FRANKSTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
AUGUST 31, 2023

FRANKSTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

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CERTIFICATE OF BOARD

Frankston Independent School District	Anderson	001-904
Name of School District	County	Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved ______ disapproved for the year ended August 31, 2023, at a meeting of the Board of Trustees of such school district on the 18th day of December, 2023.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

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PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Frankston Independent School District
Frankston, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frankston Independent School District, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Frankston Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Frankston Independent School District, as of August 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter - Change of Accounting Principle

As described in the notes to the financial statements, in fiscal year 2023 Frankston Independent School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based IT Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Frankston Independent School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frankston Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Frankston Independent School District's basic financial statements. The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023 on our consideration of Frankston Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Frankston Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Frankston Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 18, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Frankston 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 and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the 2023 school year by $589,311 .

- The General Fund ended the year with a fund balance of $4,875,602, a decrease of $444,789 over the prior year.

- The resources available for appropriation were $438,873 more than budgeted for the General Fund.

USING THIS 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. 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 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 funds, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements 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 primary purpose of the Statement of Net Position and Statement of Activities 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, deferred outflows/inflows of resources 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 it The District's net position (the difference between assets, deferred outflows/inflows of resources 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, consideration should be given to non-financial 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.

The Statement of Net Position and the Statement of Activities reflects only governmental activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements 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).

Governmental funds

Most of the District's basic services are reported in governmental funds. These funds use 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 programs. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. 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

We will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

TABLE 1

CONDENSED SCHEDULE OF NET POSITION

	Governmental Activities 2023	Governmental Activities 2022
Assets:		
Current and other assets	$ 6,748,700	$ 6,742,014
Capital assets	13,728,733	13,685,141
Total assets	20,477,433	20,427,155
Deferred Outflows of Resources:		
Deferred outflow related to debt refunding	132,276	139,238
Deferred outflow related to TRS	3,005,671	1,930,941
Total deferred outflows of resources	3,137,947	2,070,179
Liabilities:		
Long-term liabilities	17,553,151	16,845,760
Other liabilities	1,537,781	1,326,614
Total liabilities	19,090,932	18,172,374
Deferred Inflows of Resources:		
Deferred inflow related to TRS	3,935,137	3,992,779
Net position:		
Net investment in capital assets	909,439	457,111
Restricted	794,530	474,928
Unrestricted	(1,114,658)	(599,858)
Total net position	$ 589,311	$ 332,181

Net position of the District's governmental activities increased to $589,311 from $332,181 . 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, decreased to ($1,114,658) from ($599,858).

TABLE 2

CONDENSED SCHEDULE OF CHANGES IN NET POSITION

	Governmental Activities	
	2023	2022
REVENUES		
Program revenues:		
Charges for services	$ 274,299	$ 163,954
Operating grants and contributions	1,874,161	2,659,924
General revenues:		
Property taxes - general purposes	3,295,100	2,849,035
Property taxes - debt service	908,178	855,412
Grants and contributions not restricted	6,510,220	6,885,445
Investment earnings	266,780	26,388
Miscellaneous	-	17,601
Total revenues	13,128,738	13,457,759
EXPENSES		
Instruction	6,061,351	5,466,049
Instructional resources and media services	99,655	84,361
Curriculum and staff development	30,080	31,472
Instructional leadership	-	12,844
School leadership	655,788	577,298
Guidance, counseling, and evaluation services	210,927	193,500
Health services	208,388	139,697
Student (pupil) transportation	151,621	486,921
Food service	720,438	662,778
Extracurricular activities	1,227,980	1,062,545
General administration	581,456	500,047
Facilities maintenance and operations	1,627,347	2,029,733
Data processing services	448,545	322,002
Security and monitoring service	235,658	89,799
Debt service - interest on long-term debt	255,661	277,257
Debt service - bond issuance cost and fees	1,000	660
Payments to fiscal agents	269,938	233,266
Other intergovernmental charges	85,775	77,312
Total expenses	12,871,608	12,247,541
CHANGE IN NET POSITION	257,130	1,210,218
NET POSITION, BEGINNING	332,181	(878,037)
NET POSITION, ENDING	$ 589,311	$ 332,181

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2023, the District had $13,728,733 net of depreciation invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

Additional information on the District’s capital assets can be found in the notes to the financial statements.

Long Term Liabilities

At August 31, 2023, the District had $17,553,151 in long-term liabilities outstanding. This is an increase of $707,391 in long-term liabilities from August 31, 2022.

The District makes regularly scheduled payments on the District's outstanding bonds. The primary reason for the increase due to changes in the District's proportionate share of the net pension and OPEB liabilities.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2024 budget and tax rates. Amounts available for appropriation in the General Fund budget are $11,281,501, an increase of 2.2% from the final 2023 budget of $11,036,978. Property taxes decreased to a total of $0.7575 for M&O and $0.2050 for I&S, for a total tax rate of $0.9625. If these estimates are realized, the District's budgetary General Fund balance will remain unchanged by the close of 2023. The District will continue to monitor enrollment figures and tax collections and will implement spending cuts if significant decreases occur in either.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Frankston Independent School District at 100 Perry Street, or P.O. Box 428, Frankston, Texas 75763. The phone number is 903-876-2556.

BASIC FINANCIAL STATEMENTS

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EXHIBIT A-1

FRANKSTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2023

Control Codes		Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 943,710
1120	Current investments	3,871,226
1220	Property taxes receivable (delinquent)	432,827
1230	Allowance for uncollectible taxes	(276,739)
1240	Due from other governments	1,771,954
1267	Due from fiduciary funds	2,099
1290	Other receivables, net	3,623
	Capital assets:	
1510	Land	81,180
1520	Buildings, net	13,091,049
1530	Furniture and equipment, net	412,739
1550	Right to use leases, net	89,381
1553	Right to use SBITA, net	54,384
1000	Total assets	20,477,433
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred loss on debt refunding	132,276
1705	Deferred outflows related to NPL	1,718,778
1706	Deferred outflows related to OPEB	1,286,893
1700	Total deferred outflows of resources	3,137,947
	LIABILITIES	
2110	Accounts payable	312,660
2140	Interest payable	22,955
2150	Payroll deductions & withholding payable	1,486
2160	Accrued wages payable	664,080
2180	Due to other governments	8,235
2300	Unearned revenue	1,593
	Noncurrent liabilities:	
2501	Due within one year	526,772
2502	Due in more than one year	12,424,798
2540	Net pension liability	3,142,321
2545	Net OPEB liability	1,986,032
2000	Total liabilities	19,090,932
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflows related to NPL	379,180
2606	Deferred inflows related to OPEB	3,555,957
2600	Total deferred inflows of resources	3,935,137
	NET POSITION	
3200	Net investment in capital assets	909,439
	Restricted:	
3820	Federal and state programs	169,510
3850	Debt service	598,996
3870	Campus activities	26,024
3900	Unrestricted	(1,114,658)
3000	Total net position	$ 589,311

The accompanying notes are an integral part of this financial statement.

FRANKSTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3 Charges for Services
	Primary government:		
	Governmental activities:		
11	Instruction	$ 6,061,351	$ -
12	Instructional resources and media services	99,655	-
13	Curriculum and staff development	30,080	-
23	School leadership	655,788	-
31	Guidance, counseling, and evaluation services	210,927	101,114
32	Social work services	-	1,000
33	Health services	208,388	3,151
34	Student (pupil) transportation	151,621	4,263
35	Food service	720,438	103,169
36	Extracurricular activities	1,227,980	61,602
41	General administration	581,456	-
51	Facilities maintenance and operations	1,627,347	-
52	Security and monitoring services	235,658	-
53	Data processing services	448,545	-
72	Debt Service - interest on long-term debt	255,661	-
73	Debt Service - bond issuance costs and fees	1,000	-
93	Payments to fiscal agent/member districts of SSA	269,938	-
99	Other intergovernmental charges	85,775	-
	[TP] Total primary government	$ 12,871,608	$ 274,299

	General revenues:
	Taxes:
MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
GC	Grants and contributions not restricted
IE	Investment earnings
TR	Total general revenues
CN	Change in net position
NB	Net position, beginning
NE	Net position, ending

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position	
4	6
Operating Grants and Contributions	Primary Gov. Governmental Activities
$ 846,850	$ (5,214,501)
65,722	(33,933)
313	(29,767)
5,088	(650,700)
1,569	(108,244)
-	1,000
75,202	(130,035)
401	(146,957)
595,976	(21,293)
2,749	(1,163,629)
12,367	(569,089)
33,650	(1,593,697)
89,465	(146,193)
94,498	(354,047)
50,311	(205,350)
-	(1,000)
-	(269,938)
-	(85,775)
$ 1,874,161	$ (10,723,148)
	3,295,100
	908,178
	6,510,220
	266,780
	10,980,278
	257,130
	332,181
	$ 589,311

FRANKSTON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		10 General	30 ESSER III	Other Governmental	Total Governmental Funds
	ASSETS				
1110	Cash and cash equivalents	$ 663,483	$ -	$ 280,227	$ 943,710
1120	Investments - current	3,367,786	-	503,440	3,871,226
1220	Property taxes - delinquent	323,833	-	108,994	432,827
1230	Allowance for uncollectible taxes	(207,051)	-	(69,688)	(276,739)
1240	Due from other governments	1,009,518	239,248	523,188	1,771,954
1260	Due from other funds	585,466	-	-	585,466
1290	Other receivables	3,623	-	-	3,623
1000	Total assets	5,746,658	239,248	1,346,161	7,332,067
	LIABILITIES				
2110	Accounts payable	189,114	-	123,546	312,660
2140	Interest Payable	-	-	9,901	9,901
2150	Payroll deductions & withholding payable	1,486	-	-	1,486
2160	Accrued wages	594,709	-	69,371	664,080
2170	Due to other funds	-	239,248	344,119	583,367
2180	Due to other governments	-	-	8,235	8,235
2300	Unearned revenue	-	-	1,593	1,593
2000	Total liabilities	785,309	239,248	556,765	1,581,322
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable revenue - property taxes	85,747	-	30,212	115,959
2600	Total deferred inflows of resources	85,747	-	30,212	115,959
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal and state programs	-	-	169,510	169,510
3480	Retirement of long-term debt	-	-	563,650	563,650
	Committed Fund Balance:				
3510	Construction	625,000	-	-	625,000
3545	Campus activity	-	-	26,024	26,024
3600	Unassigned fund balance	4,250,602	-	-	4,250,602
3000	Total fund balances	4,875,602	-	759,184	5,634,786
4000	Total liabilities, deferred inflows of resources and fund balances	$ 5,746,658	$ 239,248	$ 1,346,161	$ 7,332,067

The accompanying notes are an integral part of this financial statement.

FRANKSTON INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

AUGUST 31, 2023

	Total fund balances - governmental funds	$ 5,634,786
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	13,728,733
2	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are netted against the long-term liabilities in the statement of net position.	(12,832,348)
3	Included in the items related to debt is the recognition of the District's proportion 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 $1,718,778, a deferred resource inflow in the amount of $379,180, and a net pension liability in the amount of $3,142,321. This resulted in a decrease in net position.	(1,802,723)
4	Included in the items related to debt is the recognition of the District's proportion 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 $1,286,893, a deferred resource inflow in the amount of $3,555,957, and a net OPEB liability in the amount of $1,986,032. This resulted in a decrease in net position.	(4,255,096)
5	Uncollected property taxes and penalties and interest are reported as deferred inflows in the governmental funds balance sheet, but are recognized as revenue in the statement of activities.	115,959
19	Net position of governmental activities	$ 589,311

The accompanying notes are an integral
part of this financial statement.

