

GHOLSON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

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GHOLSON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

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CERTIFICATE OF BOARD

Gholson Independent School District
Name of School District

McLennan
County

161-925
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and ___approved
- ___disapproved for the year ended August 31, 2023, at a meeting of the board of school trustees of such school district on the
___ day of _____, 2023.

Signature of Board Secretary

Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gholson Independent School District
137 Hamilton Drive
Waco, Texas 76705

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Gholson Independent School District (the "District") as of and for the year ended August 31, 2023, 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 my 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 August 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Change in Accounting Principle

As described in Note I.E.3. to the financial statements, the District adopted new accounting pronouncement, GASB Statement No.96, *Subscription-Based Information Technology Arrangements* during the year. My opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 due date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit with 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*, I:

- 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 my judgment, 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.

I am 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 I identify during the audit.

Required Supplementary Information

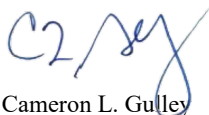
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate 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 my opinion, the combining statements and the required TEA schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 9, 2023, on my consideration of the District's internal control over financial reporting and on my 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 my 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 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.



Cameron L. Gulley
 Certified Public Accountant
 Eastland, Texas

October 9, 2023

Gholson Independent School District

137 Hamilton Drive
Waco, Texas 76705
(254) 829-1528 • Fax: (254) 829-0054

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Gholson Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August, 31, 2023. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 5. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into one activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two different types of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - All of the District's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 16 and 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Total net position of the District's governmental activities increased from \$4,608,133 to \$5,113,772. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$975,224 to \$1,387,793. Current and other assets increased by \$341 thousand due to cash. Capital assets increased by \$71 thousand due to asset additions in excess of depreciation expense. Long-term liabilities increased by \$191 thousand due to the effects of net pension (NPL) and other post-employment benefit (OPEB) liabilities related to GASB 68 and GASB 75. Other liabilities decreased by \$65 thousand due to ending accounts payable. Deferred resource outflows related to NPL and OPEB liabilities increased by \$137 thousand and deferred resource inflows related to NPL and OPEB liabilities decreased by \$84 thousand.

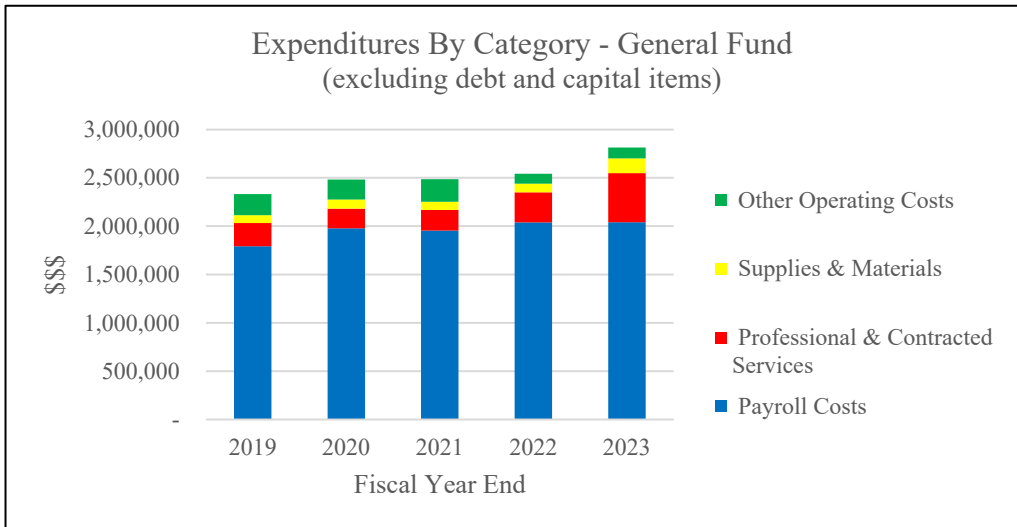
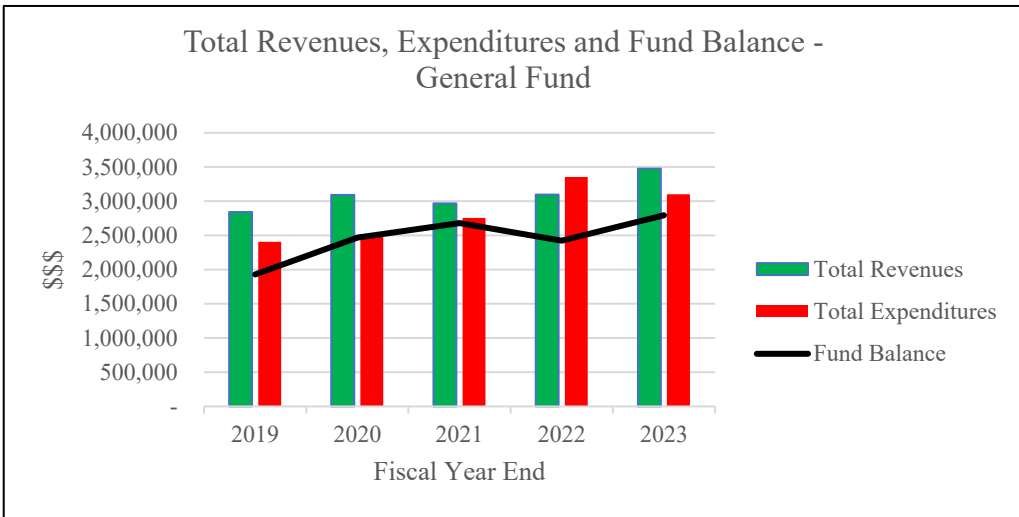
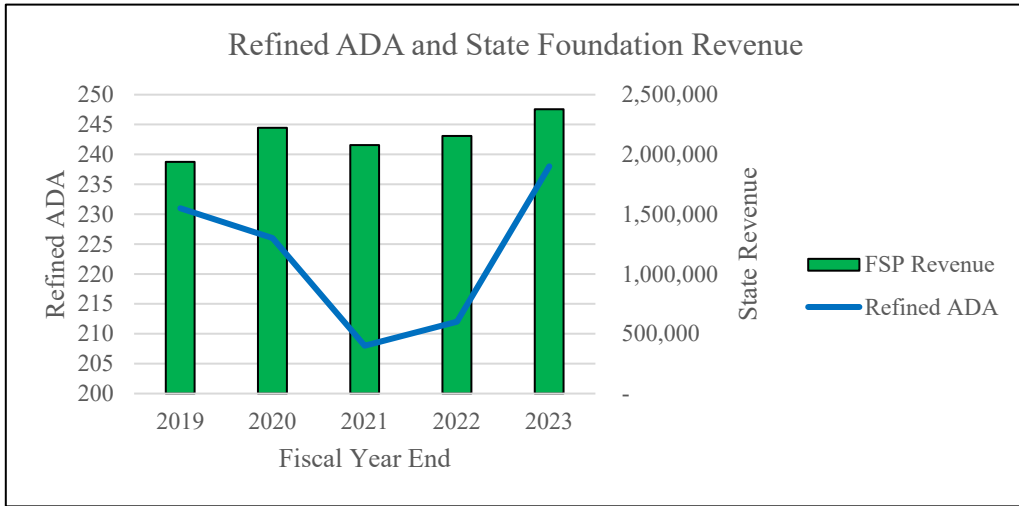
Excluding the effects of NPL and OPEB on-behalf revenue accruals, the District's total revenues were \$344 thousand more than last year. Operating grants and contributions were \$62 thousand less than last year due to Elementary and Secondary Schools Emergency Relief (ESSER) grants. Property tax revenues were higher by \$152 thousand due to valuation increases net of tax rate reductions. State aid-formula grants increased by \$231 thousand due to enrollment increases. Charges for services were higher by \$25 thousand due to increased food service sales. Other revenues were comparable to last year.

