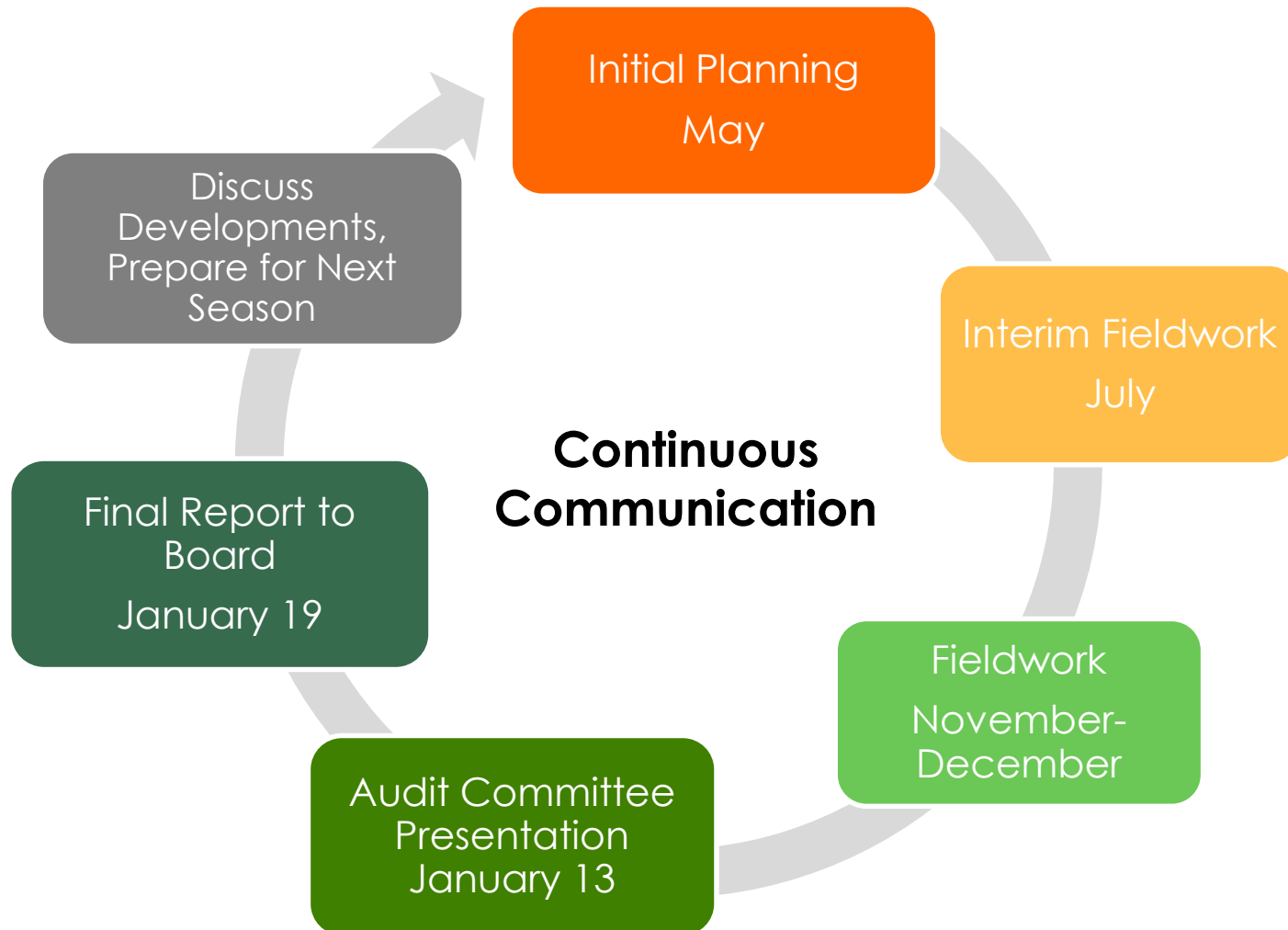


Conroe Independent School District

Audit Committee – January 13, 2021



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:

- Title I, Part A (84.010A)
- COVID 19 – ESSER (84.425D)
- Major program total expenditures = \$13.4 million, 33% of total federal expenditures (\$40.3 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
 - COVID 19
- No impairments to our independence

Overview of the Financial Statements

Statement of Net Position

Comparative balances as of August 31, 2020 and 2019:

	August 31, 2020	August 31, 2019
Cash and investments	\$ 390,882,678	\$ 298,134,727
Capital assets (net)	1,353,861,890	1,319,484,425
Outstanding bonds (net of premium)	(1,424,833,695)	(1,366,602,397)
OPEB (net)	(248,965,163)	(243,619,167)
Pension (net)	(110,761,063)	(85,585,783)
Other assets and liabilities (net)	(16,930,095)	9,717,673
Total net position	<u>\$ (56,745,448)</u>	<u>\$ (68,470,522)</u>

- Increase in net position: \$12 m
- Increase in cash and investments \$93 m
 - Issuance of bonds, increase in property tax revenues and state funding, timing (accruals)
- Increase in OPEB and pension (net): \$30 m
 - Increase in OPEB and pension → decrease in net position

Net Position – Comparison:

	August 31, 2020	August 31, 2019
Unrestricted net position	\$ (234,695,117)	\$ (242,024,567)
Total net position	\$ (56,745,448)	\$ (68,470,522)

Excluding OPEB and Pension:

Unrestricted net position	\$ 125,031,109	\$ 87,180,383
Total net position	\$ 302,980,778	\$ 260,734,428

- Increase in net position:
 - Including OPEB and pension: \$12 m
 - Excluding OPEB and pension: \$42 m

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

Date Control Code	ASSETS	Governmental Activities
	Current assets:	
1110	Cash and cash equivalents	\$ 14,627,810
1120	Current investments	347,119,504
1220	Property taxes receivable	10,142,405
1230	Allowance for uncollectible	(1,767,073)
1240	Due from other governments	11,902,821
1250	Accrued interest	317,560
1260	Due from student groups	22,915
1290	Other receivables	422,912
1310	Inventories	4,685,586
1420	Deferred charges	683,000
	Total current and other assets	<u>388,157,440</u>
	Noncurrent assets:	
	Capital assets:	
1510	Land	75,582,359
1520	Building and improvements - net of depreciation	1,242,902,868
1530	Furniture and equipment - net of depreciation	25,418,448
1580	Construction in Progress	9,958,215
	Total capital assets (net)	<u>1,353,861,890</u>
1910	Long-term investments	29,135,364
	Total noncurrent assets	<u>1,382,997,254</u>
1000	Total assets	<u>1,771,154,694</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Deferred loss on issuance of refunding bonds	31,142,056
1705	Deferred resources outflow related to net pension liability	86,735,461
1706	Deferred resources outflow related to net OPEB liability	45,962,712
	Total deferred outflows of resources	<u>163,840,219</u>
	Total assets and deferred outflows of resources	<u>1,934,994,913</u>
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	22,615,865
2140	Interest payable	2,428,200
2150	Payroll deductions and withholdings payable	4,108,566
2160	Accrued wages payable	42,498,959
2300	Unearned revenue	778,697
	Total current liabilities	<u>72,430,287</u>
	Noncurrent liabilities:	
2501	Noncurrent liabilities due within one year	56,827,896
2502	Noncurrent liabilities due in more than one year	1,368,500,218
2540	Net pension liability	169,824,823
2541	Net OPEB liability	205,866,828
	Total noncurrent liabilities	<u>1,800,819,765</u>
2000	Total liabilities	<u>1,873,250,052</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred gain on issuance of refunding bonds	1,757,571
2605	Deferred resource inflow related to net pension liability	27,871,691
2606	Deferred resource inflow related to net OPEB liability	89,061,047
	Total deferred inflows of resources	<u>118,490,309</u>
	Total liabilities and deferred inflows of resources	<u>1,991,740,361</u>
	NET POSITION	
3200	Net investment in capital assets	156,946,395
	Restricted for:	
3820	Federal and state programs	177,135
3820	Food services	1,741,205
3850	Debt service	19,084,934
3900	Unrestricted	(234,695,117)
	Total net position	<u>\$ (56,745,448)</u>

See Notes to the Basic Financial Statements.