FRANKSTON 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	30 ESSER III	Other Governmental	Total Governmental Funds
	REVENUES				
5700	Local and intermediate sources	$ 3,633,946	$ -	$ 1,265,754	$ 4,899,700
5800	State program revenues	6,964,062	-	179,992	7,144,054
5900	Federal program revenues	-	424,835	1,153,634	1,578,469
5020	Total revenues	10,598,008	424,835	2,599,380	13,622,223
	EXPENDITURES				
	Current:				
0011	Instruction	5,282,883	424,835	387,936	6,095,654
0012	Instructional resources and media services	15,001	-	65,722	80,723
0013	Curriculum and instructional staff development	32,301	-	-	32,301
0023	School leadership	667,812	-	-	667,812
0031	Guidance, counseling, and evaluation services	221,641	-	-	221,641
0033	Health services	143,847	-	74,012	217,859
0034	Student (pupil) transportation	313,994	-	-	313,994
0035	Food service	8,417	-	615,415	623,832
0036	Extracurricular activities	835,781	-	139,438	975,219
0041	General administration	585,147	-	10,000	595,147
0051	Facilities maintenance and operations	2,120,337	-	28,951	2,149,288
0052	Security and monitoring services	163,423	-	89,465	252,888
0053	Data processing services	355,413	-	93,855	449,268
	Debt Service:				
0071	Principal on long-term debt	58,143	-	465,000	523,143
0072	Interest on long-term debt	1,119	-	307,875	308,994
0073	Bond issuance costs and fees	-	-	1,000	1,000
	Intergovernmental:				
0093	Payments to fiscal agent/member districts of SSA	269,938	-	-	269,938
0099	Other Intergovernmental	85,775	-	-	85,775
6030	Total expenditures	11,160,972	424,835	2,278,669	13,864,476
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES**	(562,964)	-	320,711	(242,253)
	OTHER FINANCING SOURCES				
7913	Leases issued	94,350	-	-	94,350
7940	SBITA issued	23,825	-	-	23,825
7080	Total other financing sources (uses)	118,175	-	-	118,175
1200	**NET CHANGE IN FUND BALANCES**	(444,789)	-	320,711	(124,078)
0100	**FUND BALANCES, BEGINNING**	5,320,391	-	438,473	5,758,864
3000	**FUND BALANCES, ENDING**	$ 4,875,602	$ -	$ 759,184	$ 5,634,786

The accompanying notes are an integral part of this financial statement.

FRANKSTON INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2023

Net change in fund balances - total governmental funds	$ (124,078)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful live as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(5,310)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(87,159)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items.	458,301
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 $226,813. 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 net position totaling $246,987. 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 $230,840 The net result is a decrease in the change in net position.	(251,014)
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 $64,763. 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 net position totaling $68,126. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by $269,753. The net result is an increase in the change in net position.	266,390
Change in net position of governmental activities	$ 257,130

The accompanying notes are an integral part of this financial statement.

FRANKSTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

AUGUST 31, 2023

	Custodial Fund
ASSETS	
Cash and cash equivalents	$ 178,066
Total assets	178,066
LIABILITIES	
Accounts payable	4,566
Due to other funds	2,099
Unearned revenues	5,041
Total liabilities	11,706
NET POSITION	
Restricted for:	
Indivduals, organizations and other governments	166,360
Total net position	$ 166,360

The accompanying notes are an integral part of this financial statement.

FRANKSTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

FOR THE YEAR ENDED AUGUST 31, 2023

	Custodial Fund
ADDITIONS	
Investment earnings:	
Interest, dividends, and other	$ 316
Total investments earnings	316
Collections from student groups	227,914
Total additions	228,230
DEDUCTIONS	
Payments on-behalf of student groups	177,090
Total deductions	177,090
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	51,140
NET POSITION, BEGINNING	115,220
NET POSITION, ENDING	$ 166,360

The accompanying notes are an integral part of this financial statement.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Frankston 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 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. There are no component units included within the reporting entity. The District prepares its basic financial statements in conformity with generally accepted accounting principles 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.

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 Frankston Independent School 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 revenue.

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 revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes and other items not properly included among program revenues are reported as general revenues.

Interfund activities between governmental 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 two fund categories – governmental 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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and fiduciary fund financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue 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., revenue and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenue in the accounting period in which it becomes 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. The District considers all revenue available if it is collectible within 60 days after year-end.

Revenue from local sources consists primarily of property taxes. Property tax revenue and state aid revenue received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenue is recorded as revenue when received in cash because it is 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 deferred revenue until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

The District reports the following major governmental funds:

The ***General Fund*** is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources expect those required to be accounted for in another fund.

The ***ESSER III Fund*** accounts for the federal stimulus funds granted through the American Rescue Plan Act to address learning loss and disproportionate impact of the coronavirus on certain student subgroups. This is not a budgeted fund.

Additionally, the District reports the following fund types:

The ***Special Revenue Funds*** account for resources restricted to, or designated for specific purposes by the District or a grantor. 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.

Custodial Fund – The District accounts for resources held for others in a custodial capacity in Custodial funds. The District's Custodial Fund is the Student Activity Fund.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, local government investment pools, Treasury bills, and commercial paper that have a maturity from time of purchase of three months or less.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 upon receipt of the tax bill and are delinquent if not paid by 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. Delinquent taxes not paid by August 31 are subject to penalty and interest charges plus delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible taxes are periodically reviewed and written off by the District as provided by specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll on January 1, 2022 upon which the levy for the 2022-2023 fiscal year was based, was $362,047,843. The tax rates assessed for the year ended August 31, 2023 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.9429 and $0.2607 per $100 valuation, respectively, for a total of $1.2035 per $100 valuation. Current tax collections for the year ended August 31, 2023 were 97.6% of the year end adjusted tax levy. As of August 31, 2023, property taxes receivable totaled $323,833 and $108,994 for the General and Debt Service Funds respectively.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column 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 (except for right-to-use lease assets, the measurement of which is discussed in the Leases note disclosure). Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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, equipment, and the right to use leased equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30
Vehicles	10
Furniture and equipment	7-20
Right to use - equipment	5

Long-term Obligations

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. Bond issuance costs are reported as current year debt service expenditures.

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.

Leases and Subscription Based Information Technology Arrangements

The District is a lessee for a noncancellable lease of equipment and subscription-based IT arrangements (SBITAs). The District recognizes a liability and an intangible right-to-use assets in the government-wide financial statements.

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

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

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

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

These right to use assets are reported with other capital assets and liabilities are reported with long- term debt on the statement of net position.

Deferred outflows/inflows of resources

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

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for deferred loss on debt refunding – Results from the difference in the carrying value of the refunded debt and its reacquisition price.

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow the results from differences between expected and actual experience, changes in actuarial assumptions, differences between projected and actual investment earnings, changes in proportion and differences between the employer's contributions and the proportionate share of contributions and contributions made after the measurement date of the net pension liability. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.

- Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from differences between expected and actual experience, changes in actuarial assumptions, differences between projected and actual investment earnings, changes in proportion and differences between the employer's contributions and the proportionate share of contributions and contributions made after the measurement date of the net OPEB liability. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB in the next fiscal year.

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

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues, property taxes with the General Fund and Debt Service Fund respectively.

- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions and changes in proportion and difference between the employer's contributions and the proportionate share of contributions.

- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions and changes in proportion and differences between the employer's contributions and the proportionate share of contributions.

Defined Benefit Pension Plan

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 Benefit Pension Plan

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.

Fund Balance

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the School Board, the District's highest level of decision making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the School Board or by other officials to whom the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balances to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designees.

- Unassigned: This classification is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Data Control Codes

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 ensure accuracy in building a statewide database for policy development and funding plans.

Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2023, will change.

Change in Accounting Principle

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), was adopted effective July 1, 2022. The statement addresses accounting and financial reporting for SBITA contracts. Statement No. 96 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to SBITA in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of beginning fund balance or net position, but assets and liabilities were recognized, and more extensive note disclosures were required.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (I) 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, and (9) bid solicitation preferences for certificates of deposit.

State statutes and Board policy authorize the District to invest in I) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.0; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.01 4) A securities lending program as permitted by Government code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-today basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2022-2023, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

Concentration of Credit Risk

Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

Investments – Cash Equivalents

The District's investments - cash equivalents at August 31, 2023, are shown below:

Investment Type	Cost	Fair Value	Weighted Average Maturity (Days)
First Public / Lone Star Investment Pool	$ 2,464,325	$ 2,464,325	18
Texas Class	1,406,907	1,406,907	76
Total, net	$ 3,871,232	$ 3,871,232	

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments.

The District's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of $1.00. The book value of the position in the pools is the same as the number of the shares in each pool; the fair value of a share should approximately equal the book value of a share.

In accordance with state law and the District's investment policy, investments in investment pools must be rated at least AAA or have an equivalent rating, and obligations of states, agencies, counties and cities must be rated at least A or its equivalent. As of August 31, 2023, the District's investments in investment pools met or exceeded the ratings criteria.

B. Due From Other Governments

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

	General	ESSER III	Other Governmental	Total
State entitlements	$ 1,009,518	$ -	$ -	$ 1,009,518
Other state grants	-	-	35,285	35,285
Federal grants	-	239,248	487,903	727,151
Total	$ 1,009,518	$ 239,248	$ 523,188	$ 1,771,954

C. Interfund Balances

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

Receivable Fund	Payable Fund	Amount
General	ESSER II	$ 239,248
General	Nonmajor governmental	346,218
Total		$ 585,466

D. Receivables

Receivables at August 31, 2023, were as follows:

	General	ESSER III	Other Governmental	Total
Property taxes, net	$ 323,833	$ -	$ 108,994	$ 432,827
Other governments	1,009,518	239,248	523,188	1,771,954
Other receivables	3,623	-	-	3,623
Total, net	$ 1,336,974	$ 239,248	$ 632,182	$ 2,208,404

E. Capital Assets

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

	Beginning Balance 8/31/2022	Increases	Decreases	Ending Balance 8/31/2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 81,180	$ -	$ -	$ 81,180
Total capital assets, not being depreciated	81,180	-	-	81,180
Capital assets, being depreciated:				
Buildings and improvements	25,235,182	511,088	-	25,746,270
Furniture and equipment	2,698,179	202,991	-	2,901,170
Vehicles	-	-	-	-
Right to use - software	48,902	24,931	-	73,833
Right to use - equipment	34,132	94,350	(22,850)	105,632
Total capital assets, being depreciated	28,016,395	833,360	(22,850)	28,826,905
Less accumulated depreciation for:				
Buildings and improvements	(11,967,477)	(687,744)	-	(12,655,221)
Furniture and equipment	(2,372,462)	(115,969)	-	(2,488,431)
Vehicles	-	-	-	-
Right to use - software	-	(19,449)	-	(19,449)
Right to use - equipment	(23,593)	(15,508)	22,850	(16,251)
Total accumulated depreciation	(14,363,532)	(838,670)	22,850	(15,179,352)
Total capital assets, being depreciated, net	13,652,863	(5,310)	-	13,647,553
Governmental activities capital assets, net	$13,734,043	$ (5,310)	$ -	$13,728,733

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

Governmental activities:	
Instruction	$ 332,215
Instructional resources and media services	21,972
Curriculum and instructional staff development	185
School leadership	27,270
Guidance, counseling, and evaluation services	1,400
Student transportation	43,739
Food services	102,933
Extracurricular activities	274,344
General administration	4,860
Facilities maintenance and operations	25,242
Data processing services	4,510
Total depreciation expense - governmental activities	$ 838,670

F. Long-term Debt

During the year ended August 31, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	$ 12,350,000	$ -	$ (465,000)	$ 11,885,000	$ 480,000
Premium on bonds	1,006,745	-	(59,632)	947,113	-
SBITAs	48,902	23,825	(43,652)	29,075	22,037
Leases	10,523	94,350	(14,491)	90,382	24,735
Total long-term debt	$ 13,416,170	$ 118,175	$ (582,775)	$ 12,951,570	$ 526,772
Net pension liability	$ 1,023,470	$ 2,365,838	$ (246,987)	$ 3,142,321	$ -
Net OPEB Liability	2,987,887	(933,729)	(68,126)	1,986,032	-
Total long-term liabilities	$ 17,427,527	$ 1,550,284	$ (897,888)	$ 18,079,923	$ 526,772

Long-term Obligation Activity

Amounts outstanding in long-term obligations for the period ended August 31, 2023 are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 8/31/2023	Amounts Due Within One Year
Bonds:					
Unlimited Tax Refunding Bonds, Series 2016	2.00% - 3.00%	$ 4,555,000	$ 114,238	$ 4,155,000	$ 415,000
Unlimited Tax Refunding Bonds, Series 2021	4.00% - 5.00%	7,850,000	193,637	7,730,000	65,000
SBITAs:					
Software	2.04% - 3.11%	48,902	935	29,075	22,037
Leases:					
Xerox Printers	0.29%	101,028	88	88,055	23,969
Postage Machine	1.19%	3,844	46	2,327	766
Total			$ 308,944	$ 12,004,457	$ 526,772

Debt service requirements on bonded debt at August 31, 2023 are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2024	$ 480,000	$ 292,401	$ 772,401
2025	500,000	276,301	776,301
2026	515,000	259,576	774,576
2027	530,000	245,001	775,001
2028	540,000	232,701	772,701
2029-2033	2,945,000	927,559	3,872,559
2034-2038	3,400,000	476,244	3,876,244
2039-2043	2,975,000	120,350	3,095,350
Total	$ 11,885,000	$ 2,830,133	$ 14,715,133

Lease requirements to maturity are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2024	$ 24,735	$ 249	$ 24,984
2025	24,732	170	24,902
2026	24,812	91	24,903
2027	15,998	20	16,018
2028	105	-	105
Total	$ 90,382	$ 530	$ 90,912

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2023.