Excluding the effects of NPL and OPEB on-behalf expense accruals, total expenses were \$349 thousand more than last year. Professional and contracted services increased by \$193 thousand, supplies increased by \$124 thousand, other operating expenses increased by \$11, depreciation expense increased by \$23 thousand and payroll expenses decreased by \$2 thousand. Instruction increased mainly due to contract services and supplies; student support services and child nutrition increased mainly due to supplies; instructional and school leadership and extra-curricular activities increased due to payroll costs; general administration increased due to payroll costs offset by a reduction in contract services; plant maintenance, security and data processing increased due to contract services and supplies offset by a reduction in payroll costs; payments related to shared service arrangements increased relative to special education assessment fees; and payments to juvenile justice alternative education programs increased due to off-campus instruction relative to juvenile justice students.

	Governmental Activities 2023	Governmental Activities 2022	Variance Increase/ (Decrease)
Current and other assets	\$ 3,030,151	\$ 2,689,179	\$ 340,972
Capital assets	3,697,200	3,626,431	70,769
Deferred resource outflows for TRS	548,528	411,655	136,873
Total assets and deferred resource outflows	7,275,879	6,727,265	548,614
Long-term liabilities	1,220,111	1,028,683	191,428
Other liabilities	123,757	188,441	(64,684)
Deferred resource inflows for TRS	818,239	902,008	(83,769)
Total liabilities and deferred resource inflows	2,162,107	2,119,132	42,975
Net position:			
Net investment in capital assets	3,697,200	3,626,431	70,769
Restricted for federal and state programs	28,779	6,478	22,301
Unrestricted	1,387,793	975,224	412,569
Total net position	\$ 5,113,772	\$ 4,608,133	\$ 505,639

	Governmental Activities 2023	Governmental Activities 2022	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 58,865	\$ 34,098	\$ 24,767
Operating grants and contributions	661,720	640,312	21,408
General Revenues:			
Property taxes	790,470	638,711	151,759
State aid - formula grants	2,528,241	2,297,129	231,112
Other	5,488	6,957	(1,469)
Total Revenues	4,044,784	3,617,207	427,577
Expenses:			
Instruction, curriculum and media services	1,731,054	1,523,665	(207,389)
Instructional and school leadership	264,747	199,946	(64,801)
Student support services	186,193	171,926	(14,267)
Child nutrition	209,643	197,978	(11,665)
Extracurricular activities	155,451	142,416	(13,035)
General administration	274,610	239,943	(34,667)
Plant maintenance, security & data processing	554,988	478,781	(76,207)
Payments related to shared service arrangements	137,361	127,863	(9,498)
Payments to juvenile justice alternative education program	17,821	0	(17,821)
Other intergovernmental charges	7,277	7,969	692
Total Expenses	3,539,145	3,090,487	(448,658)
Increase (Decrease) in Net Position	505,639	526,720	(21,081)
Net Position - beginning of year	4,608,133	4,081,413	526,720
Net Position - end of year	\$ 5,113,772	\$ 4,608,133	\$ 505,639

The following charts depict trend information for the past five years.



THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$2,825,983, an increase of \$394,067 in the District's Governmental Funds from last year's fund balance of \$2,431,916. The primary reasons for the net increase are similar to the narrative related to the tables above. The major exceptions are depreciation expense which is not charged to the governmental funds and the net effect relative to GASB 68 and 75 whose impacts are only at the government-wide level financial statements. The specific variances in the changes in fund balance versus the change in net position are detailed out on Exhibit C-4 on the accompanying general purpose financial statements.

The Board of Trustees revised the District's budget two times during the year. The most significant amendments were to school leadership, general administration, security and monitoring services and data processing services for payroll costs and facilities acquisition and construction for gymnasium improvements.

The District's General Fund balance of \$2,796,571 reported on pages 14 and 39 differs from the General Fund's budgetary fund balance of \$2,298,194 reported in the budgetary comparison schedule on page 39 primarily due to state foundation revenues and total expenditures being more favorable than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the District had \$6,239,845 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Following were asset additions for the year.

Asset additions:

Gym improvements	\$ 164,340
Building security entrance improvements	24,448
Phone and intercom system	69,173
Welding plasma cutter	29,031
Total asset additions	<u><u>\$ 286,992</u></u>

Debt

None.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's overall fund balance should remain strong for 2023-24 fiscal year. The tax rate was lowered to \$0.6692 for maintenance and operations due to state-mandated tax reforms and property valuation increases of approximately 5%. General fund revenues were budgeted at \$3.52 million and expenditures were budgeted at approximately \$3.30 million for a budget surplus of \$216 thousand. Therefore, the District expects that its general fund balance will increase to approximately \$3 million at August 31, 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Gholson Independent School District, 137 Hamilton Drive, Waco, Texas 76705.

