

TORNILLO

INDEPENDENT SCHOOL DISTRICT



Annual Financial Report

FOR THE YEAR ENDED AUGUST 31, 2023

TORNILLO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED AUGUST 31, 2023

TORNILLO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED AUGUST 31, 2023

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CERTIFICATE OF BOARD

Tornillo Independent School District
Name of School District

El Paso County
County

071-908
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 24th day of January 2024.


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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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Trustees
Tornillo Independent School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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, the budgetary comparison information, and the pension and other post employment benefits information on pages 9 through 18 and 75 through 88 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the required TEA schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
January 23, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we the managers of Tornillo Independent School District, discuss and analyze the District's financial performance for the fiscal year ending August 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

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, which provide information about the activities of the District as a whole, 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 activities, these statements tell how services were financed in the short term as well 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 the activities for which the District acts solely as a trustee custodial of funds that benefits students and others.

The notes to the financial statement provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain additional information about the District's individual funds. 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 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 analysis of the District's overall financial condition and operations 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 of resources, deferred inflow 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 considered 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 grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) 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, non-financial factors should be considered, such as changes in the District's average daily attendance or the property tax base and the condition of the District's facilities.

Governmental activities - Most of the District's basic services are reported here, including the 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 Every Student Succeeds Act (ESSA) 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 (i.e., campus activities).

All 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 which is reported in the Statement of Changes in Fiduciary Net Position. All of the District's fiduciary activities are reported in separate Statements 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.

FINANCIAL HIGHLIGHTS

Total assets and total deferred outflows and resources of the Tornillo Independent School District exceeded its liabilities for fiscal year 2023 by \$11,470,374 (net position). Total Net Position of the District increased from \$10,896,361 in fiscal year 2022 to \$11,470,374 at year- end 2023. Of this total amount, unrestricted decreased by \$1,257,503 from (\$618,926) to (\$1,876,429).

Total revenues increased \$723,839 from \$17,350,744 in fiscal year 2022, to \$18,074,583 in fiscal year 2023. Total expenses increased \$531,600 from \$16,968,970 to \$17,500,570. Revenues increased due to increase in interest rates, property values and indirect cost charged to grants. Increase in expenditures are due to assigned fund balance expenditures incurred during the fiscal year.

The District's governmental funds financial statements reported a combined ending fund balance in fiscal year 2023 of \$6.8 million. The combined ending fund balance of the District decreased from \$8.2 million in fiscal year 2022 to \$6.8 million in fiscal year 2023. Of this total amount, \$16,992 is Nonspendable, \$458,552 is Restricted, \$84,072 is Committed, \$205,148 is Assigned and \$6,080,114 is Unassigned and is available for spending at the District's discretion.

The fund balance in the Debt Service Fund is \$183,898. For fiscal year 2023, a combined tax rate of \$1.3684 per \$100 valuation is comprised of an Interest and Sinking tax rate of \$0.4689 and a Maintenance and Operations tax rate of \$0.8995.

During the fiscal year 2023, assigned balance increased \$933,483 from \$589,117 to a total of \$1,522,600. The assignment was done to continue funding the elementary parking lot in the amount of \$117,222, exterior and interior wall repairs at the junior high School and intermediate school in the amount of \$274,546, intermediate roof repairs in the amount of \$75,205, security rock walls and fencing perimeter at the high school in the amount of \$359,667, LED light conversion at the Intermediate school in the amount of \$24,956, security entry vestibules all schools \$30,805, COPS grant cash match in the amount of \$2,876, School Resource Officer in the amount of \$58,381, intermediate playground canopy and turf in the amount of \$29,319 and the gym to cafeteria conversion project in the amount of \$344,474. As of August 31, 2023, the assigned fund balance was \$205,148 due to completion of several projects.

On August 31, 2023, the committed fund balance was \$84,072, no expenditures were paid out of committed funds in fiscal year 2023.

The District scored 96 out of 100 possible points for 2022-2023 Financial Integrity Rating System of Texas (FIRST) based on 2021-2022 data, which resulted in a "Superior Achievement" rating.

Government-Wide Financial Analysis

Our analysis of comparative balances and changes therein compares both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District increased from \$10,896,361 in fiscal year 2022 to \$11,470,374 in 2023.

Table I
The District's Net Position
(in thousands)

Governmental & Other
Business-Type Activities

	2022	2023
Current and Other Assets	\$9,953	\$9,890
Capital Assets	<u>27,250</u>	<u>28,156</u>
Total Assets	37,203	38,047
Deferred Outflows of Resources	<u>2,659</u>	<u>4,455</u>
Total Assets and Deferred Outflows	<u>39,862</u>	<u>42,502</u>
Current Liabilities	1,547	2,888
Long Term Liabilities	<u>21,842</u>	<u>23,102</u>
Total Liabilities	23,389	25,990
Deferred Inflows of Resources	<u>5,577</u>	<u>5,042</u>
Total Liabilities and Deferred Inflows	<u>28,966</u>	<u>31,032</u>
Net Positions:		
Invested in capital assets,		
net of related debt	11,115	12,922
Restricted	400	424
Unrestricted	<u>(619)</u>	<u>(1,876)</u>
Total Net Position	<u><u>\$10,896</u></u>	<u><u>\$11,470</u></u>

Changes in Net Position

The District's total revenues were \$18 million. A significant portion, 51 percent, of the district's revenues comes from state aid formula grants. Approximately 7 percent comes from taxes. The remaining 42 percent comes from investment earnings, federal grants and miscellaneous services. (See figure A-1 below.)

Figure A-1 Sources of Revenues for Fiscal Year 2023

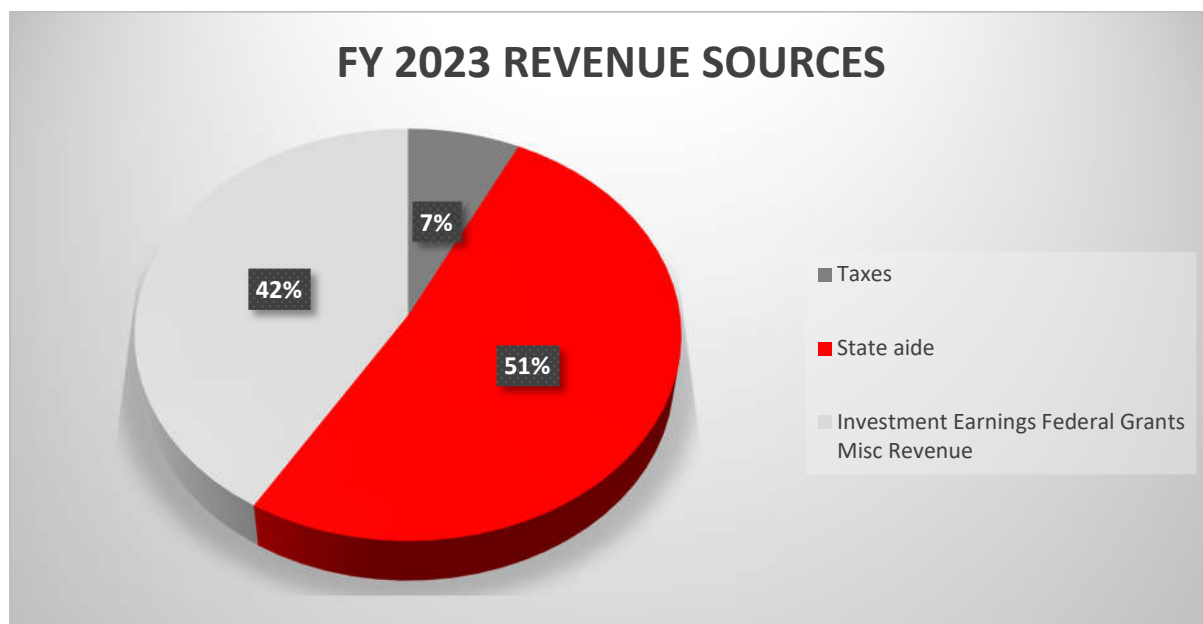
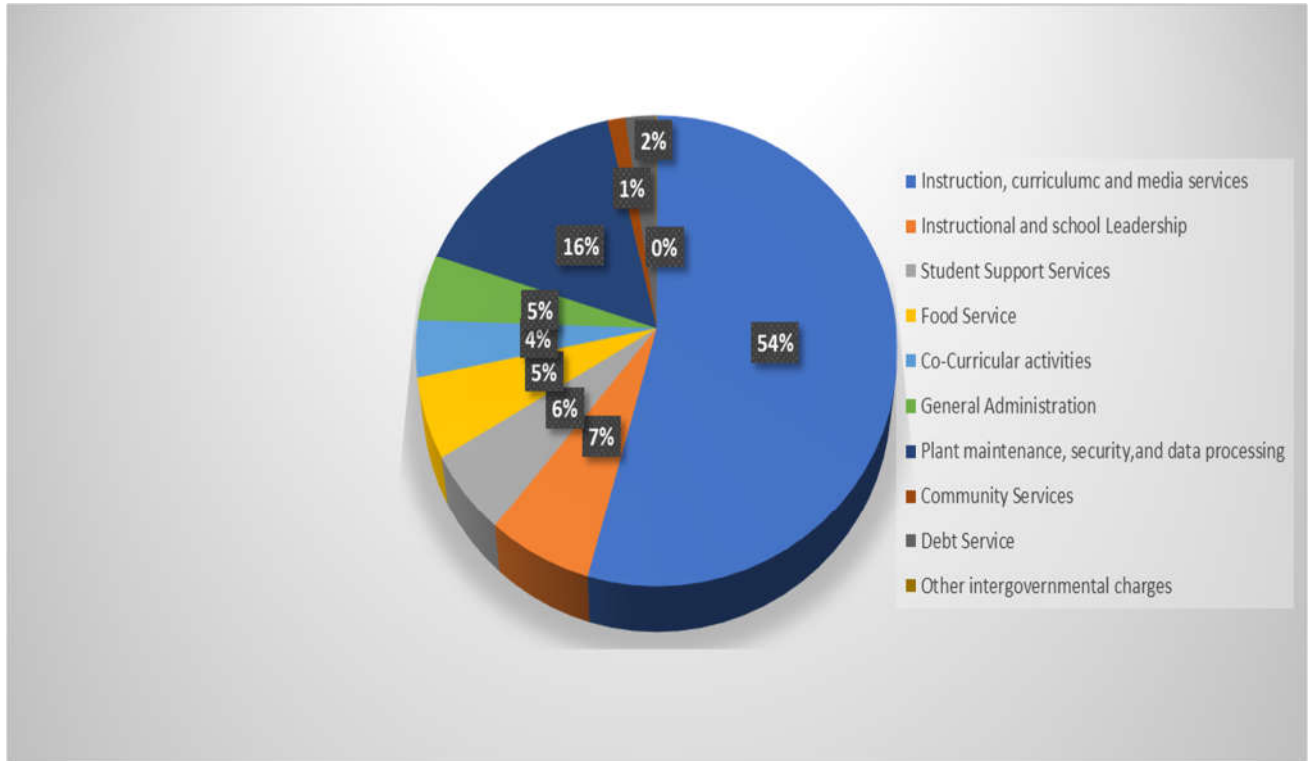


