217	824,160
5900	Federal program revenues	1,400,000	1,553,792	1,564,439	10,647
5020	Total Revenues	<u>80,540,459</u>	<u>82,673,951</u>	<u>82,639,044</u>	<u>(34,907)</u>
Expenditures					
Current:					
0011	Instruction	48,492,221	49,629,359	51,084,022	(1,454,663) *
0012	Instructional resources and				
0012	media services	753,590	713,382	707,422	5,960
0013	Curriculum and instructional staff				
0013	development	410,923	245,122	237,438	7,684
0021	Instructional leadership	1,078,490	1,213,104	1,150,196	62,908
0023	School leadership	4,234,884	4,196,916	4,076,130	120,786
0031	Guidance, counseling, and				
0031	evaluation services	2,153,412	1,674,093	1,534,375	139,718
0033	Health services	731,032	36,734	106,285	(69,551) *
0034	Student (pupil) transportation	3,986,185	4,419,095	4,641,804	(222,709) *
0036	Extracurricular activities	2,056,437	2,080,485	2,117,814	(37,329) *
0041	General administration	2,509,704	2,751,447	2,910,526	(159,079) *
0051	Plant maintenance and operations	9,729,235	11,756,177	11,526,949	229,228
0052	Security and monitoring services	1,221,929	1,110,055	1,160,710	(50,655) *
0053	Data processing services	2,473,192	3,315,405	3,211,400	104,005
0061	Community services	175,000	183,491	236,011	(52,520) *
0071	Debt service on principal of leases	-	109,396	109,396	-
0081	Capital outlay	650,000	1,315,227	617,439	697,788
Intergovernmental:					
0091	Contracted instructional services				
0091	between public schools	-	548,521	548,521	-
0095	Payments to JJAEP	25,000	25,000	10,735	14,265
0099	Other intergovernmental charges	750,000	689,056	689,056	-
6030	Total Expenditures	<u>81,431,234</u>	<u>86,012,065</u>	<u>86,676,229</u>	<u>(664,164)</u>
1100	Deficit of Revenues				
1100	(Under) Expenditures	<u>(890,775)</u>	<u>(3,338,114)</u>	<u>(4,037,185)</u>	<u>(699,071)</u>
Other Financing Sources (Uses)					
7912	Sale of real and personal property	-	43,076	43,076	-
7913	Proceeds from right to use leased assets	-	515,434	515,434	-
7080	Total Other Financing Sources	<u>-</u>	<u>558,510</u>	<u>593,668</u>	<u>-</u>
1200	Net Change in Fund Balance	<u>(890,775)</u>	<u>(2,779,604)</u>	<u>(3,443,517)</u>	<u>(699,071)</u>
0100	Beginning fund balance	26,115,866	26,115,866	26,115,866	-
3000	Ending Fund Balance	<u>\$ 25,225,091</u>	<u>\$ 23,336,262</u>	<u>\$ 22,672,349</u>	<u>\$ (699,071)</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Actual expenditures exceed the legal level of control.

MONTGOMERY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) EXHIBIT G-2
For the Year Ended June 30, 2022

	Measurement Year*			
	2021	2020	2019	2018
District's proportion of the net pension liability	0.0426042%	0.0441582%	0.0440200%	0.0416800%
District's proportionate share of the net pension liability	\$ 10,849,795	\$ 23,650,252	\$ 22,883,254	\$ 22,942,063
State's proportionate share of the net pension liability associated with the District	16,974,942	37,533,213	37,703,663	38,912,040
Total	<u>\$ 27,824,737</u>	<u>\$ 61,183,465</u>	<u>\$ 60,586,917</u>	<u>\$ 61,854,103</u>
District's covered payroll**	\$ 53,524,186	\$ 54,496,782	\$ 51,999,741	\$ 47,815,102
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.27%	43.40%	44.01%	47.98%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%

* Only eight years' worth of information is currently available.

