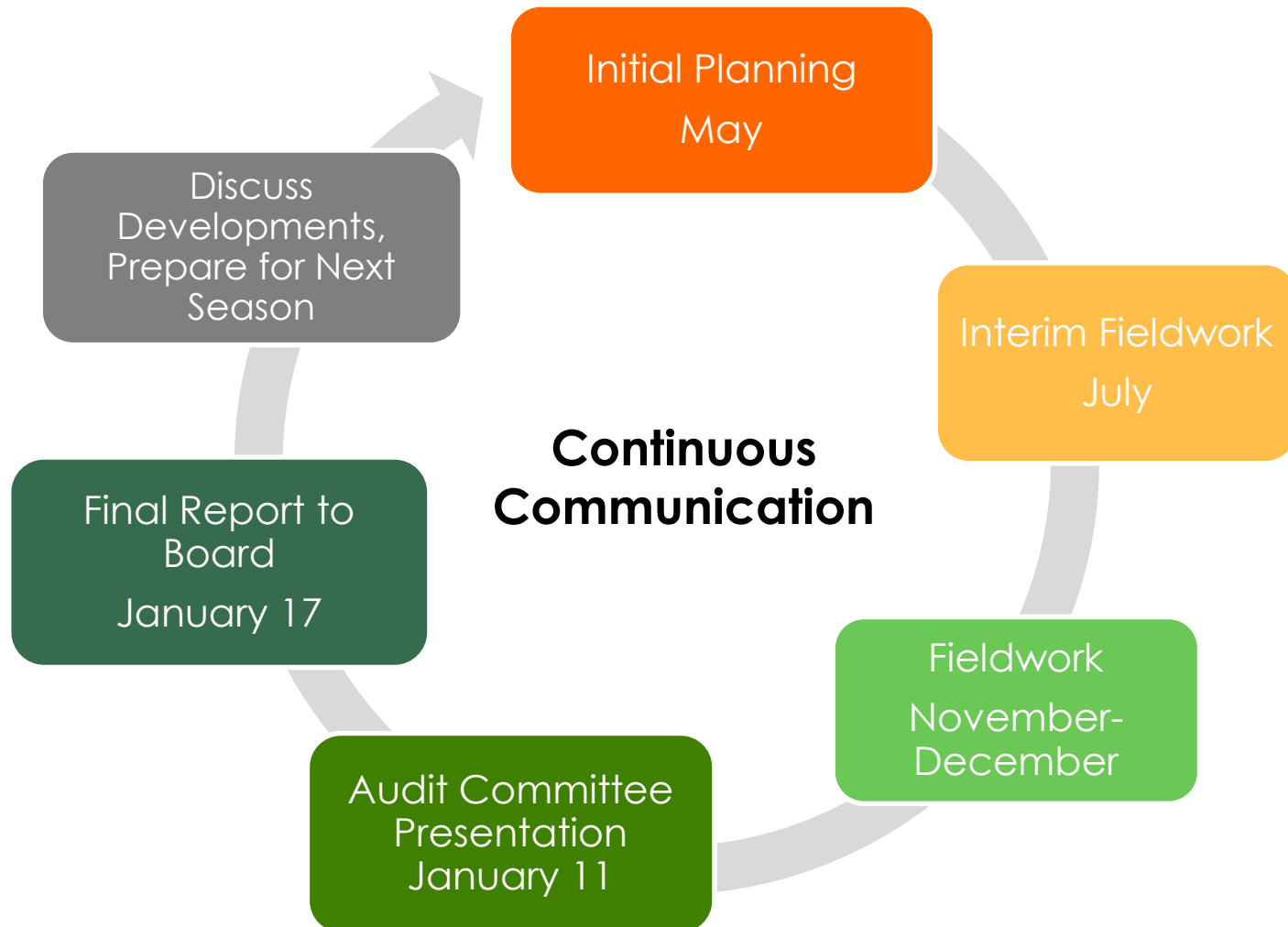


Conroe Independent School District

Audit Committee – January 11, 2023



Audit Timeline



Single Audit

- Two components: **Financial Statements** and **Federal Awards**
- **Financial Statement Audit**
 - Performed in accordance with *Generally Accepted Auditing Standards (GAAS)* and *Generally Accepted Government Auditing Standards (GAGAS)*
 - Included tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements affecting the financial statements
- **Federal Awards**
 - Single audit of federal awards performed in accordance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*

Financial Statement Audit

1. Independent Auditor's Report on the Financial Statements

- Opinion on the fair presentation of the financial statements in accordance with generally accepted accounting principles