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BASIC FINANCIAL STATEMENTS

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GHOLSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,350,230
1220 Property Taxes - Delinquent	109,061
1230 Allowance for Uncollectible Taxes	(28,650)
1240 Due from Other Governments	583,225
1267 Due from Fiduciary Funds	680
1290 Other Receivables, Net	370
1410 Prepayments	15,235
Capital Assets:	
1510 Land	24,851
1520 Buildings, Net	3,132,752
1530 Furniture and Equipment, Net	295,575
1560 Library Books and Media, Net	84,743
1590 Infrastructure, Net	159,279
1000 Total Assets	6,727,351
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	360,643
1706 Deferred Outflow Related to TRS OPEB	187,885
1700 Total Deferred Outflows of Resources	548,528
LIABILITIES	
2110 Accounts Payable	18,694
2150 Payroll Deductions and Withholdings	429
2160 Accrued Wages Payable	101,586
2200 Accrued Expenses	3,048
Noncurrent Liabilities:	
2540 Net Pension Liability (District's Share)	756,997
2545 Net OPEB Liability (District's Share)	463,114
2000 Total Liabilities	1,343,868
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	95,669
2606 Deferred Inflow Related to TRS OPEB	722,570
2600 Total Deferred Inflows of Resources	818,239
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	3,697,200
3820 Restricted for Federal and State Programs	28,779
3900 Unrestricted	1,387,793
3000 Total Net Position	\$ 5,113,772

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

GHOLSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 1,672,157	\$ 4,750	\$ 313,040	\$ (1,354,367)
12	Instructional Resources and Media Services	42,358	-	1,007	(41,351)
13	Curriculum and Instructional Staff Development	16,539	-	6,889	(9,650)
23	School Leadership	264,747	-	8,609	(256,138)
31	Guidance, Counseling, and Evaluation Services	74,491	-	1,620	(72,871)
33	Health Services	15,536	-	-	(15,536)
34	Student (Pupil) Transportation	96,166	-	946	(95,220)
35	Food Services	209,643	37,475	178,914	6,746
36	Extracurricular Activities	155,451	16,640	7,447	(131,364)
41	General Administration	274,610	-	10,189	(264,421)
51	Facilities Maintenance and Operations	366,654	-	1,654	(365,000)
52	Security and Monitoring Services	78,090	-	1,642	(76,448)
53	Data Processing Services	110,244	-	3,302	(106,942)
93	Payments Related to Shared Services Arrangements	137,361	-	126,461	(10,900)
95	Payments to Juvenile Justice Alternative Ed. Prg.	17,821	-	-	(17,821)
99	Other Intergovernmental Charges	7,277	-	-	(7,277)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 3,539,145	\$ 58,865	\$ 661,720	(2,818,560)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			790,470	
SF	State Aid - Formula Grants			2,528,241	
IE	Investment Earnings			5,030	
MI	Miscellaneous Local and Intermediate Revenue			458	
TR	Total General Revenues			3,324,199	
CN	Change in Net Position			505,639	
NB	Net Position - Beginning			4,608,133	
NE	Net Position - Ending			\$ 5,113,772	

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

GHOLSON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,299,478	\$ 50,752	\$ 2,350,230
1220 Property Taxes - Delinquent	109,061	-	109,061
1230 Allowance for Uncollectible Taxes	(28,650)	-	(28,650)
1240 Due from Other Governments	347,216	236,009	583,225
1260 Due from Other Funds	238,937	-	238,937
1290 Other Receivables	370	-	370
1410 Prepayments	11,110	4,125	15,235
1000 Total Assets	<u>\$ 2,977,522</u>	<u>\$ 290,886</u>	<u>\$ 3,268,408</u>
LIABILITIES			
2110 Accounts Payable	\$ 11,030	\$ 7,664	\$ 18,694
2150 Payroll Deductions and Withholdings Payable	429	-	429
2160 Accrued Wages Payable	87,254	14,332	101,586
2170 Due to Other Funds	-	238,257	238,257
2200 Accrued Expenditures	1,827	1,221	3,048
2000 Total Liabilities	<u>100,540</u>	<u>261,474</u>	<u>362,014</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	80,411	-	80,411
2600 Total Deferred Inflows of Resources	<u>80,411</u>	<u>-</u>	<u>80,411</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	11,110	-	11,110
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	28,779	28,779
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	633	633
3600 Unassigned Fund Balance	2,785,461	-	2,785,461
3000 Total Fund Balances	<u>2,796,571</u>	<u>29,412</u>	<u>2,825,983</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,977,522</u>	<u>\$ 290,886</u>	<u>\$ 3,268,408</u>

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

GHOLSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	2,825,983
1 Capital assets and right-to-use leased assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$6,217,462 and the accumulated depreciation was (\$2,591,031). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		3,626,431
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position. Similarly, the principal payments on right-to-use leased assets and subscription-based information technology arrangement assets (SBITA) are not expenses, rather they are decreases in the right-to-use lease liabilities and the SBITA liabilities. These payments must be reclassified and shown as reductions to these liabilities increasing net position.		286,992
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$360,643, a deferred resource inflow in the amount of \$95,669, and a net pension liability in the amount of \$756,997. This resulted in a decrease in net position.		(492,023)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$187,885, a deferred resource inflow in the amount of \$722,570, and a net OPEB liability in the amount of \$463,114. This resulted in a decrease in net position.		(997,799)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(216,223)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue. The net effect of these reclassifications and recognitions is to increase net position.		80,411
19 Net Position of Governmental Activities	\$	<u>5,113,772</u>