The District's outstanding Unlimited Tax Refunding Bonds, Series 2016, and Unlimited Tax Refunding Bonds, Series 2021, contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. The District's outstanding bonds contain a provision that in an event of default, outstanding amounts become immediately due.

The District entered into six new lease agreements as a lessee for the right to use copier machines. These new lease agreements were for copier machines at multiple District campuses with an interest rate of .2920% maturing in 2028 with a total liability of $94,350.

The District entered into a 60-month lease agreement as a lessee for the right to use of a postal machine. The District is required to make monthly principal and interest payments of $66. The lease has an interest rate of 1.193%.

Subscription Based Information Technology Arrangements requirements to maturity are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2024	$ 22,037	$ 638	$ 22,675
2025	7,038	163	7,201
Total	$ 29,075	$ 801	$ 29,876

The District entered into five new subscription based information technology agreements for the right to use software. These new agreements were for software at multiple District campuses with a interest rates ranging from 2.04% to 3.11% maturing in 2025 with a total liability of $29,075.

G. 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.

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

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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

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

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

Current fiscal year employer contributions	$ 226,813
Current fiscal year member contributions	491,603
2022 measurement year NECE On-behalf Contributions	302,118

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

As the non-employer contributing entity for public education and junior colleges, 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 (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.

Actuarial Assumptions. 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
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	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 taxexempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumption used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 12, 2021.

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2023 are summarized on the following page:

Asset Class	Target Allocation[1]	Long-Term Expected Geometric Real Rate of Return[2]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	0.43%
Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag[3]			-0.91%
Expected Return	100.00%		8.21%

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 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:	$ 4,888,260	$ 3,142,321	$ 1,727,155

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 $3,142,321 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	$ 3,142,321
State's proportionate share that is associated with the District	3,843,721
Total	$ 6,986,042

The net pension liability was measured as of August 31, 2021 and rolled forward to 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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was .0052930052% which was an increase of .0012741108% from its proportion measured as of August 31, 2021.

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

For the year ended August 31, 2023, the District recognized pension expense of $845,243 and revenue of $367,416 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 pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 45,563	$ 68,509
Changes in actuarial assumptions	585,517	145,927
Difference between projected and actual investment earnings	310,451	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	550,434	164,744
Contributions paid to TRS subsequent to the the measurement date	226,813	-
Total as of fiscal year-end	$ 1,718,778	$ 379,180

Amounts reported as deferred outflows of resources related to contributions paid subsequent to the measurement date will be recognized as part of pension expense in the next fiscal year. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31,	Pension Expense
2024	$ 288,037
2025	192,108
2026	87,841
2027	432,478
2028	112,321

H. Defined Other Post-Employment Benefit Plans

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), 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 retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

	TRS-Care Monthly for Retirees 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 TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

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

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 employer contributions	$ 64,763
Current fiscal year member contributions	39,794
2022 measurement year NECE on-behalf contributions	83,103

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs during fiscal year 2022.

Actuarial Assumptions. The actuarial valuation 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 was determined using the following actuarial assumptions:

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wages 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 for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recent published scale MP-2018.

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.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.30% to 8.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age
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 an decrease of 1.96 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
Proportionate share of the net OPEB liability:	$ 2,341,689	$ 1,986,032	$ 1,697,904

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 health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	$ 1,636,499	$ 1,986,032	$ 2,439,156

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 $1,986,032 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 obligation	$ 1,986,032
State's proportionate share that is associated with the District	2,422,647
Total	$ 4,408,679

The Net OPEB Liability was measured as of August 31, 2021 and rolled to 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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective Net OPEB Liability was .0082944860% which was an decrease of .0005487231% 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:

- The discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change increased the Total OPEB Liability.

Changes of Benefit Term Since the Prior Measurement Date – 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 $(545,420) and revenue of $(343,793) 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 110,416	$ 1,654,543
Changes in actuarial assumptions	302,512	1,379,777
Difference between projected and actual investment earnings	5,916	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	803,286	521,637
Contributions paid to TRS subsequent to the measurement date	64,763	-
Total as of fiscal year-end	$ 1,286,893	$ 3,555,957

Amounts reported as deferred outflows of resources related to contributions paid subsequent to the measurement date will be recognized as part of OPEB expense in the next fiscal year. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31,	OPEB Expense Amount	
2024	$	(427,880)
2025		(427,859)
2026		(343,637)
2027		(229,616)
2028		(296,391)
Thereafter		(608,444)

I. Health Care

During the year ended August 31, 2023, employees of the Frankston Independent School District were covered by the state sponsored health insurance plan. The District paid premiums of $400 per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Aetna. The Plan was authorized by Article 3 .51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and TRS ActiveCare is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions. Latest financial statements for Aetna are available for the most recent year and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

J. Medicare Part D – On-behalf Payments

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 Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of $32,851, $24,613, and $24,174 were recognized for the years ended August 31, 2023, 2022, and 2021, respectively, as equal revenues and expenditures.

K. Self-Insured Workers' Compensation

During the year ended August 31, 2023 the Frankston Independent School District was a participant in the East Texas Educational Insurance Association's Workers' Compensation Self-insurance Joint Fund pursuant to Texas Labor Code Annotated Chapter 504 and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The Board of Trustees of the plan and the plan supervisor, Claims Administrative Services, Inc., shall establish the proportionate contribution of each participant annually upon the actual loss experience and claims of the District, the experience rating modification of the District, the pro-rata costs or savings to the plan from the loss experience of all participants, and all reasonable and necessary administrative expenses of the plan. The proportionate contributions of all participants shall be combined into a self-insurance joint fund.

The District paid a fixed cost of $20,049, to the plan supervisor for administration of claims, loss control, record keeping, and the cost of excess insurance. The loss fund maximum set aside in a separate account for claims not covered by excess insurance was established to be $61,669 for the fiscal year. The self-insurance retention maximum was $225,000.

During the fiscal year, the District paid net claims of $7,596 covering plan periods ending August 31, 2023 and has accrued $53,985 as a liability for unpaid claims determined by the claims administrator.