2. Government Auditing Standards (Yellow Book) Report on Internal Control Over Financial Reporting and Compliance and Other Matters

- Describes the scope and results of our testing of internal controls over financial reporting and compliance in relation to the financial statements

Federal Awards

3. Uniform Guidance (Single Audit) Report on Compliance for each Major Program and on Internal Control over Compliance

- Opinion on compliance for major programs
- Describes the scope and results of our testing of internal controls over compliance for major programs

Audit Results

Audit Results: Financial Statements

1) Report on the financial statements:

➤ Type of report issued: **Unmodified**

2) Report on internal control over financial reporting and compliance:

➤ Material weakness(es) identified? **No**

➤ Significant deficiencies that are not material weaknesses? **None reported**

➤ Noncompliance material to financial statements noted? **No**

Audit Results: Federal Awards

3) Report on compliance for major programs and internal control over compliance:

- | | |
|--|----------------------|
| ➤ Type of report issued: | Unmodified |
| ➤ Material weakness(es) identified? | No |
| ➤ Significant deficiencies that are not material weaknesses? | None reported |
| ➤ Any audit findings required to be reported under 2 CFR 200.516(a)? | No |

Major Programs:

- Child Nutrition Cluster
- COVID 19 – ESSER (84.425)
- IDEA B – Special Education Cluster

- Major program total expenditures = \$49.6 million, 50% of total federal expenditures (\$99.2 million)

Other matters

- No material misstatements were identified as a result of our audit procedures
- No transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus
- No difficulties or disagreements arose during the course of our audit
- No impairments to our independence
 - “Nonaudit” services: Internal Audit assistance, preparation of notes to the Schedule of Expenditures of Federal Awards

Overview of the Financial Statements

Statement of Net Position

(pg 12)

Comparative balances as of August 31, 2022 and 2021:

	August 31, 2022	August 31, 2021
Cash and investments	\$ 632,705,881	\$ 483,973,859
Capital assets (net)	1,613,046,523	1,456,727,828
Outstanding bonds (net of premium)	(1,814,179,220)	(1,531,852,497)
OPEB (net)	(239,362,083)	(245,391,823)
Pension (net)	(117,870,961)	(124,155,251)
Other assets and liabilities (net)	(43,584,780)	(52,078,126)
Total net position	\$ 30,755,360	\$ (12,776,010)

Excluding OPEB and Pension:

Total net position	\$ 387,988,404	\$ 356,771,064
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Increase in net position:

Including OPEB and pension:	\$ 43,531,370
Excluding OPEB and pension:	\$ 31,217,340

Comparative factors – government-wide:

- Issuance of bonds – Series 2022, 2022A
- Construction, asset additions
- Increased federal/state funding
- New GASB standard – GASB 87, Leases
 - Net impact = \$14,499

Data Control Codes	Governmental Activities
ASSETS	
Current assets:	
1110 Cash and cash equivalents	\$ 11,977,815
1120 Current investments	582,933,531
1220 Property taxes receivable	11,157,485
1230 Allowance for uncollectible	(1,838,490)
1240 Due from other governments	42,460,089
1250 Accrued interest	162,144
1260 Due from student groups	26,465
1290 Other receivables	2,400,347
1293 Lease receivables	909,572
1310 Inventories	4,909,763
Total current and other assets	655,098,521
Noncurrent assets:	
Capital assets:	
1510 Land	83,561,702
1520 Building and improvements - net of depreciation	1,430,352,137
1530 Furniture and equipment - net of depreciation	25,475,820
1559 Right to use assets - equipment - net of amortization	708,927
1580 Construction in Progress	72,947,937
Total capital assets (net)	1,613,046,523
1910 Long-term investments	37,794,735
Total noncurrent assets	1,650,841,258
1000 Total assets	2,305,939,779
DEFERRED OUTFLOWS OF RESOURCES	
1700 Deferred loss on issuance of refunding bonds	18,867,436
1705 Deferred resources outflow related to net pension liability	65,763,563
1706 Deferred resources outflow related to net OPEB liability	57,564,228
Total deferred outflows of resources	142,195,227
Total assets and deferred outflows of resources	2,448,135,006
LIABILITIES	
Current liabilities:	
2110 Accounts payable	44,754,134
2130 Right to use lease asset payable - current year	386,542
2140 Interest payable	3,026,057
2150 Payroll deductions and withholdings payable	5,255,918
2160 Accrued wages payable	51,561,842
2180 Due to other governments	39
2300 Unearned revenue	898,558
Total current liabilities	105,883,090
Noncurrent liabilities:	
2501 Noncurrent liabilities due within one year	74,071,757
2502 Noncurrent liabilities due in more than one year	1,740,818,741
2531 Right to use lease liability - long term	332,874
2540 Net pension liability	86,473,036
2545 Net OPEB liability	172,908,251
Total noncurrent liabilities	2,074,604,659
2000 Total liabilities	2,180,487,749
DEFERRED INFLOWS OF RESOURCES	
2600 Deferred gain on issuance of refunding bonds	14,827,765
2603 Deferred resource inflow related to leases	884,584
2605 Deferred resource inflow related to net pension liability	97,161,488
2606 Deferred resource inflow related to net OPEB liability	124,018,060
Total deferred inflows of resources	236,891,897
Total liabilities and deferred inflows of resources	2,417,379,646
NET POSITION	
3200 Net investment in capital assets	86,927,552
Restricted for:	
3820 Federal and state programs	190,942
3820 Food services	12,744,249
3850 Debt service	19,397,957
3900 Unrestricted	(88,505,340)
Total net position	\$ 30,755,360