Notes to Required Supplementary Information:

1. *Changes in Assumptions:* There were no changes in assumption or other inputs that affected measurement of the total pension (TPL) liability since the prior measurement period.
2. *Changes in Benefits:* There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

Measurement Year*			
2017	2016	2015	2014
0.0395100%	0.0374600%	0.0369800%	0.0190700%
\$ 12,633,470	\$ 14,156,647	\$ 13,072,998	\$ 5,092,605
23,248,745	27,582,468	25,677,769	21,904,380
<u>\$ 35,882,215</u>	<u>\$ 41,739,115</u>	<u>\$ 38,750,767</u>	<u>\$ 26,996,985</u>
\$ 45,766,172	\$ 43,215,113	\$ 40,226,847	\$ 37,167,576
27.60%	32.76%	32.50%	13.70%
82.17%	78.00%	78.43%	83.25%

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) EXHIBIT G-3

For the Year Ended June 30, 2022

	Fiscal Year*			
	2022	2021	2020	2019
Contractually required contribution	\$ 2,068,966	\$ 1,786,011	\$ 1,780,419	\$ 1,296,584
Contributions in relations to the contractually required contribution	2,068,966	1,786,011	1,780,419	1,296,584
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 57,169,102	\$ 53,297,662	\$ 54,101,468	\$ 43,489,512
Contributions as a percentage of covered payroll	3.62%	3.35%	3.29%	2.98%

* Only eight years' worth of information is currently available.

Fiscal Year*

2018	2017	2016	2015
\$ 1,401,852	\$ 1,295,830	\$ 1,190,289	\$ 1,087,337
1,401,852	1,295,830	1,190,289	1,087,337
\$ -	\$ -	\$ -	\$ -
\$ 47,815,102	\$ 45,766,172	\$ 43,215,113	\$ 40,226,847
2.93%	2.83%	2.75%	2.70%

MONTGOMERY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY, TEXAS PUBLIC SCHOOL
RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
("TRS-CARE") EXHIBIT G-4
For the Year Ended June 30, 2022

	Measurement Year*			
	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.0550329%	0.0584548%	0.0589300%	0.0553400%
District's proportionate share of the collective net OPEB liability	\$ 21,228,652	\$ 22,221,293	\$ 27,868,529	\$ 27,633,730
State's proportionate share of the collective net OPEB liability associated with the District	28,441,663	29,860,091	37,031,039	42,093,469
Total	<u>\$ 49,670,315</u>	<u>\$ 52,081,384</u>	<u>\$ 64,899,568</u>	<u>\$ 69,727,199</u>
District's covered payroll**	\$ 53,524,186	\$ 54,496,782	\$ 51,999,741	\$ 47,815,102
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	39.66%	40.78%	53.59%	57.79%
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	4.99%	2.66%	1.57%

* Only five years' worth of information is currently available.

Notes to Required Supplementary Information:

1. *Changes in Assumptions:* There were changes in assumption that affected measurement of the total OPEB liability since the prior measurement period:

The discount rate was changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

2. *Changes in Benefits:* There were no changes in benefit terms since the prior measurement date.

Measurement
Year*
2017

0.0519100%

\$ 22,573,656

37,031,336

\$ 59,604,992

\$ 45,766,172

49.32%

0.91%

MONTGOMERY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS, TEXAS PUBLIC SCHOOL
RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
("TRS-CARE") EXHIBIT G-5
For the Year Ended June 30, 2022

	Fiscal Year*			
	2022	2021	2020	2019
Statutorily required contributions	\$ 472,029	\$ 428,375	\$ 433,323	\$ 350,765
Contributions in relations to the statutorily required contributions	472,029	428,375	433,323	350,765
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,169,102	\$ 53,297,662	\$ 54,101,468	\$ 43,489,512
Contributions as a percentage of covered payroll	0.83%	0.80%	0.80%	0.81%

* Only five years' worth of information is currently available.

**Fiscal
Year***

2018

\$ 381,774

381,774

\$ -

\$ 47,815,102

0.80%

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***OTHER SUPPLEMENTARY
INFORMATION***