L. Commitments and Contingencies

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the granter agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the granter agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2023 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

M. Risk Management

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During fiscal year 2023 the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. Joint Venture Shared Service Arrangement

The District participates in a shared services arrangement for special education services with other districts. Although a portion of the shared services arrangement is attributable to the District's participation, The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant 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 made payments to the fiscal agent of $269,938.

O. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District includes the following:

GASB Statement No. 99, *Omnibus 2022* – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error* Corrections—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

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FRANKSTON 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 Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 3,166,500	$ 3,166,500	$ 3,633,946	$ 467,446
5800	State program revenues	6,862,257	6,992,635	6,964,062	(28,573)
5020	Total revenues	10,028,757	10,159,135	10,598,008	438,873
	EXPENDITURES				
	Current:				
0011	Instruction	5,231,204	4,909,755	5,282,883	(373,128)
0012	Instructional resources and media sources	20,000	19,156	15,001	4,155
0013	Curriculum and instructional staff development	36,958	36,958	32,301	4,657
0023	School leadership	669,150	675,774	667,812	7,962
0031	Guidance, counseling, and evaluation services	255,647	255,647	221,641	34,006
0033	Health services	179,665	179,665	143,847	35,818
0034	Student (pupil) transportation	263,238	380,435	313,994	66,441
0035	Food services	8,500	8,500	8,417	83
0036	Extracurricular activities	763,804	870,804	835,781	35,023
0041	General administration	547,067	598,361	585,147	13,214
0051	Facilities maintenance and operations	1,287,065	2,339,716	2,120,337	219,379
0052	Security and monitoring services	200,000	182,770	163,423	19,347
0053	Data processing services	241,049	384,974	355,413	29,561
0071	Principal on long-term debt	-	58,143	58,143	-
0072	Interest on long-term debt	-	1,119	1,119	-
0093	Payments to fiscal agent/member districts	235,410	304,466	269,938	34,528
	Intergovernmental:				
0099	Other Intergovernmental	90,000	90,000	85,775	4,225
6030	Total expenditures	10,028,757	11,296,243	11,160,972	135,271
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES**	-	(1,137,108)	(562,964)	574,144
	Other Financing Sources (USES)				
7913	Leases issued	-	-	94,350	94,350
7940	SBITA issued	-	-	23,825	23,825
7080	Total other financing sources (uses)	-	-	118,175	118,175
1200	**NET CHANGE IN FUND BALANCES**	-	(1,137,108)	(444,789)	692,319
0100	**FUND BALANCE, BEGINNING**	5,320,391	5,320,391	5,320,391	-
3000	**FUND BALANCES, ENDING**	$ 5,320,391	$ 4,183,283	$ 4,875,602	$ 692,319

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2023

Plan Year Ended August 31,	2022	2021	2020
District's proportion of the net pension liability (asset)	0.0052930%	0.0040189%	0.0041935%
District's proportionate share of the net pension liability (asset)	$ 3,142,321	$ 1,023,470	$ 2,245,954
State's proportionate share of the net pension liability (asset) associated with the District	3,843,721	1,978,603	4,166,993
Total	$ 6,986,042	$ 3,002,073	$ 6,412,947
District's covered-employee payroll	$ 5,846,800	$ 5,379,780	$ 5,215,145
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.74%	19.02%	43.07%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%

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."

2019	2018	2017	2016	2015	2014
0.0046342%	0.0043031%	0.0037660%	0.0039846%	0.0034661%	0.0018533%
$ 2,408,993	$ 2,368,505	$ 1,204,149	$ 1,505,711	$ 1,225,220	$ 495,042
3,647,521	4,067,505	2,464,593	2,981,871	2,907,732	2,512,646
$ 6,056,514	$ 6,436,010	$ 3,668,742	$ 4,487,582	$ 4,132,952	$ 3,007,688
$ 4,744,924	$ 4,625,348	$ 4,487,649	$ 4,410,996	$ 4,171,570	$ 4,092,956
50.77%	51.21%	26.83%	34.14%	29.37%	12.09%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2023

Fiscal Year Ended August 31,	2023	2022	2021
Contractually required contribution	$ 226,813	$ 246,987	$ 172,089
Contributions in relation to the contractually required contribution	(226,813)	(246,987)	(172,089)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 6,145,043	$ 5,846,800	$ 5,379,780
Contribution as a percentage of covered-employee payroll	3.69%	4.22%	3.20%

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."

2020	2019	2018	2017	2016	2015
$ 114,687	$ 127,873	$ 125,416	$ 122,574	$ 124,684	$ 104,547
(114,687)	(127,873)	(125,416)	(122,574)	(124,684)	(104,547)
$ -	$ -	$ -	$ -	$ -	$ -
$ 5,215,145	$ 4,714,243	$ 4,670,348	$ 4,487,649	$ 4,410,996	$ 4,171,570
2.20%	2.71%	2.69%	2.73%	2.83%	2.51%

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2023

Plan Year Ended August 31,	2022	2021	2020
District's proportion of the net OPEB liability (asset)	0.008294486%	0.007745763%	0.007739683%
District's proportionate share of the net OPEB liability (asset)	$ 1,986,032	$ 2,987,887	$ 2,942,203
State's proportionate share of the net OPEB liability (asset) associated with the District	2,422,647	4,003,103	3,953,616
Total	$ 4,408,679	$ 6,990,990	$ 6,895,819
District's covered-employee payroll	$ 5,846,800	$ 5,379,780	$ 5,215,145
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	33.97%	55.54%	56.42%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%

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."

2019	2018	2017
0.008978289%	0.007888446%	0.007409871%
$ 4,245,944	$ 3,938,773	$ 3,222,275
5,641,908	4,008,445	3,515,959
$ 9,887,852	$ 7,947,218	$ 6,738,234
$ 4,744,924	$ 4,625,348	$ 4,487,649
89.48%	85.16%	71.80%
2.66%	1.57%	0.91%

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2023

Fiscal year Ended August 31,	2023	2022	2021
Contractually required contribution	$ 64,763	$ 68,126	$ 59,611
Contributions in relation to the contractually required contribution	(64,763)	(68,126)	(59,611)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 6,145,043	$ 5,846,800	$ 5,379,780
Contribution as a percentage of covered-employee payroll	1.05%	1.17%	1.11%

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."