Table II
Changes In Net Position
(in thousands)
Governmental
Activities

Revenues:	2022	2023
<u>Program Revenues:</u>		
Charges for Services	\$126	\$153
Operating Grants and Contributions	5,637	6,955
Capital Grants and Contributions	0	49
<u>General Revenues:</u>		
Maintenance & Operations Taxes	869	884
Debt Service Taxes	404	418
State Aid-Formula Grants	10,246	9,218
Investment Earnings	47	335
Miscellaneous Revenue	22	62
Total Revenues	<u>17,351</u>	<u>18,074</u>
Expenses:		
Instruction, curriculum and		
media services	9,125	9,486
Instructional and school leadership	1,087	1,141
Student support services	904	960
Food Services	883	956
Co-curricular activities	674	679
General Administration	863	803
Plant maintenance, security, and		
data processing	2,791	2,841
Community services	242	228
Debt service	382	387
Other Intergovernmental Charges	18	19
Total Expenses	<u>16,969</u>	<u>17,500</u>
Increase (decrease) in net position	382	574
Beginning net position	<u>10,514</u>	<u>10,896</u>
Ending Net Position	<u>\$10,896</u>	<u>\$11,470</u>

The total cost of all programs and services was \$17.5 million. 54 percent of these costs were for instructional student services. 7 percent for all programs and services cost was for instructional and school leadership and 16 percent was for plant maintenance, security and data processing services.



THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances of \$6.8 million which decreased from last year's total of \$8.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had \$28,156,525 invested in a broad range of capital assets. Current year capital assets additions were perimeter rockwall and fencing at the Tornillo High School, Elementary canopy and turf, Elementary parking lot, and the gym to cafeteria conversion and cafeteria equipment.

Debt

At year-end, the District had \$14.6 million in bonds outstanding versus \$15.4 million last year. Debt Service requirements are normally due in February (Principal) and August (Interest) of every year. For the period ending August 31, 2023, the bond debt payments made were in the amount of \$1,298,130. The principal portion paid for the year was \$838,500 and interest paid was \$459,630.

GASB 96

The District implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). A SBITA is defined as a subscription-based information technology arrangement which establishes a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability ; provides the capitalization criteria for outlays other than subscription payment, including implementation costs and thus requiring note disclosures. The implementation of GASB Statement No. 96 did not result in an effect on the amounts reported in the financial statements or disclosures for the District. The District adopted a \$50,000 SBITA threshold. At the end of fiscal year 2023, there were no SBITAs that were over the threshold amount.

BUDGETARY HIGHLIGHTS

GASB Statement 34 required that we provide a discussion on significant variances between the district's original budget, final budget, and actual expenditures, and the impact of these variances on the District's/department's future liquidity.

General Fund. The FY 2023 budget was developed by balancing challenges of an increase in operational cost and maintaining an adequate fund balance reserve to ensure financial stability. The most significant fund for the District is the General Fund, funded primarily through state aide and property tax revenue.

Over the course of the year, the District approved several budget amendments. These amendments increased the function and included:

- Function 11 – Budget amendment in function 11 was to Teacher Incentive Allotment (\$35,396);
- Function 13- Budget amendment in function 13 reclassification of personnel, professional development costs and TRS on behalf payments (\$376,230);
- Function 21 – Budget amendment to cover short fall in salary and fringe benefits under-budgeting (\$9,690);
- Function 23 – TRS on behalf payments (\$6,911);
- Function 35 – Increase due to the awarded equipment grant and chain supply grant (\$132,904);
- Function 51- Increase due to assigned fund balance expenditures in security vestibules and remodeling of wall at the Junior High and Intermediate Schools (158,000)
- Function 52 – The allocation for a contract School Resource Officer, COPS grant match and TRS on behalf payments (\$124,396);
- Function 81 – Amendment related to various construction projects districtwide from assigned fund balance (1,522,000).

Budget amendments that increase or decrease the amount in a function are presented to the Tornillo ISD Board of Trustees for approval.

Exhibit G-1 of the financial statements includes a Statement of Revenues, Expenditures, and Changes in Fund Balance report that compares original and final budget amounts to actual amounts as of year-end close. The final column of the report lists the variance as compared to the final budget.

At the end of the fiscal year, the District's actual revenues of \$12,498,086 were in line with final projected revenues of \$12,931,907.

The District's expenditure as compared to the final budget include three negative variances.

- Function 13- Instructional Resources and Media Services - Underestimation for TRS on Behalf and fringe benefits throughout the year (\$3,135).

- Function 33 - Nursing- underestimation of TRS on Behalf costs (\$562).
- Function 35 – Child Nutrition-Year end inventory adjustments by (\$2,423)

Total functions within the approved budget did not exceed the total approved appropriation. The variance listed above will not impact future services or liquidity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's student population continues to show a decrease over previous years. Due to the District's proximity to the Border, it is not unusual to see students return to their country of origin especially during the last couple of years in which the wave of violence has decreased in our neighboring city of Cd. Juarez, Mexico. In addition, several families have moved out of the District into neighboring school districts or have relocated to the Midland area seeking employment opportunities in the oil industry. With historic enrollment trends in mind, the Board of Trustees and Administration continue to use a conservative budget approach to ensure next year's budget is balanced. Other areas such as staffing ratios and attendance projections are considered during the budget development process.

Fiscal year 2023-2024 began with District facing additional challenges in the labor market, supply chain, and inflation due to the post pandemic normal. Overall, labor force and the district's location have presented a challenge in filling vacancies for instructional, administrative, and auxiliary staff. Retention stipends have been made available to keep and attract employees. Additionally, the District has offered a 4% teacher increase and 2% for all employees. The financial condition of the District continues to be strong.

Our Board adopts its budget using conservative Average Daily Attendance estimates and Assessed taxable property values. For 2023-2024 the district lowered its local Maintenance and Operations tax rate to \$0.6688 due to state tax rate compression after passing Senate Bill 2. Increasing homestead exemption from \$40,000 to \$100,000 and tax rate compression shifted funding from local to state share from which the District currently qualifies for approximately 93% funding by the state foundation and with the remaining 7% satisfied through the property taxes. It has long been the Board's objective to maintain a significant fund balance to make new construction and/or renovations to existing structures, should the need arise.

The Interest and Sinking tax rate will be maintained at the rate of \$0.4689 during the current year in order to meet the debt obligations. The Maintenance and Operation tax rate has decreased due to increase of property values and reduced tax rate as required by Senate Bill 2 tax compression to \$0.6688 per every hundredth valuation for a combined tax rate of \$1.1377.