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 3) - EXHIBIT H-1

June 30, 2022

Data Control Codes	Special Revenue Funds			
	211	224	226	240
	ESEA Title 1 Part A	IDEA B Formula	IDEA B Discretionary	National School Breakfast Lunch Program
<u>Assets</u>				
1110	\$ -	\$ 233,878	\$ -	\$ 5,262,532
1240	545,134	1,070,045	27,941	-
1260	-	-	-	411,029
1300	-	-	-	37,039
1000	Total Assets	Total Assets	Total Assets	Total Assets
	\$ 545,134	\$ 1,303,923	\$ 27,941	\$ 5,710,600
<u>Liabilities</u>				
2110	\$ -	\$ -	\$ -	\$ -
2160	64,029	156,981	-	254,147
2170	481,105	1,146,942	27,941	1,760,491
2300	-	-	-	100,658
2000	Total Liabilities	Total Liabilities	Total Liabilities	Total Liabilities
	545,134	1,303,923	27,941	2,115,296
<u>Fund Balances</u>				
Nonspendable:				
3410	-	-	-	37,039
Restricted:				
3450	-	-	-	3,558,265
3470	-	-	-	-
3490	-	-	-	-
3000	Total Fund Balances	Total Fund Balances	Total Fund Balances	Total Fund Balances
	-	-	-	3,595,304
4000	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances
	\$ 545,134	\$ 1,303,923	\$ 27,941	\$ 5,710,600

Special Revenue Funds

244	255	263	266	281	282
Career and Technical Basic Grant	ESEA Title II Part A	Title III Part A English Language	ESSER	ESSER II	ESSER III
\$ 10,878	\$ -	\$ -	\$ -	\$ -	\$ -
56,764	79,256	10,325	48,524	731,535	2,013,465
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 67,642</u>	<u>\$ 79,256</u>	<u>\$ 10,325</u>	<u>\$ 48,524</u>	<u>\$ 731,535</u>	<u>\$ 2,013,465</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,954
-	21,778	-	48,524	53,684	73,229
67,642	57,478	10,325	-	677,851	1,886,282
-	-	-	-	-	-
<u>67,642</u>	<u>79,256</u>	<u>10,325</u>	<u>48,524</u>	<u>731,535</u>	<u>2,013,465</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 67,642</u>	<u>\$ 79,256</u>	<u>\$ 10,325</u>	<u>\$ 48,524</u>	<u>\$ 731,535</u>	<u>\$ 2,013,465</u>

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 3) - EXHIBIT H-1

June 30, 2022

Data Control Codes		Special Revenue Funds			
		283	289	383	385
		ESSER III Supplemental	Summer School LEP	Professional Development	State Supplemental Visually Impaired
	Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 409	\$ -
1240	Due from other governments	103,691	31,877	-	4,335
1260	Due from other funds	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	Total Assets	\$ 103,691	\$ 31,877	\$ 409	\$ 4,335
	Liabilities				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	1,634	-	-	1,233
2170	Due to other funds	102,057	31,877	-	3,102
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	103,691	31,877	-	4,335
	Fund Balances				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state funds grant restrictions	-	-	409	-
3470	Construction	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	-	-	409	-
4000	Total Liabilities and Fund Balances	\$ 103,691	\$ 31,877	\$ 409	\$ 4,335

Special Revenue Funds					Capital Projects Fund
397	410	429	461	498	699
Advanced Placement Incentive	State Textbook	State Funded Special Revenue	Campus Activity	MISD Education Foundation	Capital Projects
\$ 455	\$ 146,633	\$ -	\$ 675,290	\$ 3,644	\$ 2,046,672
-	-	62,480	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 455</u>	<u>\$ 146,633</u>	<u>\$ 62,480</u>	<u>\$ 675,290</u>	<u>\$ 3,644</u>	<u>\$ 2,046,672</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 853,047
-	-	-	-	-	-
-	35,158	62,480	-	-	612,419
-	1,925	-	-	-	-
-	<u>37,083</u>	<u>62,480</u>	-	-	<u>1,465,466</u>
-	-	-	-	-	-
455	109,550	-	-	-	-
-	-	-	-	-	581,206
-	-	-	675,290	3,644	-
<u>455</u>	<u>109,550</u>	<u>-</u>	<u>675,290</u>	<u>3,644</u>	<u>581,206</u>
<u>\$ 455</u>	<u>\$ 146,633</u>	<u>\$ 62,480</u>	<u>\$ 675,290</u>	<u>\$ 3,644</u>	<u>\$ 2,046,672</u>

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 3) - EXHIBIT H-1

June 30, 2022

Data Control Codes		Total Nonmajor Governmental Funds
<u>Assets</u>		
1110	Cash and cash equivalents	\$ 8,380,391
1240	Due from other governments	4,785,372
1260	Due from other funds	411,029
1300	Inventories, at cost	37,039
1000	Total Assets	\$ 13,613,831
 <u>Liabilities</u>		
2110	Accounts payable	\$ 907,001
2160	Accrued wages payable	675,239
2170	Due to other funds	6,963,150
2300	Unearned revenue	102,583
2000	Total Liabilities	8,647,973
 <u>Fund Balances</u>		
Nonspendable:		
3410	Inventories	37,039
Restricted:		
3450	Federal/state funds grant restrictions	3,668,679
3470	Construction	581,206
3490	Other restrictions of fund balance	678,934
3000	Total Fund Balances	4,965,858
4000	Total Liabilities and Fund Balances	\$ 13,613,831