EXHIBIT G-5

2020	2019	2018
$ 75,455	$ 38,065	$ 37,834
(75,455)	(38,065)	(37,834)
$ -	$ -	$ -
$ 5,215,145	$ 4,714,193	$ 4,670,348
1.45%	0.81%	0.81%

Budgetary Information

The Board of Trustees adopts an “appropriated budget” for the General Fund, the National School and Breakfast Lunch Fund, and the Debt Service Fund. 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 District presented the General Fund budgetary comparison schedule as required supplementary information. The Debt Service Fund and the National School Breakfast and Lunch Program Fund budgetary comparison schedules are presented as required TEA schedules.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The opening 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 by a motion to adopt 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.

4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Expenditures Over Appropriations

The District exceeded appropriations in the General Fund in function 11 as noted on Exhibit G-1. These excess expenditures over appropriations were funded with overages in other functions.

COMBINING STATEMENTS

FRANKSTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting
	ASSETS				
1110	Cash and cash equivalents	$ -	$ -	$ 1,400	$ -
1120	Investments - current	-	-	164,710	-
1220	Property taxes - delinquent	-	-	-	-
1230	Allowance for uncollectible taxes	-	-	-	-
1240	Due from other governments	136,369	63,991	141,118	27,656
1000	Total assets	136,369	63,991	307,228	27,656
	LIABILITIES				
2110	Accounts payable	2,084	1,005	117,823	450
2140	Interest Payable	-	-	-	-
2160	Accrued wages payable	23,359	11,546	19,895	4,026
2170	Due to other funds	110,926	51,440	-	21,587
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	1,593
2000	Total liabilities	136,369	63,991	137,718	27,656
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable revenue - property taxes	-	-	-	-
2600	Total deferred inflows of resources	-	-	-	-
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal and state programs	-	-	169,510	-
3480	Retirement of long-term debt	-	-	-	-
	Committed Fund Balance:				
3545	Committed for campus activitites	-	-	-	-
3000	Total fund balances	-	-	169,510	-
4000	Total liabilities, deferred inflows of resources and fund balances	$ 136,369	$ 63,991	$ 307,228	$ 27,656

270 ESEA VI, Pt B Rural & Low Income	281 ESSER II	289 ESEA, Title IV, Part A	410 State Textbook Fund	429 State-Funded Special Revenue	461 Campus Activity Funds	599 Debt Service	Total Nonmajor Governmental
$ -	$ -	$ -	$ -	$ -	$ 27,680	$ 251,147	$ 280,227
-	-	-	-	-	-	338,730	503,440
-	-	-	-	-	-	108,994	108,994
-	-	-	-	-	-	(69,688)	(69,688)
26,641	70,952	21,176	-	35,285	-	-	523,188
26,641	70,952	21,176	-	35,285	27,680	629,183	1,346,161
-	-	528	-	-	1,656	-	123,546
-	-	-	-	-	-	9,901	9,901
-	-	10,545	-	-	-	-	69,371
26,641	70,952	10,103	-	35,285	-	17,185	344,119
-	-	-	-	-	-	8,235	8,235
-	-	-	-	-	-	-	1,593
26,641	70,952	21,176	-	35,285	1,656	35,321	556,765
-	-	-	-	-	-	30,212	30,212
-	-	-	-	-	-	30,212	30,212
-	-	-	-	-	-	-	169,510
-	-	-	-	-	-	563,650	563,650
-	-	-	-	-	26,024	-	26,024
-	-	-	-	-	26,024	563,650	759,184
$ 26,641	$ 70,952	$ 21,176	$ -	$ 35,285	$ 27,680	$ 629,183	$ 1,346,161

FRANKSTON 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	224 IDEA - Part B, Formula	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting
	REVENUES				
5700	Local and intermediate sources	$ -	$ -	$ 100,589	$ -
5800	State program revenues	-	-	8,411	-
5900	Federal program revenues	314,897	114,589	593,147	57,742
5020	Total revenues	314,897	114,589	702,147	57,742
	EXPENDITURES				
	Current:				
0011	Instruction	171,298	114,589	-	57,742
0012	Instructional resources and media services	65,722	-	-	-
0033	Health services	5,827	-	-	-
0035	Food service	-	-	615,415	-
0036	Extracurricular Activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	72,050	-	-	-
0071	Principal on long-term debt	-	-	-	-
0072	Interest on long-term debt	-	-	-	-
0073	Bond issuance costs and fees	-	-	-	-
6030	Total expenditures	314,897	114,589	615,415	57,742
1200	**NET CHANGE IN FUND BALANCES**	-	-	86,732	-
0100	**FUND BALANCE, BEGINNING**	-	-	82,778	-
3000	**FUND BALANCE, ENDING**	$ -	$ -	$ 169,510	$ -

270 ESEA VI, Pt B Rural & Low Income	281 ESSER II	289 ESEA, Title IV, Part A	410 State Textbook Fund	429 State-Funded Special Revenue	461 Campus Activity Funds	599 Debt Service	Total Nonmajor Governmental
$ -	$ -	$ 68,184	$ -	$ -	$ 143,358	$ 953,623	$ 1,265,754
-	-	-	21,805	99,465	-	50,311	179,992
26,641	-	46,618	-	-	-	-	1,153,634
26,641	-	114,802	21,805	99,465	143,358	1,003,934	2,599,380
26,641	-	17,666	-	-	-	-	387,936
-	-	-	-	-	-	-	65,722
-	-	68,185	-	-	-	-	74,012
-	-	-	-	-	-	-	615,415
-	-	-	-	-	139,438	-	139,438
-	-	-	-	10,000	-	-	10,000
-	-	28,951	-	-	-	-	28,951
-	-	-	-	89,465	-	-	89,465
-	-	-	21,805	-	-	-	93,855
-	-	-	-	-	-	465,000	465,000
-	-	-	-	-	-	307,875	307,875
-	-	-	-	-	-	1,000	1,000
26,641	-	114,802	21,805	99,465	139,438	773,875	2,278,669
-	-	-	-	-	3,920	230,059	320,711
-	-	-	-	-	22,104	333,591	438,473
$ -	$ -	$ -	$ -	$ -	$ 26,024	$ 563,650	$ 759,184