The District continues to apply and qualify for various Federal Program Grants that assist in the enhancement of education for students identified with special needs. These funds constitute a significant portion of our operating budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office, at Tornillo Independent School District, 19200 Cobb Avenue, Tornillo, Texas.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 6,272,329
1220 Property Taxes - Delinquent	225,076
1230 Allowance for Uncollectible Taxes	(11,244)
1240 Due from Other Governments	3,356,265
1267 Due from Fiduciary Funds	1,110
1290 Other Receivables, Net	15,480
1300 Inventories	17,852
1410 Prepayments	13,245
Capital Assets:	
1510 Land	7,243
1520 Buildings and Improvements, Net	27,529,939
1530 Furniture and Equipment, Net	616,133
1550 Right-to-Use Lease Assets, Net	3,210
1000 Total Assets	<u>38,046,638</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	354,332
1705 Deferred Outflow Related to TRS Pension	2,543,181
1706 Deferred Outflow Related to TRS OPEB	1,558,168
1700 Total Deferred Outflows of Resources	<u>4,455,681</u>
LIABILITIES	
2110 Accounts Payable	782,279
2140 Interest Payable	37,265
2150 Payroll Deductions and Withholdings	99,092
2160 Accrued Wages Payable	339,363
2180 Due to Other Governments	16,964
2190 Due to Student Groups	710
2300 Unearned Revenue	1,612,650
Noncurrent Liabilities:	
2501 Due Within One Year: Bonds and Leases	850,932
Due in More than One Year:	
2502 Bonds, Leases and Unamortized Premium	14,613,760
2540 Net Pension Liability (District's Share)	5,148,406
2545 Net OPEB Liability (District's Share)	2,489,085
2000 Total Liabilities	<u>25,990,506</u>
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Gain on Refundings	176,586
2605 Deferred Inflow Related to TRS Pension	461,401
2606 Deferred Inflow Related to TRS OPEB	4,403,452
2600 Total Deferred Inflows of Resources	<u>5,041,439</u>
NET POSITION	
3200 Net Investment in Capital Assets	12,922,409
Restricted:	
3820 Restricted for Federal and State Programs	214,873
3850 Restricted for Debt Service	197,478
3870 Restricted for Campus Activities	12,043
3900 Unrestricted	(1,876,429)
3000 Total Net Position	<u><u>\$ 11,470,374</u></u>

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

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

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 7,943,130	\$ 31,027	\$ 1,980,661
12 Instructional Resources and Media Services	212,865	-	56,316
13 Curriculum and Instructional Staff Development	1,330,892	-	1,048,941
21 Instructional Leadership	223,109	-	117,117
23 School Leadership	918,166	8,769	132,522
31 Guidance, Counseling, and Evaluation Services	396,287	-	76,427
32 Social Work Services	32,954	-	34,001
33 Health Services	185,206	-	158,540
34 Student (Pupil) Transportation	345,173	-	9,764
35 Food Services	956,035	80,792	876,697
36 Extracurricular Activities	678,983	4,477	-
41 General Administration	802,929	24,957	345,432
51 Facilities Maintenance and Operations	1,853,748	2,698	242,659
52 Security and Monitoring Services	531,542	-	197,752
53 Data Processing Services	456,154	-	13,610
61 Community Services	227,952	-	171,842
72 Debt Service - Interest on Long-Term Debt	384,685	-	853,066
73 Debt Service - Bond Issuance Cost and Fees	2,000	-	-
81 Capital Outlay	-	-	639,399
99 Other Intergovernmental Charges	18,760	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 17,500,570</u>	<u>\$ 152,720</u>	<u>\$ 6,954,746</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
5		6	
Capital Grants and Contributions		Governmental Activities	
\$	-	\$	(5,931,442)
	-		(156,549)
	-		(281,951)
	-		(105,992)
	-		(776,875)
	-		(319,860)
	-		1,047
	-		(26,666)
	-		(335,409)
	49,418		50,872
	-		(674,506)
	-		(432,540)
	-		(1,608,391)
	-		(333,790)
	-		(442,544)
	-		(56,110)
	-		468,381
	-		(2,000)
	-		639,399
	-		(18,760)
\$	<u>49,418</u>		<u>(10,343,686)</u>

884,471
418,479
9,217,776
335,210
61,763
<u>10,917,699</u>
574,013
10,896,361
<u>\$ 11,470,374</u>

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 5,823,461	\$ 448,868	\$ 6,272,329
1220 Property Taxes - Delinquent	164,588	60,488	225,076
1230 Allowance for Uncollectible Taxes	(8,223)	(3,021)	(11,244)
1240 Due from Other Governments	1,683,090	1,673,175	3,356,265
1260 Due from Other Funds	1,252,796	209,191	1,461,987
1290 Other Receivables	15,480	-	15,480
1300 Inventories	17,852	-	17,852
1410 Prepayments	2,701	10,544	13,245
1000 Total Assets	<u>\$ 8,951,745</u>	<u>\$ 2,399,245</u>	<u>\$ 11,350,990</u>
LIABILITIES			
2110 Accounts Payable	\$ 202,536	\$ 579,743	\$ 782,279
2150 Payroll Deductions and Withholdings Payable	99,092	-	99,092
2160 Accrued Wages Payable	328,180	11,183	339,363
2170 Due to Other Funds	187,028	1,273,849	1,460,877
2180 Due to Other Governments	157	16,807	16,964
2190 Due to Student Groups	710	-	710
2300 Unearned Revenue	1,451,132	161,518	1,612,650
2000 Total Liabilities	<u>2,268,835</u>	<u>2,043,100</u>	<u>4,311,935</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	143,332	50,845	194,177
2600 Total Deferred Inflows of Resources	<u>143,332</u>	<u>50,845</u>	<u>194,177</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	16,992	-	16,992
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	153,252	44,629	197,881
3470 Capital Acquisition and Contractual Obligation	-	64,730	64,730
3480 Retirement of Long-Term Debt	-	183,898	183,898
3490 Other Restricted Fund Balance	-	12,043	12,043
Committed Fund Balance:			
3530 Capital Expenditures for Equipment	15,920	-	15,920
3545 Other Committed Fund Balance	68,152	-	68,152
Assigned Fund Balance:			
3550 Construction	155,526	-	155,526
3590 Other Assigned Fund Balance	49,622	-	49,622
3600 Unassigned Fund Balance	6,080,114	-	6,080,114
3000 Total Fund Balances	<u>6,539,578</u>	<u>305,300</u>	<u>6,844,878</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,951,745</u>	<u>\$ 2,399,245</u>	<u>\$ 11,350,990</u>

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 6,844,878
1 Capital assets and Right-to-Use Lease Assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$45,613,156 and the accumulated depreciation/amortization was (\$18,363,413). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation and amortization) and long-term debt in the governmental activities is to increase net position.	11,050,162
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position. Similarly, the principal payments on Right-to-Use Lease Assets are not expenses, rather they are decreases in the Right-to-Use Lease Liabilities. These payments must be reclassified and shown as reductions to these liabilities increasing Net Position.	3,043,087
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$2,543,181, a deferred resource inflow in the amount of \$461,401, and a net pension liability in the amount of \$5,148,406. This resulted in a decrease in net position.	(3,066,626)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,558,168, a deferred resource inflow in the amount of \$4,403,452, and a net OPEB liability in the amount of \$2,489,085. This resulted in a decrease in net position.	(5,334,369)
5 The current year depreciation and amortization expense increases accumulated depreciation and amortization. The net effect of the current year's depreciation and amortization is to decrease net position.	(1,260,935)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	194,177
19 Net Position of Governmental Activities	\$ 11,470,374

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

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

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 1,320,251	\$ 569,428	\$ 1,889,679
5800 State Program Revenues	9,838,945	1,494,790	11,333,735
5900 Federal Program Revenues	1,338,890	3,994,280	5,333,170
5020 Total Revenues	12,498,086	6,058,498	18,556,584
EXPENDITURES:			
Current:			
0011 Instruction	5,687,559	1,940,207	7,627,766
0012 Instructional Resources and Media Services	154,970	54,619	209,589
0013 Curriculum and Instructional Staff Development	329,365	1,044,858	1,374,223
0021 Instructional Leadership	119,321	115,287	234,608
0023 School Leadership	836,110	130,105	966,215
0031 Guidance, Counseling, and Evaluation Services	344,497	72,349	416,846
0032 Social Work Services	-	34,001	34,001
0033 Health Services	173,169	19,247	192,416
0034 Student (Pupil) Transportation	237,386	7,102	244,488
0035 Food Services	995,827	26,377	1,022,204
0036 Extracurricular Activities	360,830	-	360,830
0041 General Administration	803,601	31,739	835,340
0051 Facilities Maintenance and Operations	1,781,416	233,018	2,014,434
0052 Security and Monitoring Services	330,089	195,325	525,414
0053 Data Processing Services	448,078	10,419	458,497
0061 Community Services	59,542	170,618	230,160
Debt Service:			
0071 Principal on Long-Term Liabilities	1,218	838,500	839,718
0072 Interest on Long-Term Liabilities	47	459,630	459,677
0073 Bond Issuance Cost and Fees	-	2,000	2,000
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,261,718	639,399	1,901,117
Intergovernmental:			
0099 Other Intergovernmental Charges	18,760	-	18,760
6030 Total Expenditures	13,943,503	6,024,800	19,968,303
1200 Net Change in Fund Balances	(1,445,417)	33,698	(1,411,719)
0100 Fund Balance - September 1 (Beginning)	7,984,995	271,602	8,256,597
3000 Fund Balance - August 31 (Ending)	\$ 6,539,578	\$ 305,300	\$ 6,844,878