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

GHOLSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 806,308	\$ 43,595	\$ 849,903
5800 State Program Revenues	2,664,244	62,298	2,726,542
5900 Federal Program Revenues	3,537	534,306	537,843
5020 Total Revenues	<u>3,474,089</u>	<u>640,199</u>	<u>4,114,288</u>
EXPENDITURES:			
Current:			
0011 Instruction	1,415,378	268,845	1,684,223
0012 Instructional Resources and Media Services	41,851	507	42,358
0013 Curriculum and Instructional Staff Development	9,650	6,889	16,539
0023 School Leadership	261,680	2,535	264,215
0031 Guidance, Counseling, and Evaluation Services	74,307	-	74,307
0033 Health Services	14,796	-	14,796
0034 Student (Pupil) Transportation	73,188	254	73,442
0035 Food Services	-	197,266	197,266
0036 Extracurricular Activities	125,666	8,032	133,698
0041 General Administration	262,661	6,486	269,147
0051 Facilities Maintenance and Operations	419,922	507	420,429
0052 Security and Monitoring Services	68,542	1,015	69,557
0053 Data Processing Services	108,134	1,013	109,147
Capital Outlay:			
0081 Facilities Acquisition and Construction	188,788	-	188,788
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	10,900	126,461	137,361
0095 Payments to Juvenile Justice Alternative Ed. Prg.	17,821	-	17,821
0099 Other Intergovernmental Charges	7,277	-	7,277
6030 Total Expenditures	<u>3,100,561</u>	<u>619,810</u>	<u>3,720,371</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	373,528	20,389	393,917
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	150	-	150
1200 Net Change in Fund Balances	373,678	20,389	394,067
0100 Fund Balance - September 1 (Beginning)	<u>2,422,893</u>	<u>9,023</u>	<u>2,431,916</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,796,571</u>	<u>\$ 29,412</u>	<u>\$ 2,825,983</u>

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

GHOLSON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	394,067
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase the change net position. Similarly, current year principal payments on right-to-use leased assets and subscription-based information technology arrangements (SIBTA) are also reclassified as reductions to the right-to-use lease liability and the SBITA liability which will result in an increase in the change in net position.		286,992
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(216,223)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to increase the change in net position.		11,589
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$64,644. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$59,065. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$41,299. The net result was a decrease in the change in net position.		(35,720)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$15,834. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$15,849. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$64,949. The net result was an increase in the change in net position.		64,934
Change in Net Position of Governmental Activities	\$	505,639

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

GHOLSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 23,416	\$ 3,303
Total Assets	<u>23,416</u>	<u>\$ 3,303</u>
LIABILITIES		
Due to Other Funds	-	680
Total Liabilities	<u>-</u>	<u>680</u>
NET POSITION		
Restricted for Other Purposes	23,416	2,623
Total Net Position	<u>\$ 23,416</u>	<u>\$ 2,623</u>

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

GHOLSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Enterprising Services Revenue	\$ -	\$ 28,083
Earnings from Temporary Deposits	47	-
Total Additions	<u>47</u>	<u>28,083</u>
DEDUCTIONS:		
Other Deductions	-	34,530
Total Deductions	<u>-</u>	<u>34,530</u>
Change in Fiduciary Net Position	47	(6,447)
Total Net Position - September 1 (Beginning)	10,878	9,070
Prior Period Adjustment	<u>12,491</u>	<u>-</u>
Total Net Position - August 31 (Ending)	<u>\$ 23,416</u>	<u>\$ 2,623</u>

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

GHOLSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gholson Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. 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 other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

Pensions. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS'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.

Other Post-Employment Benefits (OPEB). The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

The District applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use 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 the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Custodial Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Fiduciary Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund.** The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

2. **Special Revenue Funds.** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

3. **Private Purpose Trust Funds.** The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the "Gholson Scholarship Fund."
4. **Custodial Funds.** The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the "Gholson Student Activity Fund."

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Right-to-use leases are reported in the government-wide statements with the lease liability calculated as the present value of reasonably certain expected future payments over the term of the lease. The District implemented GASB 96 for reporting subscription-based information technology arrangements (SBITAs) during this reporting period. A SBITA is defined as a contract that conveys control over another entity's IT software as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a SBITA, it must meet the definition of a "long-term" SBITA provided in GASB 96. The right-to-use SBITA liability is reported in the government-wide statements. The SBITA liability is calculated as the present value of the reasonably certain expected payments made over the term of the contract and the interest included in the SBITA payments is recorded as an expense. There were no SBITAs material to the financial statements that were recorded during the year audited.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$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 estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings and improvements	20-40
Infrastructure	20
Vehicles	5-10
Equipment	7
Technology equipment	5

Right-to-use leased assets and SBITA assets are depreciated/amortized using the straight line method over the term of the respective agreements.

6. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's board. Assignments of fund balance are amounts set aside by the District's superintendent or his designee with the intent they be used for specific purposes.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. In general governments are required to report investments at fair value. These methods are disclosed in section III.A. below.
9. 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. Items reported as deferred outflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 360,643
Deferred charges related to TRS OPEB	\$ 187,885

10. 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. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 95,669
Deferred charges related to TRS OPEB	\$ 722,570

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other report is in Exhibit J-2.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. (However, none of these were significant.)
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the District had the following functional categories that exceeded its final amended budget by more than \$2,500:

None.

C. DEFICIT FUND EQUITY

None.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by having no deposits denominated in a foreign currency. Therefore, the District was not exposed to foreign currency risk.

As of August 31, 2023, the following are the District's cash and cash equivalents (including it's student activity and private purpose trust fund) with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-10 Yrs	Maturity > 10 Yrs	Credit Rating
Money market and FDIC insured accounts	\$ 2,376,949	100%	\$ 2,376,949			N/A
Total Cash and Cash Equivalents	<u>\$ 2,376,949</u>	<u>100%</u>	<u>\$ 2,376,949</u>			

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act**(Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds and mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2023, all of the District's investments were rated AAA by Standard & Poor's rating agency. Therefore, the District was not exposed to credit risk.

Custodial Credit Risk for Investments. To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent. The District was not exposed to custodial credit risk.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance. The District was not exposed to interest rate risk.