Statement of Activities



Comparative – years ended August 31, 2020 and 2019:

	<u>August 31, 2020</u>	<u>August 31, 2019</u>
General Revenues	\$ 629,684,560	\$ 596,144,133
Program Revenues:		
Charges for Services	8,489,531	12,342,529
Operating Grants and Contributions	104,132,379	92,386,308
Expenses	<u>(730,581,396)</u>	<u>(690,120,321)</u>
Change in Net Position	<u>\$ 11,725,074</u>	<u>\$ 10,752,649</u>
Pension and OPEB expense (net)	\$ (45,772,953)	\$ (33,362,143)
Change in Net Position	<u>\$ 57,498,027</u>	<u>\$ 44,114,792</u>

Increase: \$ 13 m

- Increase in property taxes: \$11 m
- Increase in state revenue: \$38 m
- Decrease in charges for services: (\$4 m)
- Increase in payroll expenses: (\$35 m)
- Other (net): \$ 3 m
- \$13 m

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

Data Control Codes	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 416,603,884	\$ 334,927	\$ 53,530,273	\$ (62,838,864)
12	Instructional Resources and Media Services	9,520,526	-	584,812	(8,935,714)
13	Curriculum and Staff Development	14,148,890	-	6,223,810	(7,924,880)
21	Instructional Leadership	5,465,468	-	669,239	(4,826,219)
23	School Leadership	39,268,663	-	3,966,130	(35,302,533)
31	Guidance and Counseling	28,365,090	-	8,563,425	(19,801,665)
32	Social Work Services	1,132,342	-	381,373	(750,969)
33	Health Services	7,284,850	-	853,766	(6,431,114)
34	Student (Pupil) Transportation	29,473,959	-	9,484,674	(20,009,285)
35	Food Services	22,624,579	6,459,616	11,330,504	(4,834,459)
36	Cocurricular/Extracurricular Activities	17,607,828	739,360	844,891	(16,023,577)
41	General Administration	9,922,128	-	800,907	(9,121,221)
51	Plant Maintenance and Operations	61,322,446	955,628	4,874,467	(55,492,360)
52	Security and Monitoring Services	9,577,607	-	1,415,574	(8,162,033)
53	Data Processing Services	9,343,028	-	504,222	(8,838,806)
61	Auxiliary Services	129,042	-	124,322	(4,720)
71	Debt Service - Interest and Fees	46,014,190	-	-	(46,014,190)
99	Tax Appraisal and Collection	3,947,067	-	-	(3,947,067)
	TOTAL PRIMARY GOVERNMENT:	<u>\$ 730,581,396</u>	<u>\$ 8,489,531</u>	<u>\$ 104,132,379</u>	<u>\$ (617,959,486)</u>
Data Control Codes	General revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes			366,875,775	
DT	Property taxes, levied for debt service			98,157,187	
SF	State aid-grants and contributions not restricted to specific programs			147,255,734	
IE	Investment earnings			7,068,540	
S1	SHARS/MAC			4,723,637	
MI	Miscellaneous			5,605,687	
TR	Total general revenues			<u>629,684,560</u>	
CN	Change in net position			11,725,074	
NB	Beginning net position			(68,470,522)	
NE	Net position—ending			<u>\$ (56,745,448)</u>	

See Notes to the Basic Financial Statements.