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

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (1,411,719)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to decrease the change net position. Similarly, current year principal payments on Right-to-Use Leases are also reclassified as reductions to the Right-To-Use Lease Liability which will results in an increase in the change in Net Position.	3,082,427
Depreciation and amortization is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease the change in net position.	(1,260,935)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.	5,087
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 \$453,368. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$404,437. Finally, the proportionate share of the TRS pension expense on the plan as whole had to be recorded. The net pension expense decreased the change in net position by \$271,402. The net result is a decrease in the change in net position.	(222,471)
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 \$90,702. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$86,850. Finally, the proportionate share of the TRS OPEB expense on the plan as whole had to be recorded. The net OPEB expense increased the change in net position by \$377,772. The net result is an increase in the change in net position.	381,624
Change in Net Position of Governmental Activities	\$ 574,013

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

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 49,987
Total Assets	<u>49,987</u>
LIABILITIES	
Accounts Payable	6,413
Due to Other Funds	<u>1,110</u>
Total Liabilities	<u>7,523</u>
NET POSITION	
Restricted for Individuals and Organization	<u>42,464</u>
Total Net Position	<u><u>\$ 42,464</u></u>

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

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

	Custodial Fund
ADDITIONS:	
Contributions to Student Groups	\$ 53,172
Total Additions	<u>53,172</u>
DEDUCTIONS:	
Supplies and Materials	<u>51,346</u>
Total Deductions	<u>51,346</u>
Change in Fiduciary Net Position	1,826
Total Net Position - September 1 (Beginning)	<u>40,638</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 42,464</u></u>

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

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tornillo Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board 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.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Board also has primary accountability for fiscal matters; therefore, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB").

The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GAAP. The primary standard for including or excluding a potential component unit is whether it is financially dependent on the reporting entity. The fiscal dependency criterion also requires that a financial benefit or burden relationship be present in order for a potential component unit to be included in the financial reporting entity. Other manifestations of the ability to exercise oversight responsibility include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations, and accountability for fiscal matters. The second standard used to evaluate potential component units is the scope of public services. Application of this standard entails considering whether the activity benefits the District or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. The third standard involved in evaluating whether potential component units are included or excluded from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no component units to be included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, charges to school districts for services, state funds, grants, and other intergovernmental revenues.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions and OPEB, these outflows result from pension plan and OPEB contributions made after the measurement date of the net pension and OPEB liabilities, net differences between projected and actual investment earnings, changes in actuarial assumptions; differences between expected and actual experiences; and changes in the District's proportionate share of net pension and OPEB liabilities. The deferred outflows of resources related to pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the next fiscal year. The other pension and OPEB related deferred outflows will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For pensions and OPEB, these inflows result from net differences between projected and actual investment earnings, changes in actuarial assumptions; differences between expected and actual experiences; and changes in the District's proportionate share of net pension and OPEB liabilities. These deferred inflows will be amortized over a systematic and rational method over a closed period.

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 outflow 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. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. 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.

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.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 through program revenues. 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. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Examples of program revenues include school lunch charges, and athletic and extracurricular/cocurricular activities, etc. The “Grants and Contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. 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 or due from on the government-wide Statement of Net Position.

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

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

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, leases, and subscription-based information technology arrangements (SBITAs) which are 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 revenues, other than property tax revenue, available if they are collectible within one year after year end. School Health and Related Services (SHARS) revenue is recognized as revenue upon receipt of the reimbursements during the fiscal year and when the annual Cost Report is acknowledged by the Texas Health and Human Service Commission.

Revenues from local sources consist primarily of property taxes and related penalties and interest. Revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers property tax revenue available if it will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Unavailable revenue from property taxes arises only under the modified accrual basis of accounting. The governmental funds report this unavailable revenue as a deferred inflow of resources, which is recognized as revenue in the period that the amounts become available.

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Within this measurement focus, assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into investment in capital assets net of related debt, restricted, and unrestricted.

D. Fund Accounting

The District reports the following major governmental fund:

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

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fund types:

GOVERNMENTAL FUNDS:

1. Special Revenue Funds - The District accounts for resources restricted for specific purposes by a grantor in a special revenue fund. Most federal and state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances are returned to the grantor at the close of specified project periods.
2. Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. Capital Projects Fund - The proceeds from long-term debt financing will be used to construct, renovate, acquire and equip school buildings in the District and pay any associated costs.
4. Permanent Funds - Account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's program. The District has no permanent funds.

PROPRIETARY FUNDS:

5. Enterprise Funds - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
6. Internal Service Funds - These funds are used to account for financing of goods or services provided by one department to other departments of the District on a cost-reimbursement basis. The District has no internal service funds.

FIDUCIARY FUNDS:

7. Private Purpose Trust Funds - This fund is used to report all fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and are held in a trust. The District has no private purpose trust funds.
8. Pension (and Other Employee Benefit) Trust Funds - These funds are used to report fiduciary activities for pension plans and OPEB plans that are administered through trusts and other employee benefit plans for which resources are held in a trust. The District has no pension trust funds.
9. Investment Trust Fund - This fund is used to report fiduciary activities from the external position of investments pools and individual investment accounts that are held in a trust. The District has no investment trust funds.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Custodial Funds - These funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. The District's custodial fund is the Student Activity Fund and consists of funds that are property of students and others and cannot be used by the District in its operations.

E. Other Accounting Policies

1. For the purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year end, except for nonparticipating interest-earning investment contracts which are reported at cost. Investments with an original maturity of less than one year are reported at amortized cost, which approximates fair value.
3. 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
4. The District reports inventories of supplies using the first in first out (FIFO) method and include food and non-food supplies, consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
5. Prepaid items on the balance sheet are accounted for using the consumption method and are recognized as expenditures over the periods in which the service is provided.
6. 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-to-day 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.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. 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: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts that the District is in substantial compliance with the requirements of the Act and with local policies.
8. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk:

Deposits - The District is not exposed to credit risk.

Temporary Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2023, the District's investments in Lone Star investment pool was rated AAAM by Standard & Poors.

Custodial Credit Risk:

Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. Investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk:

Deposits - The District is not exposed to concentration of credit risk.

Temporary Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio.

Interest Rate Risk:

Deposits - The District is not exposed to interest rate risk.

Temporary Investments - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District requires its investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis.

Foreign Currency Risk:

Deposits - The District attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

Temporary Investments - The District attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools which are denominated in a foreign currency.

9. In the government-wide financial statements, long-term debt, right-to-use lease liabilities, subscription-based information technology arrangements (SBITAs), and other long-term obligations are reported as liabilities in the Statement of Net Position. When applicable, premiums and discounts are presented as a component of liabilities while deferred losses on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable bond premium or discount. The right-to-use lease and SBITA liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease or the SBITA and the interest in the lease or SBITA payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and new right-to-use lease arrangements and new SBITAs, 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. For new right-to-use leases and SBITAs, the initial measurement is reported in governmental fund types as an other financing source during the current period. Payments are reported as principal and interest payments during the reporting period in the fund financial statements.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. It is the District's policy to permit some employees to accumulate earned but unused vacation, sick leave, and local days. There is no liability for unpaid accumulated vacation, sick leave, and local days since the District does not have a policy to pay any amounts when employees separate from service with the District.
11. Capital assets, which include land, buildings and improvements, furniture and equipment, library books and media, right-to-use lease assets, and subscription-based information technology arrangements (SBITAs), are reported in the government-wide financial statements. Capital assets, excluding SBITAs, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life (or lease term) in excess of one year. The District capitalizes SBITAs with a present value that is equal to or greater than \$50,000 and an estimated useful life (SBITA term) in excess of one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of receipt.

All individual federally funded assets with a cost of \$5,000 or more shall be capitalized in accordance with the aforementioned policies.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment, and library books and media of the District are depreciated using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 to 50
Furniture & Equipment	5 to 15
Library Books & Media	5

Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. When a lease contains a purchase option the District chooses to exercise, the lease asset is amortized over the useful life of the underlying asset. The amortization expense is combined with depreciation expense for financial reporting purposes.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Net Position on the Statement of Net Position include the following:

Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.

Restricted for Campus Activities - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources, if applicable, related to those assets, which are restricted transactions related to a principal's activity fund.

Unrestricted - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District considers restricted resources to have been spent.

13. The District reports the following fund balance categories which describe the nature and the relative strength of the spending constraints:

Nonspendable Fund Balance - Represents amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.

Restricted Fund Balance - Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or (c) enabling legislation.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed Fund Balance - Represents amounts that are restricted for purposes which the Board of Trustees, the District's highest level of decision-making authority, has designated their use. These amounts are committed through a formal resolution, requiring funds to be used only for specific purposes. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. The Board of Trustees shall take action to commit funds for a specific purpose prior to the end of the fiscal year.

Assigned Fund Balance - Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body has delegated authority to the Superintendent or designated managers. Should the Board opt not to commit any balances, it will implicitly defer to the designees to make appropriate assignments.

Unassigned Fund Balance - Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a formal resolution. Assigned fund balance is established by the Superintendent or designated managers through adoption or amendment of the budget as intended for a specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) 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, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes of which amounts in any of those unrestricted fund balance classifications could be used, unless the Board of Trustees or designees have provided otherwise in their commitment or assignment actions.