Governmental Funds – Balance Sheet (pg 14)

General Fund

Balances as of August 31, 2022:

Total fund balance	\$ 182,141,626
Unassigned fund balance	\$ 173,316,624
Unassigned/Total	95.2%

Comparative - August 31, 2021:

Total fund balance	\$ 181,095,089
Unassigned fund balance	\$ 171,399,200
Unassigned/Total	94.6%

CONROE INDEPENDENT SCHOOL DISTRICT BALANCE SHEET GOVERNMENTAL FUNDS AUGUST 31, 2022

Data Control Codes	General Fund
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,256,035
1120 Current Investments	161,194,099
1220 Property Taxes - Delinquent	8,819,113
1230 Allowance for Uncollectible Taxes	(1,533,889)
1240 Due From TEA	37,195,739
1250 Accrued Interest	162,103
1260 Due From Other Funds	26,455
1290 Sundry Receivables	317,066
1293 Lease Receivable	909,572
1310 Inventories, at Cost	3,742,104
1910 Long-Term Investments	37,794,735
1000 Total Assets	<u>\$ 251,883,132</u>
LIABILITIES	
2110 Accounts Payable	\$ 6,161,309
2150 Payroll Deductions and Withholdings Payable	5,255,918
2160 Accrued Wages Payable	50,725,389
2170 Due to Other Funds	221,550
2180 Due to Other Governments	39
2300 Unearned Revenue	-
2000 Total Liabilities	<u>62,364,205</u>
DEFERRED INFLOWS OF RESOURCES	
2601 Deferred Property Taxes	6,492,717
2603 Deferred Leases	884,584
2600 Total deferred inflows of resources	<u>7,377,301</u>
FUND BALANCES	
Nonspendable:	
3410 Inventory	3,742,104
Restricted for:	
3480 Debt Service	-
3470 Capital Expenditures	-
3450 Food Service Operations	-
3450 Grant Operations	-
Committed to:	
3500 Technology & Food Service	-
3545 Other Purposes	-
Assigned to:	
3590 Other Purposes	5,082,898
3600 Unassigned:	<u>173,316,624</u>
3000 Total Fund Balances	<u>182,141,626</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 251,883,132</u>

Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances (pg 18)

General Fund

Balances for year ended August 31, 2022:

Expenditures	\$ 597,133,176
Net change in fund balance	\$ 1,046,537

Unassigned fund balance/ Expenditures	29.0%
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Comparative - August 31, 2021:

Expenditures	\$ 553,318,977
Net change in fund balance	\$ 17,150,316

Unassigned fund balance/ Expenditures	31.0%
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CONROE INDEPENDENT SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		General Fund
REVENUES		
5700	Total Local and Intermediate Sources	\$ 395,030,989
5800	State Program Revenues	205,984,323
5900	Federal Program Revenues	13,164,401
5020	Total Revenues	614,179,713
EXPENDITURES		
Current		
0011	Instruction	373,409,139
0012	Instructional Resources & Media Service	6,209,693
0013	Curriculum & Instructional Staff Development	9,194,330
0021	Instructional Administration	6,244,300
0023	School Administration	38,693,574
0031	Guidance and Counseling	21,850,060
0032	Social Work Services	1,276,272
0033	Health Services	617,528
0034	Student (Pupil) Transportation	31,187,104
0035	Food Services	-
0036	Cocurricular/Extracurricular Activities	13,437,617
0041	General Administration	10,235,257
0051	Plant Maintenance and Operations	62,521,719
0052	Security and Monitoring Services	8,902,118
0053	Data Processing Services	8,038,187
0061	Ancillary Services	8,431
0070	Debt Service:	
0071	Principal	376,199
0072	Interest	29,851
0073	Bond Issuance Cost and Fees	-
0081	Facilities Acquisition and Construction	1,038,894
0099	Other Intergovernmental Charges	3,862,903
6030	Total Expenditures	597,133,176
1100	Excess of Revenues Over (Under) Expenditures	17,046,537
OTHER FINANCING SOURCES AND (USES)		
7911	Capital-Related Debt Issuance	-
7916	Premium or Discount on Issuance of Bonds	-
7915	Transfers in	-
8911	Transfers out	(16,000,000)
7080	Total Other Financing Sources and (Uses)	(16,000,000)
1200	Net Change in Fund Balances	1,046,537
0100	Fund Balance - September 1	181,095,089
3000	Fund Balance - August 31	\$ 182,141,626

Notes to Financial Statements

NOTE 1 – Summary of Significant Accounting Policies (page 27)

NOTE 2 – Deposits (Cash) and Investments (page 36)

NOTE 5 – Capital Assets (page 42)

NOTE 8 – Long-term Debt and Debt Service (page 43)

NOTE 13 – Pension (page 47)

NOTE 14 – OPEB (page 52)

Notes to Financial Statements

- Continued

NOTE 13 – Pension (page 50)

- Pension – significant estimate
- Discount rate sensitivity analysis

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2021 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$188,957,308	\$86,473,036	\$3,327,183

NOTE 14 – OPEB (page 55)

- OPEB – significant estimate
- Discount rate and healthcare cost trend rate sensitivity analyses

G. Rate Sensitivity of the Net OPEB Liability

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the net OPEB liability.

	1% Decrease (0.95%)	Current Discount Rate (1.95%)	1% Increase (2.95%)
TRS-CARE	\$ 208,567,193	\$ 172,908,251	\$ 144,843,503

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
TRS-CARE	\$ 140,049,954	\$ 172,908,251	\$ 216,995,925

Other significant accounting estimates



- Incurred but not reported (IBNR) insurance claims
- State funding revenues
- Allowance for uncollectible property taxes

- Basis for estimates:
 - Third parties – TEA, actuaries, specialists (pension, OPEB, IBNR, state funding)
 - Historical experience (allowance for uncollectible property taxes)

Other Required Supplementary Information:

- General Fund – Budget to Actual – page 60
- Pension and OPEB schedules – pages 62 through 69

Other Supplementary Information:

- Combining and individual nonmajor fund statements and schedules, schedules of long-term debt, delinquent taxes receivable – pages 73 through 97

Statistical Section:

- Financial and operating trends and information, demographic and economic information – pages 99 through 147

Required Supplementary Information: Schedule of Net Pension Liability (pg 62)



	2022	2021	2020
District's Proportion of the Net Pension Liability	0.3396%	0.3091%	0.3267%
District's Proportionate Share of Net Pension Liability	\$ 86,473,036	\$ 165,523,063	\$ 169,824,823
State's Proportionate Share of the Net Pension Liability Associated with the District	139,107,198	290,533,934	275,674,543
Total	<u>\$ 225,580,234</u>	<u>\$ 456,056,997</u>	<u>\$ 445,499,366</u>
District's Covered Payroll	\$ 432,857,585	\$ 405,799,379	\$ 383,159,912
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	19.98%	40.79%	44.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Net impact of pension balances on net position:

	2022	2021	2020
District proportionate share of liability:	\$ (86,473,036)	\$ (165,523,063)	\$ (169,824,823)
Deferred outflow of resources	65,763,563	68,780,394	86,735,451
Deferred inflow of resources	<u>(97,161,488)</u>	<u>(27,412,582)</u>	<u>(27,671,691)</u>
Net impact on net position	\$ (117,870,961)	\$ (124,155,251)	\$ (110,761,063)

New Accounting Standard

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITA)

Effective for fiscal year ending August 31, 2023

Statement No. 96 – SBITA

- A SBITA is defined as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets.
- Based on the standards established in GASB 87, *Leases*.
- Requires recognition of a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability.
- Not expected to materially impact most ISDs.

Questions?

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