Foreign Currency Risk for Investments. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in any foreign currency. Therefore, the District was not exposed to foreign currency risk.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District had no investments during the year under audit.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General Fund is based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of August 31, 2023 is as follows:

	Receivable	Payable	Purpose	Current?
General Fund	\$ 238,937		Temporary advances	Yes
Special Revenue Funds		238,257	Temporary advances	Yes
Custodial Funds		680	Temporary advances	Yes
Total	<u>\$ 238,937</u>	<u>\$ 238,937</u>		

Interfund transfers for the year ended August 31, 2023 consisted of the following individual amounts:

None.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2023 were as follows:

	Property Taxes (net)	Other Government	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 80,411	\$ 347,216	\$ 370	\$ 427,997
Nonmajor Governmental Funds		236,009		236,009
Total Governmental Activities	<u>\$ 80,411</u>	<u>\$ 583,225</u>	<u>\$ 370</u>	<u>\$ 664,006</u>

Payables at August 31, 2023 were as follows:

	Accounts	Salaries and Benefits	Total Payables
Governmental Activities:			
General Fund	\$ 11,030	\$ 89,510	\$ 100,540
Nonmajor Governmental Funds	7,664	15,553	23,217
Total Governmental Activities	<u>\$ 18,694</u>	<u>\$ 105,063</u>	<u>\$ 123,757</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2023, was as follows:

	Balance 8/31/2022	Additions	Disposals	Balance 8/31/2023
Governmental activities:				
Land and improvements	\$ 24,851			\$ 24,851
Infrastructure	255,379			255,379
Buildings and improvements	4,403,294	24,448	(558,951)	4,986,693
Furniture and equipment	1,054,584	98,204	264,609	888,179
Library books	84,743			84,743
Construction in progress	394,611	164,340	558,951	0
Totals	<u>6,217,462</u>	<u>286,992</u>	<u>264,609</u>	<u>6,239,845</u>
Less accumulated depreciation for:				
Infrastructure	85,379	10,721		96,100
Buildings and improvements	1,708,817	145,124		1,853,941
Furniture and equipment	796,835	60,378	264,609	592,604
Total accumulated depreciation	<u>2,591,031</u>	<u>216,223</u>	<u>264,609</u>	<u>2,542,645</u>
Governmental activities capital assets, net	<u>\$ 3,626,431</u>	<u>\$ 70,769</u>	<u>\$ 0</u>	<u>\$ 3,697,200</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

11 - Instruction	\$ 84,844
23 - School leadership	13,213
31 - Guidance, counseling and evaluation services	3,716
33 - Health services	740
34 - Student (pupil) transportation	24,037
35 - Food services	17,636
36 - Extracurricular activities	24,634
41 - General administration	13,902
51 - Facilities maintenance and operations	17,565
52 - Security and monitoring services	10,478
53 - Data processing services	5,458
Total depreciation expense - governmental activities	<u>\$ 216,223</u>

G. BONDS AND LONG-TERM NOTES PAYABLE

None.

H. DEBT SERVICE REQUIREMENTS - BONDS AND LONG-TERM NOTES PAYABLE

Not applicable.

I. DEFINED BENEFIT PENSION PLAN

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

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

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

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

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 243,553,045,455
Less: Plan Fiduciary Net Position	(184,185,617,196)
Net Pension Liability	<u>\$ 59,367,428,259</u>
Net Position as a percentage of Total Pension Liability	75.62%

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 86th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2022 and 2023.

Contribution Rates		
	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%

Current fiscal year District contributions	\$	64,644
Current fiscal year Member contributions	\$	146,770
Measurement year NECE contributions	\$	106,981

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source.

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

- All public schools, charter schools and regional education service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025. The surcharge amount is 1.8% for fiscal year 2023
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2021 Update procedures were used to roll forward the total pension liability to August 31, 2022.

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 22, 2022 and located at <https://www.trs.texas.gov>.

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal bond rate as of August 2021	3.91% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on the plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2022 are summarized below:

Asset Class ¹	Target Allocation ² %	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18%	3.6%	0.94%
Non-U.S. Developed	13%	4.4%	0.83%
Emerging Markets	9%	4.6%	0.74%
Private Equity	14%	6.3%	1.36%
Stable Value			
Government Bonds	16%	-0.2%	0.01%
Absolute Return (Including Credit Sensitive Investments)	0%	1.1%	0.00%
Stable Value Hedge Funds	5%	2.2%	0.12%
Real Return			
Real Estate	15%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6%	4.7%	0.35%
Commodities	0%	1.7%	0.00%
Risk Parity			
Risk Parity	8%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2%	-0.7%	-0.01%
Asset Allocation Leverage	-6%	-0.5%	0.03%
Inflation Expectation			2.20%
Volatility Drag ⁴			-0.95%
Expected Return	<u>100%</u>		<u>6.90%</u>

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the FY2022 policy model.

³ Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

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 (7.00%) in measuring the 2022 Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability	\$ 1,177,600	\$ 756,997	\$ 416,078

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2023, the District reported a liability of \$756,997 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 756,997
State's proportionate share that is associated with the District	1,361,081
Total	<u>\$ 2,118,078</u>

The net pension liability was measured as of August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022 the District's proportion of the collective net pension liability was 0.0012751050% which was an increase of 0.0000928968% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation. Changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period are as follows:

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

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

For the year ended August 31, 2023, the District recognized pension expense of \$230,468 and revenue of \$130,104 for support provided by the Sate in the Government-Wide Statement of Activities.

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	\$ 10,976	\$ 16,504
Changes in actuarial assumptions	141,053	35,154
Differences between projected and actual investment earnings	74,789	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	69,181	44,011
Total as of August 31, 2022 measurement date	\$ 295,999	\$ 95,669
Contributions paid to TRS subsequent to the measurement date	64,644	
Total as of August 31, 2023 fiscal year end	<u>\$ 360,643</u>	<u>\$ 95,669</u>

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

Fiscal year ended August 31,	Amount
2024	\$ 52,080
2025	\$ 25,240
2026	\$ 7,892
2027	\$ 96,514
2028	\$ 18,605
Thereafter	\$ (1)

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/acfr.pdf#ACFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2022 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 27,061,942,520
Less: plan fiduciary net position	(3,117,937,218)
Net OPEB liability	<u>\$ 23,944,005,302</u>
Net position as a percentage of total OPEB liability	11.52%

Benefits Provided. TRS-Care provides a basic health insurance coverage at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The following premium rates for retirees with Medicare Part A and Part B are reflected in the following table.

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

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 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. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2022	2023
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

Current fiscal year District contributions	\$ 15,834
Current fiscal year member contributions	\$ 11,925
Measurement year NECE contributions	\$ 19,378

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employee a retiree of the TRS.