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 3) - EXHIBIT H-2

For the Year Ended June 30, 2022

Data Control Codes		Special Revenue Funds			
		211	224	226	240
		ESEA Title 1 Part A	IDEA B Formula	IDEA B Discretionary	National School Breakfast Lunch Program
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 1,242,535
5800	State program revenues	-	-	-	238,253
5900	Federal program revenues	641,501	1,147,495	27,941	6,190,634
5020	Total Revenues	641,501	1,147,495	27,941	7,671,422
Expenditures					
Current:					
0011	Instruction	511,563	275,191	27,941	-
0013	Curriculum and instructional				
0013	staff development	44,217	4,748	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	52,390	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	867,556	-	-
0035	Food services	-	-	-	5,700,410
0036	Extracurricular activities	-	-	-	-
0041	General administration	33,331	-	-	-
0051	Plant maintenance and operations	-	-	-	80,651
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and				
0081	construction	-	-	-	-
6030	Total Expenditures	641,501	1,147,495	27,941	5,781,061
Excess (Deficiency) of Revenues Over (Under) Expenditures		-	-	-	1,890,361
Other Financing Sources (Uses)					
8911	Transfers out	-	-	-	-
	Total Other Financing Sources	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	1,890,361
0100	Beginning fund balances	-	-	-	1,704,943
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ 3,595,304

Special Revenue Funds

244	255	263	266	281	282
Career and Technical Basic Grant	ESEA Title II Part A	Title III Part A English Language	ESSER	ESSER II	ESSER III
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
61,918	155,556	14,370	48,524	731,535	2,013,465
<u>61,918</u>	<u>155,556</u>	<u>14,370</u>	<u>48,524</u>	<u>731,535</u>	<u>2,013,465</u>
54,187	129,294	14,370	-	216,785	624,073
1,255	26,262	-	48,524	-	-
3,304	-	-	-	-	224,890
-	-	-	-	-	-
3,172	-	-	-	469,350	319,680
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	45,400	106,786
-	-	-	-	-	-
<u>61,918</u>	<u>155,556</u>	<u>14,370</u>	<u>48,524</u>	<u>731,535</u>	<u>2,013,465</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 3) - EXHIBIT H-2

For the Year Ended June 30, 2022

Data Control Codes		Special Revenue Funds			
		283	289	383	385
		ESSER III Supplemental	Summer School LEP	Professional Development	State Supplemental Visually Impaired
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	8,197
5900	Federal program revenues	103,691	34,107	-	-
5020	Total Revenues	103,691	34,107	-	8,197
Expenditures					
Current:					
0011	Instruction	103,691	34,107	-	8,575
0013	Curriculum and instructional				
0013	staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and				
0081	construction	-	-	-	-
6030	Total Expenditures	103,691	34,107	-	8,575
Excess (Deficiency) of Revenues Over (Under) Expenditures		-	-	-	(378)
Other Financing Sources (Uses)					
8911	Transfers out	-	-	-	-
	Total Other Financing Sources	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	(378)
0100	Beginning fund balances	-	-	409	378
3000	Ending Fund Balances	\$ -	\$ -	\$ 409	\$ -

Special Revenue Funds					Capital Projects Fund
397	410	429	461	498	699
Advanced Placement Incentive	State Textbook	State Funded Special Revenue	Campus Activity	MISD Education Foundation	Capital Projects
\$ -	\$ -	\$ -	\$ 759,765	\$ 40,298	\$ 4,627
455	258,430	62,952	-	-	-
-	-	-	-	-	-
455	258,430	62,952	759,765	40,298	4,627
-	151,983	49,280	2,267	40,003	-
-	-	8,737	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	662,036	-	-
-	-	-	-	-	-
-	-	4,935	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,810,879
-	151,983	62,952	664,303	40,003	1,810,879
455	106,447	-	95,462	295	(1,806,252)
-	(35,158)	-	-	-	-
-	(35,158)	-	-	-	-
455	71,289	-	95,462	295	(1,806,252)
-	38,261	-	579,828	3,349	2,387,458
\$ 455	\$ 109,550	\$ -	\$ 675,290	\$ 3,644	\$ 581,206