14. 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 state-wide data base for policy development and funding plans.
15. The District receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the District by the federal government or Texas Education Agency. The portion of revenue allowable for indirect cost is credited as revenue to the General Fund and as a reduction to revenue in the Special Revenue Fund, as appropriate. The indirect cost revenue is fully allocated to function 41, General Administration, in the Government-wide Statement of Activities as operating grants and contributions.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets as least the minimum requirements presented by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.
17. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the District's fiscal year.
18. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

- F. The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payment, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The District did not have any qualifying arrangements that met the threshold discussed in the capital asset policy in Note I. E.11.

The District implemented GASB Statement No. 99, *Omnibus 2022*. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified in previous GASB statements, and (2) adding guidance on accounting and financial reporting for financial guarantees.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bond payable, right-to-use lease liabilities, SBITA liabilities, and the District's proportionate share of the net pension and OPEB liabilities are not due and payable in the current period and are not reported as liabilities in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position.

Another element of the reconciliation on Exhibit C-4 described as "various other reclassifications and eliminations" is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes recognizing property tax revenue considered available, recognizing accruals of interest on long-term debt, and recognizing internal service fund activity. In addition, certain pension and OPEB expenditures were de-expended, and the District recorded their proportionate share of the pension and OPEB expense. These adjustments are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At August 31, 2023, the carrying amount of the District's deposits (cash, and interest-bearing savings accounts including fiduciary funds cash) was \$170,705 and the bank balance was \$394,284. The District's cash deposits at August 31, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: WestStar Bank.
- b. The market value of bonds and securities pledged as of the date of the highest combined balance on deposit was \$1,555,235.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$1,083,021 and occurred during the month of February 2023.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

Due to the immediate availability of the funds, the District's temporary investments are presented as cash and cash equivalents as of August 31, 2023, and include the following:

	<u>Account Balance</u>
Lone Star:	
Corporate and Government Overnight Fund	
(amortized cost)	<u>\$ 6,151,611</u>
	<u><u>\$ 6,151,611</u></u>

The Lone Star Investment Pool is a member owned, member-governed public funds investment pool. It is managed by an eleven member Board of Trustees and the Board is authorized to adopt and maintain bylaws. There is also an Advisory Board composed of participants that gathers and exchanges information from participants relating to the operation of the Pool. Each fund within the Pool has received the rating of AAAm, from Standard & Poor's as required by the Public Fund's Investment Act. Lone Star Investment Pool issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by calling Lone Star at 1-800-558-8875. Management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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. A majority of the federal grants are passed through the TEA.

Amounts due from federal and state governments as of August 31, 2023 are summarized below.

	General Fund	Nonmajor Governmental Funds	Total
Federal and State Grants	\$ 169,195	\$ 1,673,175	\$ 1,842,370
State Support	1,471,776	-	1,471,776
Others	42,119	-	42,119
Total	<u>\$ 1,683,090</u>	<u>\$ 1,673,175</u>	<u>\$ 3,356,265</u>

C. Interfund Balances

Interfund balances are a result of normal operations and are cleared out periodically. Management intends to pay out these balances within one year.

Interfund balances at August 31, 2023 consisted of the following individual fund amounts:

	Due From Other Funds	Due To Other Funds
General Fund		
Nonmajor Governmental Funds	\$ 1,251,686	\$ 187,028
Fiduciary Funds	1,110	-
Total General Fund	<u>1,252,796</u>	<u>187,028</u>
Nonmajor Governmental Funds		
General Fund	187,028	1,251,686
Nonmajor Governmental Funds	<u>22,163</u>	<u>22,163</u>
Total Nonmajor Governmental Funds	<u>209,191</u>	<u>1,273,849</u>
Fiduciary Funds		
General Fund	<u>-</u>	<u>1,110</u>
Total	<u>\$ 1,461,987</u>	<u>\$ 1,461,987</u>

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Asset Activity

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

	Primary Governments			
	Beginning Balance	Additions	Deletion, Reclassification and Adjustment	Ending Balance
<u>Governmental activities:</u>				
Capital Assets:				
Non-depreciable Assets:				
Land	\$ 7,243	\$ -	\$ -	\$ 7,243
Construction in progress	19,720	-	(19,720)	-
Total Non-depreciable Assets	26,963	-	(19,720)	7,243
Depreciable Assets:				
Buildings and improvements	42,613,941	2,078,871	19,720	44,712,532
Furniture and equipment	2,863,983	88,846	-	2,952,829
Library books and media	102,723	-	-	102,723
Total Depreciable Assets	45,580,647	2,167,717	19,720	47,768,084
Totals at Historic Cost	45,607,610	2,167,717	-	47,775,327
Right-to-Use Lease Assets:				
Equipment	5,546	-	-	5,546
Less Accumulated Depreciation for:				
Buildings and Improvements	16,078,960	1,103,633	-	17,182,593
Furniture and Equipment	2,180,562	174,039	(17,905)	2,336,696
Library Books and Media	102,723	-	-	102,723
Total Accumulated Depreciation	18,362,245	1,277,672	(17,905)	19,622,012
Less Accumulated Amortization for:				
Right-to-Use Lease Assets:				
Equipment	1,168	1,168	-	2,336
Capital Assets, net	\$ 27,249,743	\$ 888,877	\$ 17,905	\$ 28,156,525

A portion of the buildings are located on leased land. See Note T.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation and amortization expense was charged to governmental functions as follows:

Instruction	\$ 689,307
Instructional resources and media services	11,997
Curriculum development and staff development	39
Instructional leadership	1,973
School leadership	5,997
Guidance, counseling and evaluation services	1,506
Health services	1,911
Student (pupil) transportation	112,655
Food services	31,178
Cocurricular/extracurricular activities	320,849
General administration	4,425
Facilities maintenance and operations	62,371
Security and monitoring services	17,148
Data processing services	10,001
Community services	7,483
Total depreciation expense	<u>\$ 1,278,840</u>

E. Unearned Revenue

Unearned revenue at year end consisted of the following:

	General Fund	Non Major Governmental Funds	Total
Federal, State, and Local Grants	\$ 25,321	\$ 58,954	\$ 84,275
State Support	1,424,952	102,564	1,527,516
USDA Commodities	859	-	859
Total Unearned Revenue	<u>\$ 1,451,132</u>	<u>\$ 161,518</u>	<u>\$ 1,612,650</u>

F. Deferred Outflows and Inflows of Resources

Deferred charge for refunding of bonds for the year ended August 31, 2023, presented as deferred outflows of resources, were as follows:

	Beginning Balance	New Issues	Amortization	Ending Balance
Series 2013	\$ 250,870	\$ -	\$ 19,823	\$ 231,047
Series 2020 Refunding of Series 2012	147,324	-	24,039	123,285
	<u>\$ 398,194</u>	<u>\$ -</u>	<u>\$ 43,862</u>	<u>\$ 354,332</u>

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Deferred gain on refunding of bonds for the year ended August 31, 2023, presented as deferred inflows of resources, was as follow:

	Beginning Balance	New Issues	Amortization	Ending Balance
Series 2015	\$ 34,121	\$ -	\$ 4,044	\$ 30,077
Series 2020	84,294	-	11,344	72,950
Series 2020A	81,359	-	7,800	73,559
	<u>\$ 199,774</u>	<u>\$ -</u>	<u>\$ 23,188</u>	<u>\$ 176,586</u>

G. Changes in Long-Term Liabilities

A summary of changes in general long-term liabilities for the year ended August 31, 2023 is as follows:

	Funded by:	Beginning Balance	Addition	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>						
<u>Bonds Payable:</u>						
Refunding Series	Debt Service Fund	\$ 6,170,000	\$ -	\$ 705,000	\$ 5,465,000	\$ 715,000
Unlimited Tax Building Bonds	Debt Service Fund	8,975,000	-	85,000	8,890,000	85,000
Unlimited Tax Building Bond - Private Placement	Debt Service Fund	255,000	-	48,500	206,500	49,700
Total Bonds Payable		15,400,000	-	838,500	14,561,500	849,700
<u>Right-to-Use Lease Arrangements:</u>						
Postage machine	General Fund	4,343	-	1,218	3,125	1,232
<u>Other Liabilities:</u>						
Unamortized Premium/Discount on Debt		993,658	-	93,591	900,067	-
Total Governmental Long-term Liabilities		<u>\$ 16,398,001</u>	<u>\$ -</u>	<u>\$ 933,309</u>	<u>\$ 15,464,692</u>	<u>\$ 850,932</u>

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Bonds Payable

A summary of changes in the bonds payable for the year ended August 31, 2023 is as follows:

Description	Interest Rate and Maturity Date	Amounts Original Issue	Interest Current Year	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Refunding Series 2013								
Current interest bonds	2% - 3.5% 02/01/2023	2,740,000	3,150	210,000	-	210,000	-	-
Refunding Series 2015								
Current interest serial bonds	2% - 3% 02/01/2025	1,850,000	59,500	655,000	-	210,000	445,000	220,000
Current interest term bonds	4.0% 02/01/2031	1,075,000	-	1,075,000	-	-	1,075,000	-
Unlimited Tax Building Bond Series 2016								
Current interest serial bonds	3.0% 02/01/2036	5,715,000	267,975	5,310,000	-	85,000	5,225,000	85,000
Current interest term bonds	3.0% 02/01/2043	3,665,000	-	3,665,000	-	-	3,665,000	-
Unlimited Tax Building Bond Series 2017 (Private Placement)								
	2.46% 02/01/2027	395,000	5,676	255,000	-	48,500	206,500	49,700
Unlimited Tax Refunding Bonds, Series 2020								
	2% - 3.5% 02/01/2030	1,770,000	43,225	1,745,000	-	285,000	1,460,000	285,000
Unlimited Tax Refunding Bonds, Series 2020A								
	1.84% - 4% 02/01/2033	2,520,000	80,104	2,485,000	-	-	2,485,000	210,000
		<u>\$ 19,730,000</u>	<u>\$ 459,630</u>	<u>\$ 15,400,000</u>	<u>\$ -</u>	<u>\$ 838,500</u>	<u>\$ 14,561,500</u>	<u>\$ 849,700</u>

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Unamortized Premiums/Discounts on Debt for the year ended August 31, 2023 are as follows:

Description	Beginning Balance	Premiums and Discounts on New Issues	Net Amortization Recognized	Outstanding 8/31/23
Refunding Series 2013	\$ 13,073	\$ -	\$ 13,073	\$ -
Refunding Series 2015	149,243	-	17,706	131,537
Unlimited Tax Building Bond Series 2016	477,149	-	23,345	453,804
Refunding Series 2020	142,043	-	19,126	122,917
Refunding Series 2020A	212,150	-	20,341	191,809
	<u>\$ 993,658</u>	<u>\$ -</u>	<u>\$ 93,591</u>	<u>\$ 900,067</u>

Debt service requirements are as follows:

Year Ended August 31,	Principal (Private Placement)	Interest (Private Placement)	Principal	Interest	Total Requirements
2024	\$ 49,700	\$ 4,469	\$ 800,000	\$ 431,529	\$ 1,285,698
2025	51,000	3,230	825,000	408,954	1,288,184
2026	52,200	1,961	850,000	381,929	1,286,090
2027	53,600	659	880,000	351,279	1,285,538
2028	-	-	910,000	319,979	1,229,979
2029 - 2033	-	-	5,075,000	1,125,791	6,200,791
2034 - 2038	-	-	2,320,000	582,450	2,902,450
2039 - 2043	-	-	2,695,000	206,925	2,901,925
	<u>\$ 206,500</u>	<u>\$ 10,319</u>	<u>\$14,355,000</u>	<u>\$3,808,836</u>	<u>\$ 18,380,655</u>

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. For the year ended August 31, 2023, the District paid \$459,630 in interest costs related to bonds payable.

Rebatable Arbitrage - The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least five years. Arbitrage is evaluated and estimated on an annual basis by a third party. The company has estimated no liability for the District as of August 31, 2023.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Right-to-Use Lease Liability

In May 2021, the District entered into a lease agreement as lessee to lease office equipment for a term of five years with quarterly payments of \$316. Management utilized an interest rate of 3.6% to calculate the net present value of the lease. The right-to-use lease asset is being amortized over the term of the lease using the straight-line method. During the fiscal year ending August 31, 2023, total principal paid by the District was \$1,218 and total interest paid by the District was \$47 related to this lease agreement.

Debt service requirements for the right-to-use lease are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2024	\$ 1,232	\$ 32	\$ 1,264
2025	1,247	17	1,264
2026	646	3	649
Total	\$ 3,125	\$ 52	\$ 3,177

J. 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: Detailed 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/TRS%20Documents/acfr-2022.pdf> by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 above.

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

Contributions: Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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 through 2025.

	<u>Contribution Rates</u>	
	Plan Fiscal Year	
	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Contributions Required and Made

2023 Employer Contributions	\$	453,368
2023 Member Contributions		757,876
2022 Plan Year NECE On-Behalf Contributions (State)		400,675

Contributors to the plan include active 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

Included in the employer contributions amount listed above for fiscal year 2023, the District paid \$16,244 in retiree surcharges and \$124,694 for the Public Education Employer Contribution. These two additional surcharges an employer is subject to are summarized as follows:

- 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 education 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.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Actuarial Assumptions: The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022. The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2021 and were adopted in July 2022. The following table discloses the assumptions that were applied to this measurement period:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Mortality Assumption	The active mortality rates were based on the PUB (2010), Amount-Weighted, Below-Median Income, Teacher, Male and Female tables, with a 2-year set forward for male. The rates are projected on a fully generational basis by the long-term rates of scale UMP 2021 to account for future mortality improvements. The post-retirement mortality rates were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates are projected on a fully generational basis by Scale UMP 2021, but with immediate convergence, to account for future mortality improvements.
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 tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Discount Rate: A single discount rate used to measure the total pension liability was 7.00 percent. There was a decrease of 0.25 percent in the discount rate since the previous year. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 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 projected 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 expected rate of return on pension plan investments is 7.00 percent and 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.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

Asset Class*	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	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	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag****			-0.91%
Total	100.00%		8.19%

*Absolute Return includes Credit Sensitive Investments

**Target allocations are based on the FY2022 policy model

***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

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

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Discount Rate Sensitivity Analysis: The following table presents the Net Pension Liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease 6.00%	Current Single Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 8,008,968	\$ 5,148,406	\$ 2,829,787

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 \$5,148,406 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:

The District's proportionate share of the collective net pension liability	\$ 5,148,406
State's proportionate share that is associated with the District	<u>5,097,630</u>
Total	<u><u>\$ 10,246,036</u></u>

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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.0086721060% which was an increase of 0.0012244498% from its proportion measured as of August 31, 2021.

Changes since the Prior Actuarial Valuation: The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was lowering of the discount rate from 7.25 percent to 7.00 percent.

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

For the year ended August 31, 2023, the District recognized pension expense of \$487,276 and revenue of \$487,276 for support provided by the State.

The amount of pension expense recognized by the District in the reporting period was \$1,163,115.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 experience	\$ 74,651	\$ 112,245
Changes in actuarial assumptions	959,316	239,088
Net difference between projected and actual investment earnings	508,647	-
Changes in proportion and difference between District's contributions and proportionate share of contributions	547,199	110,068
District contributions to TRS subsequent to the measurement date	453,368	-
Total	<u>\$ 2,543,181</u>	<u>\$ 461,401</u>

The \$453,368 reported as 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 year ending August 31, 2024.

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

Year Ended August 31	Pension Expense
2024	\$ 381,783
2025	266,243
2026	146,661
2027	686,269
2028	147,455
Thereafter	1
	<u>\$ 1,628,412</u>

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Net Pension Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 1,896,654	\$ 3,656,418	\$ 404,666	\$ 5,148,406

Payable to the Pension Plan: At August 31, 2023, the District reported a payable of \$87,332 to the pension plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$58,413.

K. Defined Other Post-Employment Benefit Plan

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. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position: Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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/TRS Documents/acfr-2022.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided: TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

TRS-Care Monthly Plan Premium Rates			
	Medicare		Non-Medicare
Retiree or Surviving Spouse	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree or Surviving Spouse and Children		468	408
Retiree and Family		1,020	999

Contributions: Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The 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 on active employee compensation. 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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of salary. 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 or charter school. 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.

	<u>Contributions Rates</u>	
	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%
2023 Employer Contributions	\$ 90,702	
2023 Member Contributions	61,579	
2022 Plan Year NECE On-behalf Contributions (State)	104,153	

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, employers are required to pay to TRS Care a monthly surcharge of \$535 per retiree. During the year ended June 30, 2023, the District did not employ TRS retirees and therefore did not pay any surcharge amounts to TRS-Care.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 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 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. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability Incidence	

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%
Single Discount Rate	3.91% as of August 31, 2022
Salary Increases	3.05% to 9.05%, including inflation
Demographic Assumptions	The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of TRS. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Health Care Trend Rates	Initial medical trend rates of 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. Initial prescription drug trend rate of 8.25% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25 over a period of 13 years.
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65; 30% of pre-65 retirees are assumed to discontinue coverage at age 65
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.
Ad hoc post-employment benefit changes	None
Other Information:	
Notes	Assumption changes include a discount rate change from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lower participation rates, and updates to the health care trend assumptions.

Discount Rate: A single discount rate of 3.91 percent was used to measure the Total OPEB Liability. There was an increase 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2022 using the Fixed Income Market Data/Yield Curve/Data 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 percentage point lower than and 1 percentage point higher than the discount rate that was used in measuring the Net OPEB Liability.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

	1% Decrease in Discount Rate 2.91%	Current Single Discount Rate 3.91%	1% Increase in Discount Rate 4.91%
District's proportionate share of the Net OPEB Liability:	\$ 2,934,829	\$ 2,489,085	\$ 2,127,975

Healthcare Cost Trend Rates Sensitivity Analysis: The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	\$ 2,051,017	\$ 2,489,085	\$ 3,056,983

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 \$2,489,085 for its proportionate share of the TRS-Care's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

The District's proportionate share of the collective Net OPEB Liability	\$ 2,489,085
State's proportionate share that is associated with the District	<u>3,036,293</u>
Total	<u><u>\$ 5,525,378</u></u>

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward 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 through August 31, 2022.