Governmental Funds – Balance Sheet

General Fund

Balances as of August 31, 2020:

Total fund balance	\$ 163,944,773
Unassigned fund balance	\$ 153,677,343
Unassigned/Total	93.7%

Comparative - August 31, 2019:

Total fund balance	\$ 140,083,042
Unassigned fund balance	\$ 134,673,794
Unassigned/Total	96.1%

CONROE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		General Fund
ASSETS		
1110	Cash and Cash Equivalents	\$ 3,228,881
1120	Current Investments	176,899,387
1220	Property Taxes - Delinquent	8,150,333
1230	Allowance for Uncollectible Taxes	(1,480,655)
1240	Due From TEA	2,303,931
1250	Accrued Interest	317,560
1260	Due From Other Funds	8,163,393
1290	Sundry Receivables	133,754
1310	Inventories, at Cost	3,864,583
1410	Deferred Expenditures	683,000
1910	Long-Term Investments	29,135,364
1000	Total Assets	<u>\$ 231,399,531</u>
LIABILITIES		
2110	Accounts Payable	\$ 4,818,576
2150	Payroll Deductions and Withholdings Payable	4,108,566
2160	Accrued Wages Payable	41,819,610
2170	Due to Other Funds	10,588,712
2300	Unearned Revenue	-
2000	Total Liabilities	<u>61,335,464</u>
DEFERRED INFLOWS OF RESOURCES		
2601	Deferred Property Taxes	6,119,294
2600	Total deferred inflows of resources	<u>6,119,294</u>
FUND BALANCES		
Nonspendable:		
3410	Inventory	3,864,583
Restricted for:		
3480	Debt Service	-
3470	Capital Expenditures	-
3450	Food Service Operations	-
3460	Grant Operations	-
Committed to:		
3500	Technology & Food Service	-
Assigned to:		
3590	Other Purposes	6,402,847
3600	Unassigned:	<u>153,677,343</u>
3000	Total Fund Balances	<u>163,944,773</u>
4000	Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 231,399,531</u>

See Notes to the Basic Financial Statements.

Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Balances for year ended August 31, 2020:

Expenditures \$ 529,870,538
 Net change in fund balance \$ 23,861,731

Unassigned fund balance/
 Expenditures 29.0%

Comparative - August 31, 2019:

Expenditures \$ 495,570,345
 Net change in fund balance \$ 1,835,272

Unassigned fund balance/
 Expenditures 27.2%

Data Control Codes		General Fund
REVENUES		
5700	Total Local and Intermediate Sources	\$ 377,849,737
5800	State Program Revenues	181,583,895
5900	Federal Program Revenues	4,723,637
5020	Total Revenues	<u>564,157,269</u>
EXPENDITURES		
Current:		
0011	Instruction	333,145,654
0012	Instructional Resources & Media Service	5,857,554
0013	Curriculum & Instructional Staff Development	6,647,305
0021	Instructional Administration	4,804,828
0023	School Administration	35,251,067
0031	Guidance and Counseling	18,533,077
0032	Social Work Services	708,705
0033	Health Services	6,356,178
0034	Student (Pupil) Transportation	25,632,602
0035	Food Services	-
0036	Co-curricular/Extracurricular Activities	11,530,322
0041	General Administration	8,956,343
0051	Plant Maintenance and Operations	52,190,713
0052	Security and Monitoring Services	7,864,299
0053	Data Processing Services	7,441,977
0061	Ancillary Services	3,040
0070	Debt Service:	
0071	Principal	-
0071	Interest	-
0071	Bond Issuance Cost and Fees	-
0081	Facilities Acquisition and Construction	1,101,789
0099	Other Intergovernmental Charges	3,847,087
6030	Total Expenditures	<u>529,870,538</u>
1100	Excess of Revenues Over (Under) Expenditures	34,286,731
OTHER FINANCING SOURCES AND (USES)		
7901	Refunding Bonds Issued	-
7911	Capital Related Debt Issuance	-
7916	Premium or Discount on Issuance of Bonds	-
7915	Transfers in	-
8911	Transfers out	(10,425,000)
8940	Payment to Bond Refunding Escrow Agent	-
7080	Total Other Financing Sources and (Uses)	<u>(10,425,000)</u>
1200	Net Change in Fund Balances	<u>23,861,731</u>
0100	Fund Balance - September 1	140,083,042
3000	Fund Balance - August 31	<u>\$ 163,944,773</u>

See Notes to the Basic Financial Statements.