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 3) - EXHIBIT H-2

For the Year Ended June 30, 2022

<u>Data Control Codes</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Revenues</u>		
5700	Local, intermediate, and out-of-state	\$ 2,047,225
5800	State program revenues	568,287
5900	Federal program revenues	<u>11,170,737</u>
5020	Total Revenues	<u>13,786,249</u>
 <u>Expenditures</u>		
Current:		
0011	Instruction	2,243,310
0013	Curriculum and instructional	
0013	staff development	133,743
0021	Instructional leadership	228,194
0023	School leadership	52,390
0031	Guidance, counseling, and	
0031	evaluation services	1,659,758
0035	Food services	5,700,410
0036	Extracurricular activities	662,036
0041	General administration	33,331
0051	Plant maintenance and operations	80,651
0052	Security and monitoring services	4,935
0053	Data processing services	152,186
Capital outlay:		
0081	Facilities acquisition and	
0081	construction	1,810,879
6030	Total Expenditures	<u>13,499,859</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>286,390</u>
 <u>Other Financing Sources (Uses)</u>		
8911	Transfers out	<u>(35,158)</u>
	Total Other Financing Sources	<u>(35,158)</u>
1200	Net Change in Fund Balances	<u>251,232</u>
0100	Beginning fund balances	<u>4,714,626</u>
3000	Ending Fund Balances	<u>\$ 4,965,858</u>

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUNDS - EXHIBIT H-3

June 30, 2022

Data Control Codes		806 Kiwanis Foundation School	808 Sustaining Scholarship	809 Water Scholarship	810 Randall L Rod Scholarship
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 40,262	\$ 1,223,292	\$ 6,810	\$ 46,601
1000	Total Assets	<u>40,262</u>	<u>1,223,292</u>	<u>6,810</u>	<u>46,601</u>
<u>Net Position</u>					
3800	Held in trust	40,262	1,223,292	6,810	46,601
3000	Total Net Position	<u>\$ 40,262</u>	<u>\$ 1,223,292</u>	<u>\$ 6,810</u>	<u>\$ 46,601</u>

820 MISD Performing Arts	Total Private-Purpose Trust Funds
<u>\$ 3,711</u>	<u>\$ 1,320,676</u>
<u>3,711</u>	<u>1,320,676</u>
<u>3,711</u>	<u>1,320,676</u>
<u>\$ 3,711</u>	<u>\$ 1,320,676</u>

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUNDS - EXHIBIT H-4

For the Year Ended June 30, 2022

	806 Kiwians Foundation School	808 Sustaining Scholarship	809 Water Scholarship	810 Randall L Rod Scholarship
<u>Additions</u>				
Investment income	\$ -	\$ 6,357	\$ -	\$ 231
Donations	-	42,667	-	-
Total Additions	<u>-</u>	<u>49,024</u>	<u>-</u>	<u>231</u>
<u>Deductions</u>				
Scholarship awards	-	59,500	-	-
Total Deductions	<u>-</u>	<u>59,500</u>	<u>-</u>	<u>-</u>
<u>Change in Net Position</u>	-	(10,476)	-	231
Beginning net position	40,262	1,233,768	6,810	46,370
Ending Net Position	<u>\$ 40,262</u>	<u>\$ 1,223,292</u>	<u>\$ 6,810</u>	<u>\$ 46,601</u>

820 MISD Performing Arts	Total Private-Purpose Trust Funds
\$ -	\$ 6,588
<u>-</u>	<u>42,667</u>
<u>-</u>	<u>49,255</u>
-	59,500
<u>-</u>	<u>59,500</u>
-	(10,245)
<u>3,711</u>	<u>1,330,921</u>
<u>\$ 3,711</u>	<u>\$ 1,320,676</u>