At August 31, 2022 the employer's proportion of the collective Net OPEB Liability was 0.0103954409%, which was an increase of 0.0011996515% from its proportion measured as of August 31, 2021.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 decreased the Total OPEB Liability.

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

For the year ended August 31, 2023, the District recognized OPEB expense of \$(430,874) and revenue of \$(430,874) for support provided by the State.

The amount of OPEB expense recognized by the District in the reporting period was \$(721,796).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,384	\$ 2,073,631
Changes in actuarial assumptions	379,137	1,729,268
Difference between projected and actual investment earnings	7,414	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	942,531	600,553
Contributions paid to TRS-Care subsequent to the measurement date	90,702	-
Total	<u>\$ 1,558,168</u>	<u>\$ 4,403,452</u>

The \$90,702 reported as 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 liability in the year ended August 31, 2024.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

The 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	\$ (575,948)
2025	(575,922)
2026	(470,369)
2027	(327,467)
2028	(348,988)
Thereafter	(637,292)
	<u>\$ (2,935,986)</u>

Changes in Net OPEB Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net OPEB Liability	\$ 3,547,227	\$ -	\$ 1,058,142	\$ 2,489,085

Payable to the OPEB Plan: At August 31, 2023, the District reported a payable of \$11,037 to the OPEB plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$5,476.

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. Medicare Part D contributions made on behalf of the District's employees for the year ended August 31, 2023, 2022 and 2021 were \$52,810, \$35,395, and \$39,901, respectively. These amounts are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

L. Health Care Coverage

During the year ended August 31, 2023, Tornillo Independent School District participated in the TRS - Active Care Health Insurance Program. During the year ended August 31, 2023, employees of the District were covered by the District's insurance Plan (the "Plan"). Under this plan, the District and State (Teacher Retirement System of Texas) contribute approximately \$275 and \$75, respectively to the employee's premium. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. There were no other liabilities associated with the Plan.

M. Unemployment Compensation Pool

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

N. Worker's Compensation Program

As required by law the District has acquired adequate worker's compensation insurance coverage contracted through Claims Administrative Services, Inc. The District has chosen to participate in a political subdivision risk pool, which means that the District shares its exposure with other school districts and public entities with similar employee populations. Currently, the District employs about 170 full-time and part-time employees. The District paid \$58,944 in worker's compensation premium for the plan year 2022-2023. This premium is considered sufficient by Claims Administrative Services, Inc. and no contingent liability is required to be reported. This total amount paid for worker's compensation costs is less than 1% of annual payroll.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

O. Fund Balance

As of August 31, 2023, fund balances are composed of the following:

	General Fund	Non Major Governmental Funds	Total
Nonspendable:			
Inventories	\$ 16,992	\$ -	\$ 16,992
Restricted:			
Food Service	153,252	-	153,252
Capital Acquisition and Contractual Obligation	-	64,730	64,730
Summer Feeding Program	-	42,974	42,974
Advanced Placement Incentives	-	1,655	1,655
Debt Service	-	183,898	183,898
Campus Activities	-	12,043	12,043
Committed:			
Capital Expenditures for Equipment	15,920	-	15,920
Other Committed	68,152	-	68,152
Assigned:			
Construction	155,526	-	155,526
Other Assigned	49,622	-	49,622
Unassigned	6,080,114	-	6,080,114
Total	<u>\$ 6,539,578</u>	<u>\$ 305,300</u>	<u>\$ 6,844,878</u>

As discussed in Note P, as of August 31, 2023, the District has \$45,710 of encumbrances of operating funds that rolled over into the next fiscal year.

P. Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the general fund, special revenue funds, and capital projects funds. Encumbrances represent commitments related to contracts not yet performed and are used to control expenditures for the year and to enhance cash management. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year end, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. At August 31, 2023, certain amounts which were previously restricted or assigned for specific purposes have been encumbered in the governmental funds as follows:

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Encumbrances Included in:		
	Restricted Fund Balance	Assigned Fund Balance	Total
General Fund	\$ -	\$ 44,850	\$ 44,850
Nonmajor Governmental Funds	860	-	860
	<u>\$ 860</u>	<u>\$ 44,850</u>	<u>\$ 45,710</u>

Q. Revenue from Local and Intermediate Sources

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

	General Fund	Non Major Governmental Funds	Total
Property Taxes	\$ 855,043	\$ 442,820	\$ 1,297,863
Penalties and Interest on Taxes	32,345	13,865	46,210
Investment Income	310,266	24,944	335,210
Food Sales	80,792	-	80,792
Co-curricular Student Activities	4,477	-	4,477
Local Grants	-	42,123	42,123
Other	37,328	45,676	83,004
Total	<u>\$ 1,320,251</u>	<u>\$ 569,428</u>	<u>\$ 1,889,679</u>

R. School Health and Related Services (SHARS)

SHARS is a Medicaid financing program and allows local school districts to obtain Medicaid reimbursement for certain health-related services provided to student in special education. Since SHARS settle-up amounts are usually calculated and received in arrears, the District does not have adequate information to make an estimate of the receivable related to the current year on the government wide financial statements. However, the receivable and related revenues are recorded in the fiscal year the preliminary settle-up amounts are available, which is usually one year in arrears.

SHARS revenue recorded in the current year period related to prior year's settle-up amounts was \$66,959. As of August 31, 2023, the SHARS receivable was \$42,119 and is included in "Due from Other Governments."

S. Litigation

During the normal course of business the District is subject to various legal claims. As of August 31, 2023, management is not aware of any such claim which would have a material adverse effect on the financial statements.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

T. Other Significant Commitments and Contingencies

Land Commitments - Tornillo Independent School District leases 282 acres of land in El Paso County, Texas from the University of Texas System Board of Regents. The term of this lease agreement was for a period of ten years which commenced October 1, 2006. The lease was renewed on June 24, 2015 for an additional ten year period commencing on October 1, 2016. This lease provides for rent of \$5,000 for the entire lease term. The land is only permitted to be used for the purpose of public education facilities and for necessary and desirable purposes incidental thereto, and for no other purpose. The District constructed a new high school facility on this land.

The District entered into a commercial lease with The University of Texas System Board of Regents for approximately 8.81 acres of land. The term of this lease agreement is for a period of ten years commenced August 11, 2015 through June 30, 2025. This lease provided for rent of \$4,000 for the entire lease term. The land is permitted to be used for the purpose of public education facilities and for purposes incidental thereto, and for no other purpose. The District uses the land as a baseball/softball dirt field.

Other Commitments - The District entered into an interlocal agreement with County of El Paso on December 14, 2009 for the improvement of facilities and services at Coyote Park playground and baseball park located within the bounds of the Tornillo Independent School District. The County will design, purchase, and install all playground equipment, canopies, basketball equipment and grass for the park and softball field. The District will be responsible for the management, maintenance and security of said park areas including maintenance of all County provided equipment. The agreement remains in effect until September 30, 2029.

The District entered into a second interlocal agreement with County of El Paso on January 23, 2019 for the improvements and maintenance of Coyote Park located within the bounds of the Tornillo Independent School District. The County will purchase and install sod and irrigation lay structure, sidewalk and hike and bike trail swings, benches and picnic shelters, solar lighting, landscaping, park equipment and parking. The District will be responsible for providing year-round maintenance of such premises, including maintenance of all improvements, manage and operate premises, operate and maintain landscaping, irrigation systems and equipment, and pay all electric, gas, and water utilities costs and expenses relating to operation and maintenance of premises. The agreement remains in effect until November 30, 2038.

Federal and State Funding - Tornillo Independent School District participates in numerous state and federal grant programs that are subject to audit by the Texas Education Agency and various Federal and/or State audit agencies. These programs have complex compliance requirements, and should State or Federal auditors discover areas of material noncompliance, those District funds may be subject to refund if so determined by administrative audit review.

In the opinion of administration, 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 financial statements for such contingencies.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

U. 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 disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage.

For the year ended August 31, 2023, Tornillo Independent School District carried insurance for building and contents in the amount of \$65,783,069 with deductibles ranging from \$10,000 to \$250,000, per occurrence. Equipment, general liability, educator's legal liability, and cyber suite coverage had deductibles ranging from \$1,000 to \$25,000. Automobile physical damage had a deductible of \$1,000. Automobile liability had a deductible of \$1,000 with a \$1,000,000 limit per accident.

V. Related Party Transactions

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the 2022-2023 fiscal year.

W. Other Retirement Plans

The District has established a 457 Deferred Compensation Plan and Tax-sheltered Annuity 403(b) Plan. All regular full-time employees are eligible to participate in these Plans immediately upon becoming employed by the District. As of August 31, 2023, the District had 25 employees participating in these Plans. Employee contributions to the Plans totaled \$52,410.