TRS-Care received a supplemental appropriation from the State of Texas as the non-employer contributing entity in the amount of \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs.

Actuarial Assumptions. The actuarial valuation of TRS-Care was performed as of August 31, 2021. Update procedures were used to roll forward the total OPEB liability to August 31, 2022.

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

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2022 TRS annual pension actuarial valuation:

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

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

The initial medical trend rates were 8.50% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.91% as of August 31, 2022
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
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.91% was used to measure the total OPEB liability. There was a change of 1.96% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District’s proportionate share of net OPEB liability	\$ 546,048	\$ 463,114	\$ 395,927

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan 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 one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 381,608	\$ 463,114	\$ 568,776

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2023, the District reported a liability of \$463,114 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 463,114
State's proportionate share that is associated with the District	564,926
Total	<u>\$ 1,028,040</u>

The net OPEB liability was measured as of August 31, 2022 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022 the District's proportion of the collective net OPEB liability was 0.0019341544% which was an increase of 0.0000478911% from its proportion measured as of August 31, 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:

1. The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the total OPEB liability (TOL).

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

For the year ended August 31, 2023, the District recognized OPEB expense of (\$129,268) and revenue of (\$80,168) for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual actuarial experience	\$ 25,748	\$ 385,816
Changes in actuarial assumptions	70,541	321,744
Differences between projected and actual investment earnings	1,379	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	74,383	15,010
Total as of August 31, 2022 measurement date	<u>\$ 172,051</u>	<u>\$ 722,570</u>
Contributions paid to TRS subsequent to the measurement date	15,834	
Total as of August 31, 2023 fiscal year end	<u>\$ 187,885</u>	<u>\$ 722,570</u>

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 August 31,	Amount
2024	\$ (101,821)
2025	\$ (101,816)
2026	\$ (82,177)
2027	\$ (55,589)
2028	\$ (73,532)
Thereafter	\$ (135,584)

K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.25% for 2021 thru 2023. The contribution rate for the district was 0.75% for 2021 thru 2023. The contribution rate for active employees was 0.65% of the district payroll for 2021 thru 2023. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.25% for 2021 thru 2023.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf to the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2023, 2022 and 2021 are as follows:

Contribution Rates and Contribution Amounts							
Year	Member		State		School District		
	Rate	Amount	Rate	Amount	Rate	Amount	
2023	0.65%	\$ 11,925	1.25%	\$ 22,933	0.75%	\$ 13,760	
2022	0.65%	\$ 11,863	1.25%	\$ 22,820	0.75%	\$ 13,692	
2021	0.65%	\$ 11,576	1.25%	\$ 22,262	0.75%	\$ 13,357	

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2023, 2022 and 2021 were \$9,951, \$7,476 and \$8,593, respectively.

Active Employee Health Care Coverage

Plan Description. The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

L. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2023, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Net Pension Liability	\$ 301,067	\$ 515,430	\$ 59,500	\$ 756,997	\$ 0
Net OPEB liability	727,616		264,502	463,114	0
Total	<u>\$ 1,028,683</u>	<u>\$ 515,430</u>	<u>\$ 324,002</u>	<u>\$ 1,220,111</u>	<u>\$ 0</u>

M. UNAVAILABLE/UNEARNED REVENUE

Unavailable and unearned revenue at year-end consisted of the following:

Fund	Unavailable Revenue (levied but uncollected property taxes)
General Fund	<u>\$ 80,411</u>

N. DUE FROM STATE AND FEDERAL AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2023, are summarized below. They are reported on the combined financial statements as Due from Other Governments.

	State Entitlements	Federal Grants	Total
General	\$ 346,744	\$ 472	\$ 347,216
Special Revenue	54,586	181,423	236,009
Net Total Receivables	<u>\$ 401,330</u>	<u>\$ 181,895</u>	<u>\$ 583,225</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Description	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 753,055		\$ 753,055
Penalties, interest and other tax-related income	25,826		25,826
Food sales		37,475	37,475
Investment income	5,030		5,030
Extracurricular student activities	16,640	6,120	22,760
Local grants and donations	700		700
Other income	5,057		5,057
Total	<u>\$ 806,308</u>	<u>\$ 43,595</u>	<u>\$ 849,903</u>

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Q. JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education services with the Hill County Enrichment Program. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Covington ISD, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

The District also participates in various shared service arrangements with the Education Service Center Region 12. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Education Service Center Region 12 is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement.

R. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2023 the District purchased commercial insurance to cover general liabilities. Additional insurance information by coverage type follows.

Property Casualty Program

The District participated in the Texas Association of School Boards Risk Management Fund (the "Fund") with coverage in auto liability, auto physical damage, general liability, property and legal liability. The Fund was created and is operated under the provisions 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. There were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three years.

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 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 August 31, 2023, the Fund anticipates the District has not additional liability beyond the contractual obligations for payment of contributions.

Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Claims Administrative Services, Inc. self-insured workers' compensation program administered by Texas Educational Insurance Association (the "Association"). The Association is a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to a agreed upon retention limit. The plan for workers' compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$3,444 incurred but not reported claims and a loss-limit of \$10,715. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable at August 31, 2023, are reflected as accounts and claims payable of the Fund (if material). The plan is funded to discharge liabilities of the fund as they become due.

Unemployment Compensation

During the year ended August 31, 2023, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2023, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

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, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

S. GENERAL FUND FEDERAL SOURCE REVENUES

Revenues from federal sources, which are reported in the General Fund, consist of:

Program or Service	Federal Assistance Listing #	Amount
School health and related services	N/A	<u>\$ 3,537</u>

T. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2023; the date which the financial statements were available for distribution. There were none noted.

U. BEGINNING BALANCE ADJUSTMENT

A beginning balance adjustment was necessary to record a scholarship fund certificate of deposit not previously recorded in the District's private purpose trust fund totaling \$12,491.