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

CUSTODIAL FUNDS - EXHIBIT H-5

June 30, 2022

<u>Data Control Codes</u>		<u>865 Student Activity Account</u>	<u>891 Athletics Student Activity</u>	<u>892 MHS Student Activity</u>	<u>894 LCHS Student Activity</u>
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ 99,980	\$ 267,181	\$ 39,159	\$ 230,043
1260	Due from other funds	43,711	53,196	192,799	18,639
1000	Total Assets	<u>143,691</u>	<u>320,377</u>	<u>231,958</u>	<u>248,682</u>
	<u>Net Position</u>				
3000	Held in trust	143,691	320,377	231,958	248,682
3600	Total Net Position	<u>\$ 143,691</u>	<u>\$ 320,377</u>	<u>\$ 231,958</u>	<u>\$ 248,682</u>

**Total
Custodial
Funds**

\$	636,363
	308,345
	<u>944,708</u>

	<u>944,708</u>
\$	<u><u>944,708</u></u>

MONTGOMERY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS - EXHIBIT H-6
For the Year Ended June 30, 2022

	865 Student Activity Account	891 Athletics Student Activity	892 MHS Student Activity	894 LCHS Student Activity
<u>Additions</u>				
Investment income	\$ 643	\$ 1,539	\$ 410	\$ 556
Donations	276,854	463,544	500,020	503,180
Total Additions	277,497	465,083	500,430	503,736
<u>Deductions</u>				
Athletics	62,189	466,082	-	-
Band	38,294	-	24,444	26,677
Cheer	10,861	-	62,344	97,651
Choir	52,922	-	71,929	51,097
Dance	55,115	-	-	92,921
Future Farmers of America	-	-	49,409	18,213
Fishing team	-	-	28,836	-
Junior class	-	-	48,684	52,019
Student council	4,748	-	44,333	34,689
Theatre	5,259	-	71,058	7,853
Yearbook	-	-	11,216	42,707
Other expenses	16,850	754	82,239	51,370
Total Deductions	246,238	466,836	494,492	475,197
Change in Net Position	31,259	(1,753)	5,938	28,539
Beginning net position	112,432	322,130	226,020	220,143
Ending Net Position	\$ 143,691	\$ 320,377	\$ 231,958	\$ 248,682

**Total
Custodial
Funds**

\$ 3,148
1,743,598
1,746,746

528,271
89,415
170,856
175,948
148,036
67,622
28,836
100,703
83,770
84,170
53,923
151,213
1,682,763

63,983
880,725
\$ 944,708

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1

For the Year Ended June 30, 2022

<u>Last Ten Years</u>	<u>Tax Rates</u>		<u>3</u> <u>Net Assessed/ Appraised Value For School Tax Purposes</u>
	<u>1</u>	<u>2</u>	
	<u>Maintenance</u>	<u>Debt Service</u>	
2013 and prior	Various	Various	Various
2014	\$ 1.0400	\$ 0.3000	\$ 4,163,024,367
2015	\$ 1.0400	\$ 0.3000	\$ 4,600,173,292
2016	\$ 1.0400	\$ 0.3000	\$ 5,065,449,062
2017	\$ 1.0400	\$ 0.3300	\$ 5,601,562,063
2018	\$ 1.0400	\$ 0.3300	\$ 5,899,730,718
2019	\$ 1.0400	\$ 0.3300	\$ 6,126,998,596
2020	\$ 0.9700	\$ 0.3375	\$ 6,227,554,646
2021	\$ 0.9423	\$ 0.3375	\$ 6,629,915,035
2022	\$ 0.8857	\$ 0.3743	\$ 7,254,447,552

1000 Totals

10	20	31	32	40	50
Beginning Balance 7/1/21	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 6/30/22
\$ 293,976	\$ -	\$ 20,886	\$ 10,337	\$ 21,373	\$ 241,380
62,498	-	4,988	1,439	205	55,866
76,510	-	7,448	2,149	202	66,711
94,629	-	9,734	2,808	201	81,886
139,602	-	17,207	5,460	1,219	115,716
178,431	-	29,880	9,481	(1,800)	140,870
256,270	-	65,492	20,781	(13,505)	183,502
491,030	-	146,946	51,128	(584)	293,540
1,655,364	-	836,307	299,537	93,446	426,074
-	91,406,039	62,959,430	26,606,881	-	1,839,728
<u>\$ 3,248,310</u>	<u>\$ 91,406,039</u>	<u>\$ 64,098,318</u>	<u>\$ 27,010,001</u>	<u>\$ 100,757</u>	<u>\$ 3,445,273</u>