Notes to Financial Statements

NOTE 1 – Summary of Significant Accounting Policies (page 25)

NOTE 2 – Deposits (Cash) and Investments (page 32)

NOTE 5 – Capital Assets (page 39)

NOTE 8 – Long-term Debt and Debt Service (page 40)

NOTE 13 – Pension (page 44)

NOTE 14 – OPEB (page 50)

Notes to Financial Statements

- Continued



NOTE 13 – Pension (page 44)

- 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 2019 Net Pension Liability.

	1% Decrease in <i>Discount Rate (6.25%)</i>	Discount Rate <i>(7.25%)</i>	1% Increase in <i>Discount Rate (8.25%)</i>
District's proportionate share of the net pension liability:	\$261,045,423	\$169,824,823	\$95,918,529

NOTE 14 – OPEB (page 50)

- 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 (2.63%) in measuring the net OPEB liability.

	1% Decrease <i>(1.63%)</i>	Current Discount Rate <i>(2.63%)</i>	1% Increase <i>(3.63%)</i>
TRS-CARE	\$ 248,547,318	\$ 205,866,828	\$ 172,477,842

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	\$ 167,938,937	\$ 205,866,828	\$ 256,672,786

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)

Required Supplementary Information:

Budget and Actual – General Fund

Variations for year ended August 31, 2020:

Revenues	\$ 1,290,560 (over)
Expenditures	\$ 27,917,574 (under)
Net change in fund balance	\$ 29,208,134 (over)

Comparative - August 31, 2019:

Revenues	\$ 40,012,922 (over)
Expenditures	\$ 13,463,927 (under)
Net change in fund balance	\$ 56,476,849 (over)

CONROE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020 WITH COMPARATIVE ACTUAL AMOUNT FOR 2019

Date Control Codes	General Fund				
	Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	2019 Actual Amounts
REVENUES					
5700	\$ 377,608,628	\$ 380,713,769	\$ 377,849,737	\$ (2,864,022)	\$ 386,571,554
5800	178,018,480	178,633,045	181,553,895	2,960,850	180,784,433
5900	-	3,519,905	4,723,637	1,203,732	9,193,630
	<u>555,627,108</u>	<u>562,866,719</u>	<u>564,127,269</u>	<u>1,260,551</u>	<u>546,555,617</u>
EXPENDITURES					
0011	345,733,916	346,334,709	333,145,654	13,189,055	310,170,670
0012	6,047,517	6,052,631	5,857,554	195,077	5,534,153
0013	5,048,869	7,948,465	6,647,305	1,301,160	5,691,641
0021	4,536,914	5,021,311	4,804,826	216,485	4,265,161
0023	34,340,358	35,351,520	35,251,057	100,463	32,668,837
0031	17,744,864	19,016,535	18,533,077	483,458	16,082,333
0032	787,776	814,213	706,705	107,508	736,007
0033	5,782,060	7,194,323	6,356,178	838,145	5,703,625
0034	28,183,275	28,018,090	25,632,602	2,385,488	27,296,072
0036	11,680,261	12,431,253	11,530,322	900,931	12,549,250
0041	8,820,516	9,636,207	8,966,343	669,864	9,573,316
0051	51,844,433	57,800,816	52,190,713	5,610,103	46,691,039
0052	7,895,126	8,311,646	7,864,299	447,347	7,876,093
0053	7,205,531	8,574,878	7,441,977	1,132,901	6,752,315
0051	28,878	36,878	3,040	33,838	10,014
0081	-	1,342,637	1,101,789	240,848	161,172
0089	3,900,000	3,900,000	3,847,057	52,943	4,008,566
6000	<u>539,680,294</u>	<u>567,188,112</u>	<u>529,870,538</u>	<u>27,317,574</u>	<u>495,670,345</u>
1100	16,046,814	5,078,597	34,286,731	29,208,134	60,965,272
OTHER FINANCING SOURCES (USES)					
	(10,000,000)	(10,425,000)	(10,425,000)	-	(9,160,000)
	<u>(10,000,000)</u>	<u>(10,425,000)</u>	<u>(10,425,000)</u>	<u>-</u>	<u>(9,160,000)</u>
Net Change in Fund Balance					
	6,046,814	6,346,403	23,861,731	29,208,134	1,835,272
FUND BALANCE - SEPTEMBER 1	140,083,042	140,083,042	140,083,042	-	138,247,770
FUND BALANCE - AUGUST 31	<u>\$ 146,129,856</u>	<u>\$ 134,736,639</u>	<u>\$ 163,944,773</u>	<u>\$ 29,208,134</u>	<u>\$ 140,083,042</u>