REQUIRED SUPPLEMENTARY INFORMATION

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GHOLSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 655,500	\$ 785,500	\$ 806,308	\$ 20,808
5800	State Program Revenues	2,396,968	2,446,968	2,664,244	217,276
5900	Federal Program Revenues	3,800	3,800	3,537	(263)
5020	Total Revenues	3,056,268	3,236,268	3,474,089	237,821
EXPENDITURES:					
Current:					
0011	Instruction	1,484,248	1,484,248	1,415,378	68,870
0012	Instructional Resources and Media Services	44,651	44,651	41,851	2,800
0013	Curriculum and Instructional Staff Development	5,500	10,500	9,650	850
0023	School Leadership	214,816	263,816	261,680	2,136
0031	Guidance, Counseling, and Evaluation Services	83,116	83,116	74,307	8,809
0033	Health Services	18,000	18,000	14,796	3,204
0034	Student (Pupil) Transportation	113,445	113,445	73,188	40,257
0036	Extracurricular Activities	130,314	130,314	125,666	4,648
0041	General Administration	243,188	268,188	262,661	5,527
0051	Facilities Maintenance and Operations	447,725	447,725	419,922	27,803
0052	Security and Monitoring Services	8,000	72,006	68,542	3,464
0053	Data Processing Services	210,742	128,742	108,134	20,608
Debt Service:					
0071	Principal on Long-Term Liabilities	4,356	4,356	-	4,356
0072	Interest on Long-Term Liabilities	487	487	-	487
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	254,002	188,788	65,214
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	10,000	10,900	10,900	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	-	18,471	17,821	650
0099	Other Intergovernmental Charges	8,000	8,000	7,277	723
6030	Total Expenditures	3,026,588	3,360,967	3,100,561	260,406
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	29,680	(124,699)	373,528	498,227
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	150	150
1200	Net Change in Fund Balances	29,680	(124,699)	373,678	498,377
0100	Fund Balance - September 1 (Beginning)	2,422,893	2,422,893	2,422,893	-
3000	Fund Balance - August 31 (Ending)	\$ 2,452,573	\$ 2,298,194	\$ 2,796,571	\$ 498,377

GHOLSON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2023

	Measurement Year Ended August 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0012751050%	0.0011822082%	0.0010904678%	0.0012582138%	0.0012990290%	0.0012623358%	0.0011756696%	0.0010528000%	0.0004097000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 756,997	\$ 301,067	\$ 584,032	\$ 654,059	\$ 715,017	\$ 403,627	\$ 444,268	\$ 372,151	\$ 109,436
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,361,081	645,277	1,427,957	1,242,758	1,380,159	786,337	929,837	989,805	783,177
Total	<u>\$ 2,118,078</u>	<u>\$ 946,344</u>	<u>\$ 2,011,989</u>	<u>\$ 1,896,817</u>	<u>\$ 2,095,176</u>	<u>\$ 1,189,964</u>	<u>\$ 1,374,105</u>	<u>\$ 1,361,956</u>	<u>\$ 892,613</u>
District's Covered Payroll	\$ 1,825,610	\$ 1,771,392	\$ 1,742,184	\$ 1,594,203	\$ 1,602,650	\$ 1,503,489	\$ 1,481,139	\$ 1,383,958	\$ 1,232,346
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	41.47%	17.00%	33.52%	41.03%	44.61%	26.85%	30.00%	26.89%	8.88%
Plan Fiduciary Net Position as a % of Total Pension Liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only nine years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GHOLSON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2023

	Fiscal Year Ended August 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2015
Contractually Required Contribution	\$ 64,644	\$ 59,065	\$ 50,746	\$ 44,771	\$ 43,280	\$ 43,755	\$ 39,450	\$ 37,349	\$ 31,170	\$ 31,170
Contribution in Relation to Contractually Required Contribution	<u>(64,644)</u>	<u>(59,065)</u>	<u>(50,746)</u>	<u>(44,771)</u>	<u>(43,280)</u>	<u>(43,755)</u>	<u>(39,450)</u>	<u>(37,349)</u>	<u>(31,170)</u>	<u>(31,170)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,834,621	\$ 1,825,610	\$ 1,771,392	\$ 1,742,184	\$ 1,594,203	\$ 1,602,650	\$ 1,503,489	\$ 1,481,139	\$ 1,383,958	\$ 1,383,958
Contributions as a % of Covered Payroll	3.52%	3.24%	2.86%	2.57%	2.71%	2.73%	2.62%	2.52%	2.25%	2.25%

Note: Only nine years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GHOLSON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2023

	Measurement Year Ended August 31,					
	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0019341544%	0.0018862633%	0.0018689071%	0.0018791833%	0.0019099609%	0.0017622582%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 463,114	\$ 727,616	\$ 710,456	\$ 888,687	\$ 953,661	\$ 766,340
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>564,926</u>	<u>974,843</u>	<u>954,683</u>	<u>1,180,869</u>	<u>1,368,939</u>	<u>1,176,497</u>
Total	<u>\$ 1,028,040</u>	<u>\$ 1,702,459</u>	<u>\$ 1,665,139</u>	<u>\$ 2,069,556</u>	<u>\$ 2,322,600</u>	<u>\$ 1,942,837</u>
District's Covered Payroll	\$ 1,825,610	\$ 1,771,392	\$ 1,742,184	\$ 1,594,203	\$ 1,602,650	\$ 1,503,489
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	25.37%	41.08%	40.78%	55.74%	59.51%	50.97%
Plan Fiduciary Net Position as a % of Total OPEB Liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only six years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GHOLSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	Fiscal Year Ended August 31,					
	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 15,834	\$ 15,849	\$ 14,736	\$ 15,035	\$ 13,200	\$ 13,188
Contribution in Relation to Contractually Required Contribution	(15,834)	(15,849)	(14,736)	(15,035)	(13,200)	(13,188)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,834,621	\$ 1,825,610	\$ 1,771,392	\$ 1,742,184	\$ 1,594,203	\$ 1,602,650
Contributions as a % of Covered Payroll	0.86%	0.87%	0.83%	0.86%	0.83%	0.82%

Note: Only six years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GHOLSON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2023

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level.

Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms.

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

Changes of assumptions.

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

Other Post-Employment Benefit Plan

Changes of benefit terms.

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

Changes of assumptions.