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2

For the Year Ended June 30, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 2,599,365	\$ 1,204,368	\$ 1,242,535	\$ 38,167
5800	State program revenues	142,400	216,960	238,253	21,293
5900	Federal program revenues	3,911,493	5,613,738	6,190,634	576,896
5020	Total Revenues	<u>6,653,258</u>	<u>7,035,066</u>	<u>7,671,422</u>	<u>636,356</u>
Expenditures					
Current:					
0035	Food services	6,549,708	5,300,056	5,700,410	(400,354) *
0051	Facilities maintenance				
0051	and operations	-	100,000	80,651	19,349
6030	Total Expenditures	<u>6,549,708</u>	<u>5,400,056</u>	<u>5,781,061</u>	<u>(381,005)</u>
1200	Net Change in Fund Balance	103,550	1,635,010	1,890,361	255,351
0100	Beginning fund balance	<u>1,704,943</u>	<u>1,704,943</u>	<u>1,704,943</u>	-
3000	Ending Fund Balance	<u>\$ 1,808,493</u>	<u>\$ 3,339,953</u>	<u>\$ 3,595,304</u>	<u>\$ 255,351</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Actual expenditures exceed the legal level of control.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended June 30, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 23,750,000	\$ 27,132,642	\$ 27,231,814	\$ 99,172
5800	State program revenues	400,000	406,208	402,734	(3,474)
5020	Total Revenues	24,150,000	27,538,850	27,634,548	95,698
	Expenditures				
	Debt service:				
0071	Principal on long-term debt	9,745,000	9,745,000	9,745,000	-
0072	Interest on long-term debt	13,946,410	13,949,820	13,871,410	78,410
0073	Bond issuance costs and fees	-	558,884	558,884	-
6030	Total Expenditures	23,691,410	24,253,704	24,175,294	78,410
	Other Financing Sources (Uses):				
7911	Bonds issued	-	56,485,000	56,485,000	-
7916	Bond premium	-	4,785,000	-	(4,785,000)
8949	Payment to bond escrow agent	-	(60,707,706)	(60,707,706)	-
7080	Total Other Financing Sources (Uses)	-	562,294	(4,222,706)	(4,785,000)
1200	Net Change in Fund Balance	458,590	3,847,440	(763,452)	(4,610,892)
0100	Beginning fund balance	8,832,707	8,832,707	8,832,707	-
3000	Ending Fund Balance	\$ 9,291,297	\$ 12,680,147	\$ 8,069,255	\$ (4,610,892)

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT

FOR SELECT STATE ALLOTMENT PROGRAMS - EXHIBIT J-4

For the Year Ended June 30, 2022

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the District have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 4,126,769
AP4	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 2,205,489
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
AP6	Does the District have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 181,282
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	\$ 407,544

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***FEDERAL AWARDS AND
COMPLIANCE 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 of
Montgomery Independent School District:

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 Montgomery Independent School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2022.

Report on 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) as a basis for designing 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.

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

Purpose of this Report

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
October 26, 2022



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 of
Montgomery Independent School District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Montgomery Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
October 26, 2022

MONTGOMERY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Significant Deficiency:

2021.001 MONTH-END CLOSING PROCEDURES

Condition

It appeared that the District lacked a formal process for closing the books at the end of each month. Multiple adjustments were required at year end during the audit process to correct general ledger account balances.

Status of Prior Year Finding

Resolved

2021.002 BANK RECONCILIATIONS

Condition

There were months in fiscal year 2021 that the District's bank reconciliations were not completed causing an increase in not detecting the misappropriation of assets in a timely manner or a misstatement to the financial statements if an error or oversight occurred.

Status of Prior Year Finding

Resolved

2021.003 RECORDING TRANSACTIONS TO THE GENERAL LEDGER

Condition

During the process of performing bank reconciliations after year end, the District concluded that numerous transactions had been omitted and/or recorded incorrectly. This caused a delay in completion of reviewing year end closing entries and delay in issuance of the fiscal year 2021 audit.

Status of Prior Year Finding

Resolved

2021.004 RESEARCH DISCREPANCIES

Condition

The District did not research the cause of discrepancies and identify new procedures to prevent future occurrences or determine how they should be corrected in a timely manner.