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REQUIRED TEA SCHEDULES

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECIEVABLE

FOR THE YEAR ENDED AUGUST 31, 2023

	1	2	3
	Tax Rates		Net Assessed/ Appraised
Last Ten Years Ended August 31,	Maintenance	Debt Service	Value for School Tax Purpose
2014	various	various	various
2015	1.170000	0.360000	255,062,886
2016	1.170000	0.400000	236,757,448
2017	1.170000	0.400000	226,659,866
2018	1.170000	0.400000	229,195,545
2019	1.170000	0.369100	233,869,419
2020	1.068300	0.351600	260,316,290
2021	1.054700	0.285800	273,360,686
2022	0.973700	0.285300	301,277,284
2023	0.942900	0.260653	341,967,325
1000 Totals			
8000	Taxes Refunded under 26.1115		

10 Beginning Balance 09/01/22	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 08/31/22
$ 108,683	-	$ 5,830	$ 3,275	$ (22,990)	$ 76,588
20,921	-	1,694	521	(2,492)	16,214
23,165	-	2,135	730	(2,131)	18,169
21,082	-	1,848	632	(2,499)	16,103
25,478	-	2,430	831	(2,795)	19,422
32,816	-	6,157	1,942	(2,851)	21,866
46,894	-	11,714	3,855	(2,296)	29,029
58,394	-	9,371	2,539	(3,780)	42,704
116,779		21,262	6,230	(22,125)	67,162
-	4,115,758	3,147,497	870,087	27,396	125,570
$ 454,212	$ 4,115,758	$ 3,209,938	$ 890,642	$ (36,563)	$ 432,827
		$ 13,731			

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS

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.	$	687,995
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	$	447,527

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.	$	20,092
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	$	53,203

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 120,000	$ 120,000	$ 100,589	$ (19,411)
5800	State program revenues	-	-	8,411	8,411
5900	Federal program revenues	311,000	330,649	593,147	262,498
5020	Total revenues	431,000	450,649	702,147	251,498
	EXPENDITURES				
0035	Food services	570,224	540,224	615,415	(75,191)
6030	Total expenditures	570,224	540,224	615,415	(75,191)
1200	**NET CHANGE IN FUND BALANCES**	(139,224)	(89,575)	86,732	176,307
0100	**FUND BALANCE, BEGINNING**	82,778	82,778	82,778	-
3000	**FUND BALANCES, ENDING**	$ (56,446)	$ (6,797)	$ 169,510	$ 176,307

FRANKSTON INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 798,875	$ 798,875	$ 953,623	$ 154,748
5800	State program revenues	6,000	6,000	50,311	44,311
5020	Total revenues	804,875	804,875	1,003,934	199,059
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	465,000	465,000	465,000	-
0072	Interest on long-term debt	307,875	307,875	307,875	-
0073	Bond issuance cost and fees	850	850	1,000	(150)
6030	Total expenditures	773,725	773,725	773,875	(150)
1200	**NET CHANGE IN FUND BALANCES**	31,150	31,150	230,059	198,909
0100	**FUND BALANCE, BEGINNING**	333,591	333,591	333,591	-
3000	**FUND BALANCES, ENDING**	$ 364,741	$ 364,741	$ 563,650	$ 198,909

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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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
Frankston Independent School District
Frankston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frankston Independent School District, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Frankston Independent School District's basic financial statements, and have issued our report thereon December 18, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Frankston Independent School 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 Frankston Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 18, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Frankston Independent School District
Frankston, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Frankston Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Frankston Independent School District's major federal programs for the year ended August 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 18, 2023

EXHIBIT K-1

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Education Agency			
School Breakfast Program	10.553	71402201	$ 14,438
School Breakfast Program	10.553	71402301	100,969
National School Lunch Program	10.555	71402301	42,468
National School Lunch Program	10.555	71402301	251,974
Total Passed through the Texas Education Agency			409,849
Passed Through the Texas Department of Agriculture			
COVID-19 - NSLP - Supply Chain Grant 2022	10.555	NT4XL1YGLGC5	35,070
COVID-19 - NSLP - Supply Chain Grant 2023	10.555	NT4XL1YGLGC5	11,926
COVID-19 - ARPA - NSLP Equipment Assistance	10.555	NT4XL1YGLGC5	81,649
National School Lunch Program - Non-Cash Assistance	10.555	NT4XL1YGLGC5	54,653
Total Passed Through the Texas Department of Agriculture			183,298
Total Child Nutrition Cluster			593,147
TOTAL U.S. DEPARTMENT OF AGRICULTURE			593,147
U.S. DEPARTMENT OF EDUCATION			
Passed Through the Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101001904	314,897
Total Assistance Listing Number 84.010A			314,897
IDEA - Part B, Formula	84.027	226600011619206000	114,589
Total Special Education (IDEA) Cluster			114,589
Title V, B SP2, RLIS	84.358B	23696001001904	26,641
Total ALN Number 84.358B			26,641
ESEA, Title II, Part A, Teacher Principal Training	84.367A	23694501001904	57,742
Total ALN Number 84.367A			57,742
Title IV, Part A, Subpart I	84.424A	23680101001904	17,666
Total ALN Number 84.424A			17,666
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II)	84.425D	21521001001904	(5,389)
COVID-19 - ESSER III	84.425U	21528001001904	424,835
Total ALN Number 84.425			419,446
Total Passed through the Texas Education Agency			950,981
TOTAL U.S. DEPARTMENT OF EDUCATION			950,981
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed Through the Texas Education Agency			
COVID-19 School Health Support	93.323	22393503001904	28,951
Total ALN Number 93.323			28,951
Total Passed through the Texas Education Agency			28,951
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			28,951
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,573,079

FRANKSTON INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2023

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Frankston Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles,* and *Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounted presented in or used in the preparation of the basic financial statements. National School Lunch Program noncash commodities are recorded at their estimated market value at the time of donation. The District has elected not to use 10% de minimis indirect cost rate as allowed under Uniform Guidance, and none of the federal awards expended by the District were provided to subrecipients. Presented below is a reconciliation of federal revenues:

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	$ 1,578,469
COVID-19 - ESSER II Funds approved that were recognized previously	(5,389)
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	$ 1,573,079

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2023

Summary of Auditor's Results

Financial Statements:	
Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Material noncompliance material to financial statements noted?	None
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major programs:	
Assistance Listing Number(s):	Name of Federal Program or Cluster:
84.425D and 84.425U	ESSER
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None reported

Findings and Questioned Costs for Federal Awards

None reported

FRANKSTON INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2023

None

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