See Footnote J page 33 for changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

COMBINING SCHEDULES

GHOLSON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2023

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 ESSER 1 - Emergency Sch Relief Fund
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 33,400	\$ -	\$ -
1240 Due from Other Governments	44,571	7,903	3,180	-
1410 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ 44,571</u>	<u>\$ 41,303</u>	<u>\$ 3,180</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 7,664	\$ -	\$ -
2160 Accrued Wages Payable	5,570	4,758	551	-
2170 Due to Other Funds	38,350	-	2,564	-
2200 Accrued Expenditures	651	102	65	-
2000 Total Liabilities	<u>44,571</u>	<u>12,524</u>	<u>3,180</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	28,779	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>28,779</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 44,571</u>	<u>\$ 41,303</u>	<u>\$ 3,180</u>	<u>\$ -</u>

270 ESEA V, B,2 Rural & Low Income	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	17,352	\$ 50,752
6,035	30,662	88,494	578	284	54,302	-	236,009
-	-	4,125	-	-	-	-	4,125
<u>\$ 6,035</u>	<u>\$ 30,662</u>	<u>\$ 92,619</u>	<u>\$ 578</u>	<u>\$ 284</u>	<u>\$ 54,302</u>	<u>\$ 17,352</u>	<u>\$ 290,886</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,664
-	-	3,453	-	-	-	-	14,332
6,035	30,662	88,763	578	284	54,302	16,719	238,257
-	-	403	-	-	-	-	1,221
<u>6,035</u>	<u>30,662</u>	<u>92,619</u>	<u>578</u>	<u>284</u>	<u>54,302</u>	<u>16,719</u>	<u>261,474</u>
-	-	-	-	-	-	-	28,779
-	-	-	-	-	-	633	633
-	-	-	-	-	-	633	29,412
<u>\$ 6,035</u>	<u>\$ 30,662</u>	<u>\$ 92,619</u>	<u>\$ 578</u>	<u>\$ 284</u>	<u>\$ 54,302</u>	<u>\$ 17,352</u>	<u>\$ 290,886</u>

GHOLSON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 ESSER 1 - Emergency Sch Relief Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 37,475	\$ -	\$ -
5800 State Program Revenues	-	5,780	-	-
5900 Federal Program Revenues	89,558	174,791	9,998	1,464
5020 Total Revenues	89,558	218,046	9,998	1,464
EXPENDITURES:				
Current:				
0011 Instruction	85,100	-	9,998	1,464
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0023 School Leadership	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	195,745	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	4,458	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	89,558	195,745	9,998	1,464
1200 Net Change in Fund Balance	-	22,301	-	-
0100 Fund Balance - September 1 (Beginning)	-	6,478	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 28,779	\$ -	\$ -

270 ESEA V, B,2 Rural & Low Income	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,120	\$ 43,595
-	-	-	-	670	55,848	-	62,298
17,472	31,137	199,886	10,000	-	-	-	534,306
17,472	31,137	199,886	10,000	670	55,848	6,120	640,199
17,472	21,757	73,425	10,000	670	48,959	-	268,845
-	507	-	-	-	-	-	507
-	-	-	-	-	6,889	-	6,889
-	2,535	-	-	-	-	-	2,535
-	254	-	-	-	-	-	254
-	1,521	-	-	-	-	-	197,266
-	-	-	-	-	-	8,032	8,032
-	2,028	-	-	-	-	-	6,486
-	507	-	-	-	-	-	507
-	1,015	-	-	-	-	-	1,015
-	1,013	-	-	-	-	-	1,013
-	-	126,461	-	-	-	-	126,461
17,472	31,137	199,886	10,000	670	55,848	8,032	619,810
-	-	-	-	-	-	(1,912)	20,389
-	-	-	-	-	-	2,545	9,023
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	633	\$ 29,412

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REQUIRED TEA SCHEDULES

GHOLSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ Various
2015	1.040000	0.000000	38,552,692
2016	1.040000	0.000000	38,050,378
2017	1.040000	0.000000	43,617,115
2018	1.040000	0.000000	46,000,652
2019	1.040000	0.000000	53,257,165
2020	0.970000	0.000000	58,486,924
2021	0.926400	0.000000	62,901,464
2022	0.872000	0.000000	72,010,945
2023 (School year under audit)	0.854600	0.000000	90,935,180
1000 TOTALS			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
\$ 12,472	\$ -	\$ 1,427	\$ -	\$ (278)	\$ 10,767
3,643	-	496	-	-	3,147
3,363	-	497	-	-	2,866
4,931	-	688	-	-	4,243
5,021	-	688	-	-	4,333
8,259	-	2,806	-	-	5,453
10,938	-	4,361	-	-	6,577
13,516	-	5,069	-	(574)	7,873
34,446	-	16,224	-	(2,111)	16,111
-	777,132	720,799	-	(8,642)	47,691
<u>\$ 96,589</u>	<u>\$ 777,132</u>	<u>\$ 753,055</u>	<u>\$ -</u>	<u>\$ (11,605)</u>	<u>\$ 109,061</u>

GHOLSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 13,000	\$ 17,000	\$ 37,475	\$ 20,475
5800 State Program Revenues	8,608	8,608	5,780	(2,828)
5900 Federal Program Revenues	172,000	172,000	174,791	2,791
5020 Total Revenues	193,608	197,608	218,046	20,438
EXPENDITURES:				
Current:				
0035 Food Services	193,391	197,391	195,745	1,646
6030 Total Expenditures	193,391	197,391	195,745	1,646
1200 Net Change in Fund Balances	217	217	22,301	22,084
0100 Fund Balance - September 1 (Beginning)	6,478	6,478	6,478	-
3000 Fund Balance - August 31 (Ending)	\$ 6,695	\$ 6,695	\$ 28,779	\$ 22,084

GHOLSON INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	267190
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	151393

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	6371
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	434

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Gholson Independent School District
137 Hamilton Drive
Waco, Texas 76705

I 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 Gholson Independent School District (the "District") as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated October 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

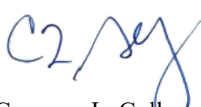
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my 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.


Cameron L. Gulley
Certified Public Accountant
Eastland, Texas

October 9, 2023

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GHOLSON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None.		

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GHOLSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2023

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

III. Findings and Questioned Costs for Federal Awards

N/A.

GHOLSON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2023

None required.