See note to required supplementary information

Other CAFR items

Other Required Supplementary Information:

- Pension and OPEB schedules – pages 60 through 65

Other Supplementary Information:

- Combining and individual nonmajor fund statements and schedules, schedules of long-term debt, delinquent taxes receivable – pages 72 through 94

Statistical Section:

- Financial and operating trends and information, demographic and economic information – pages 95 through 141

New Accounting Standard

GASB Statement No. 84 – *Fiduciary Activities*

Effective for fiscal year ending August 31, ~~2020~~ **2021**

Statement No. 84 – Fiduciary Activities

Current GAAP

There are two types of fiduciary funds:

- **Agency funds** report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).
- **Trust funds** are used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations or other governments.

Conroe ISD's fiduciary funds include:

- **Agency funds** (student activity funds)

Statement No. 84 – Fiduciary Activities

New GAAP – Key Changes

1. GASB 84 provides criteria to identify whether an activity is fiduciary and should be reported as a fiduciary fund in a government's fiduciary fund financial statements. Previously, the criteria were subject to interpretation and there was diversity in practice.

2. Agency funds are renamed “custodial funds” and now will have a measurement focus (assets \neq liabilities), and a statement of changes in fiduciary net position in the basic financial statements

3. Trust funds – a trust agreement or equivalent arrangement should exist for an activity to be reported in a trust fund

- If not – reported as a special revenue fund

Statement No. 84 – Fiduciary Activities



Current Fiduciary Fund Financial Statements

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL FIDUCIARY FUNDS
AUGUST 31, 2020

Data Control Code	<u>Agency Funds</u> August 31, 2020
ASSETS	
1110 Cash and Cash Equivalents	\$ 6,952,114
1290 Sundry Receivables	360,832
Total Assets	<u>\$ 7,312,946</u>
LIABILITIES	
2170 Due to Other Funds	\$ 22,915
2190 Due to Student Groups	7,290,031
Total Liabilities	<u>\$ 7,312,946</u>

See Notes to the Basic Financial Statements.

CONROE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY ASSETS
ALL AGENCY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Balance September 1, 2019	Additions	Deductions	Balance August 31, 2020
STUDENT ACTIVITY FUND:				
ASSETS				
1110 Cash and Cash Equivalents	\$ 7,034,551	\$ 12,438,895	\$ 12,521,332	\$ 6,952,114
1290 Sundry Receivables	21,359	339,473	-	360,832
Total Assets	<u>\$ 7,055,910</u>	<u>\$ 12,778,368</u>	<u>\$ 12,521,332</u>	<u>\$ 7,312,946</u>
LIABILITIES				
2170 Due to Other Funds	\$ -	\$ 22,915		\$ 22,915
2190 Due to Student Groups	7,055,910	12,755,453	12,521,332	7,290,031
Total Liabilities	<u>\$ 7,055,910</u>	<u>\$ 12,778,368</u>	<u>\$ 12,521,332</u>	<u>\$ 7,312,946</u>

Questions?

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