Status of Prior Year Finding

Resolved

MONTGOMERY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1

For the Year Ended June 30, 2022

I. SUMMARY OF AUDIT RESULTS

Financial Statements

What were the results of the auditors' determination of whether the financial statements were prepared in accordance with generally accepted accounting	Unmodified
Is a 'going concern' emphasis-of-matter paragraph included in the auditors' report?	No
Is a significant deficiency in internal control disclosed?	No
Is a material weakness in internal control disclosed?	No
Is a material noncompliance disclosed?	No

Federal Programs

Does the auditors' report include a statement that the financial statements include departments, agencies, or other organizational units expending federal awards which are not included in this audit?	No
What is the dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Did the auditee qualified as low-risk auditee?	No

Major Program Information and Audit Findings

Identification of major programs:

<u>Assistance Listing (AL) Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Number of Audit Findings</u>
10.553 & 10.555	Child Nutrition Cluster	0
84.425D & 84.425U	Elementary and Secondary School Emergency Relief Cluster	0

Type of audit report issued on compliance for major programs	Unmodified
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II. FINANCIAL STATEMENT FINDINGS

None identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None identified.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1

For the Year Ended June 30, 2022

(1)	(2)	(2A)	(3)
<u>Federal Grantor / Pass Through Grantor/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
Title I, Part A Improving Basic Programs	84.010A	21610101170903	\$ 96,367
Title I, Part A Improving Basic Programs	84.010A	22610101170903	545,134
Carl D. Perkins Basic Formula Grant	84.048A	22420006170903	61,918
Title V, Part B, Subpart 2 - Rural and Low-Income Schools	84.358B	21694501170903	76,300
Title V, Part B, Subpart 2 - Rural and Low-Income Schools	84.358B	22694501170903	79,256
Elementary and Secondary School Emergency Relief (ESSER) Cluster:			
COVID-19 ESSER I*	84.425D	20521001170903	48,524
COVID-19 ESSER II*	84.425D	21521001170903	731,535
COVID-19 ESSER III*	84.425U	21528001170903	2,013,465
COVID-19 ESSER III Supplemental*	84.425U	21528043170903	103,691
Title IV, Part A, Subpart I	84.424A	21680101170903	2,230
Title IV, Part A, Subpart I	84.424A	22680101170903	31,877
Special Education Cluster (IDEA) Cluster:			
IDEA B, Formula Grant*	84.027A	216600011709036600	77,451
IDEA B, Formula Grant*	84.027A	226600011709036000	1,070,044
High Cost Fund*	84.027A	66002206	27,941
<i>Passed Through Education Service Center, Region VI</i>			
Title III, Part A - English Language Acquisition - SSA	84.365A	21671001236950	14,370
TOTAL U.S. DEPARTMENT OF EDUCATION			4,980,103
U.S. DEPARTMENT OF DEFENSE			
<i>Passed Through Montgomery County</i>			
Marine Corps Junior ROTC	12.000	TX250285	35,737
TOTAL U.S. DEPARTMENT OF DEFENSE			35,737
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program*	10.553	806780706	1,103,037
National School Lunch Program*	10.555	806780706	4,510,699
<i>Passed Through State Department of Agriculture</i>			
COVID-19 Child Adult Care Food Program			
Emergency Operational Costs Reimbursement Program	10.558	806780706	181,647
Commodities Storage Delivery Reimbursement	10.560	806780706	257
USDA Commodities	10.565	806780706	394,994
TOTAL U.S. DEPARTMENT OF AGRICULTURE			6,190,634
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 11,206,474
			Federal revenue per SEFA
			\$ 11,206,474
			SHARS
			1,417,822
			E-Rate Revenue
			110,880
			C-2 Federal revenue
			\$ 12,735,176

* Indicates clustered program under OMB Compliance Supplement

The accompanying notes are an integral part of this schedule.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

NOTE 1: BASIS OF ACCOUNTING

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 4: DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to nonfederal entities. In connection with that donation, the recipient must disclose the estimated value of the donated PPE, but such amounts are not included in the SEFA. The District did not receive any PPE donations funded by federal assistance funds during the reporting year.

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MONTGOMERY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended June 30, 2022

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the annual financial report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the District make timely payments to the Teacher Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF4	Was the District issued a warrant hold?	No
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws, and rules that were in effect at the District's fiscal year end?	Yes
SF8	Did the Board members discuss the District's property values at a Board meeting within 120 days before the District adopted its budget?	Yes
SF9	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end	\$ <u><u> -</u></u>

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