The District does not contribute to any of these Plans and does not hold the assets in a trustee capacity. Management does not have control over the funds nor can they access the funds, and therefore believes the District does not have fiduciary accountability for the Plans. As such, the Plan assets are not included in a trust fund in the District's financial statements.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

X. New Accounting Pronouncements

The District has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 100, *Accounting Changes and Error Corrections - an amendment of GASB No. 62*, effective for fiscal years beginning after June 15, 2023. 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 or assessing accountability.
- GASB No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,059,194	\$ 1,059,194	\$ 1,320,251	\$ 261,057
5800 State Program Revenues	10,570,709	10,613,909	9,838,945	(774,964)
5900 Federal Program Revenues	1,125,900	1,258,804	1,338,890	80,086
5020 Total Revenues	12,755,803	12,931,907	12,498,086	(433,821)
EXPENDITURES:				
Current:				
0011 Instruction	5,836,933	5,902,329	5,687,559	214,770
0012 Instructional Resources and Media Services	166,671	166,671	154,970	11,701
0013 Curriculum and Instructional Staff Development	213,541	326,230	329,365	(3,135)
0021 Instructional Leadership	126,435	136,135	119,321	16,814
0023 School Leadership	857,926	864,837	836,110	28,727
0031 Guidance, Counseling, and Evaluation Services	362,192	368,692	344,497	24,195
0033 Health Services	171,607	172,607	173,169	(562)
0034 Student (Pupil) Transportation	271,508	274,508	237,386	37,122
0035 Food Services	860,500	993,404	995,827	(2,423)
0036 Extracurricular Activities	428,323	428,323	360,830	67,493
0041 General Administration	916,287	833,064	803,601	29,463
0051 Facilities Maintenance and Operations	1,685,546	1,843,546	1,781,416	62,130
0052 Security and Monitoring Services	273,164	397,560	330,089	67,471
0053 Data Processing Services	504,170	463,374	448,078	15,296
0061 Community Services	62,000	64,000	59,542	4,458
Debt Service:				
0071 Principal on Long-Term Liabilities	-	2,500	1,218	1,282
0072 Interest on Long-Term Liabilities	-	500	47	453
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,522,000	1,261,718	260,282
Intergovernmental:				
0099 Other Intergovernmental Charges	19,000	19,000	18,760	240
6030 Total Expenditures	12,755,803	14,779,280	13,943,503	835,777
1200 Net Change in Fund Balances	-	(1,847,373)	(1,445,417)	401,956
0100 Fund Balance - September 1 (Beginning)	7,984,995	7,984,995	7,984,995	-
3000 Fund Balance - August 31 (Ending)	\$ 7,984,995	\$ 6,137,622	\$ 6,539,578	\$ 401,956

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2023

Budgets and Budgetary Control

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General Fund, Child Nutrition Program, and Debt Service Funds before the beginning of the fiscal year. For fiscal years beginning September 1, the Texas Education Code requires the budget to be adopted by August 31st of each year. The District's administration determines budgetary funding priorities and the budgets are prepared on the same basis of accounting that is used for reporting in accordance with generally accepted accounting principles. Final budget allocations are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted by the Board at a scheduled meeting after giving ten days public notice of the meeting. The District annually adopts legally authorized appropriated budgets for the General Fund, Child Nutrition Program, and Debt Service Funds. On August 30, 2022, the 2022-2023 budget was legally adopted by the Board.

The District's administration performs budget reviews during the year in which budget requirements are re-evaluated and revisions are recommended to the Board. The Board must approve amendments to the budget at the fund and functional expenditure categories or revenue object accounts as defined by the TEA. 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. Several amendments were necessary during the year.

Expenditures may not legally exceed budgeted appropriations, as amended, at the function level by fund. Unexpended appropriations lapse at year-end.

Budgetary Basis of Accounting

The District's budget is prepared on a modified accrual basis of accounting.

The Budget and Actual - General Fund includes the District's Child Nutrition Program which is separately presented as Exhibit J-2.

Excess Expenditures Over Appropriations

Exhibit G-1 presents a small unfavorable budget variance in function 13 - Curriculum and Instructional Staff Development and in function 33 - Health Services due to underestimation of TRS on behalf and fringe benefits and in function 35 - Food Service due to underestimation of inventory adjustment at year end. Overall, the general fund budget reported a favorable budget variance of \$835,777.

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

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.008672106%	0.007447656%	0.007303199%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,148,406	\$ 1,896,654	\$ 3,911,445
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,097,630	2,578,895	5,848,596
Total	<u>\$ 10,246,036</u>	<u>\$ 4,475,549</u>	<u>\$ 9,760,041</u>
District's Covered Payroll	\$ 8,879,207	\$ 8,415,190	\$ 8,521,925
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	57.98%	22.54%	45.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.0074622%	0.00702745%	0.007518392%	0.008308592%	0.0076823%	0.0055566%
\$ 3,879,085	\$ 3,868,079	\$ 2,403,977	\$ 3,139,693	\$ 2,715,591	\$ 1,484,245
6,072,243	5,750,937	3,878,395	4,232,506	4,208,755	3,644,005
<u>\$ 9,951,328</u>	<u>\$ 9,619,016</u>	<u>\$ 6,282,372</u>	<u>\$ 7,372,199</u>	<u>\$ 6,924,346</u>	<u>\$ 5,128,250</u>
\$ 7,810,067	\$ 7,815,556	\$ 7,891,834	\$ 7,563,210	\$ 7,198,540	\$ 6,956,232
49.67%	49.49%	30.46%	41.51%	37.72%	21.34%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 453,368	\$ 404,437	\$ 318,353
Contribution in Relation to the Contractually Required Contribution	(453,368)	(404,437)	(318,353)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 9,465,658	\$ 8,879,207	\$ 8,415,190
Contributions as a Percentage of Covered Payroll	4.79%	4.55%	3.78%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2020	2019	2018	2017	2016	2015
\$ 318,416	\$ 260,751	\$ 234,824	\$ 238,898	\$ 233,325	\$ 181,259
(318,416)	(260,751)	(234,824)	(238,898)	(233,325)	(181,259)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 8,521,925	\$ 7,810,067	\$ 7,815,556	\$ 7,891,834	\$ 7,563,210	\$ 7,198,540
3.74%	3.34%	3.00%	3.03%	3.08%	2.52%

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TORNILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

Changes of Benefit Terms

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

Changes of Assumptions

The Board adopted new assumptions on July 15, 2022 based on recommendations from the experience study for the period ending August 31, 2021. The primary assumption change was lowering of the discount rate from 7.25 percent to 7.00 percent. Please see the experience study report for a detailed list of changes with the rationale for each. The report is available at: https://www.trs.texas.gov/TRS%20Documents/actuarial_experience_study_2022.pdf.pdf

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

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.010395441%	0.009195789%	0.009294409%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,489,085	\$ 3,547,227	\$ 3,533,224
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,036,293	4,752,494	4,747,807
Total	<u>\$ 5,525,378</u>	<u>\$ 8,299,721</u>	<u>\$ 8,281,031</u>
District's Covered Payroll	\$ 8,879,207	\$ 8,415,190	\$ 8,521,925
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	28.03%	42.15%	41.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.010379962%		0.009494575%		0.009842449%	
\$	4,908,811	\$	4,740,728	\$	4,280,112
6,522,712		6,139,670		5,919,200	
<u>\$ 11,431,523</u>		<u>\$ 10,880,398</u>		<u>\$ 10,199,312</u>	
\$	7,810,067	\$	7,815,556	\$	7,891,834
62.85%		60.66%		54.23%	
2.66%		1.57%		0.91%	

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 90,702	\$ 86,850	\$ 65,803
Contribution in Relation to the Contractually Required Contribution	(90,702)	(86,850)	(65,803)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 9,465,460	\$ 8,879,207	\$ 8,415,190
Contributions as a Percentage of Covered Payroll	0.96%	0.98%	0.78%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

2020	2019	2018	
\$ 74,082	\$ 71,896	\$ 65,739	
(74,802)	(71,896)	(65,739)	
\$ (720)	\$ -	\$ -	
\$ 8,521,925	\$ 7,810,067	\$ 7,815,556	
0.87%	0.92%	0.84%	

TORNILLO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

Changes of Benefit Terms Since the Prior Measurement Period

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

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 decreased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 65% to 62%, and the participation rate for post-65 retirees was lowered from 40% to 25%. The rate of pre-65 retirees who are assumed to discontinue their coverage at age 65 was increased from 25% to 30%. These changes lowered the total OPEB liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.

Difference Between Expected and Actual Experience

The primary driver of the \$4.5 billion experience gain was favorable claims experience, which resulted in lower overall 2023 retiree claims estimates than previously assumed.

SUPPLEMENTARY INFORMATION

TORNILLO 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	225 IDEA - Part B Preschool	242 Summer Feeding Program
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	189,190	84,077	165	-
1260	Due from Other Funds	-	-	-	42,974
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 189,190</u>	<u>\$ 84,077</u>	<u>\$ 165</u>	<u>\$ 42,974</u>
LIABILITIES					
2110	Accounts Payable	\$ 31,308	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	1,428	6,027	-	-
2170	Due to Other Funds	156,454	75,413	165	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenue	-	2,637	-	-
2000	Total Liabilities	<u>189,190</u>	<u>84,077</u>	<u>165</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	42,974
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,974</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 189,190</u>	<u>\$ 84,077</u>	<u>\$ 165</u>	<u>\$ 42,974</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA V, B,2 Rural & Low Income	279 ESSER III TCLAS ARP Act	280 ESSER III Homelss Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	18,744	10,169	30,150	356,705	10,506	361,637	229,784
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 18,744</u>	<u>\$ 10,169</u>	<u>\$ 30,150</u>	<u>\$ 356,705</u>	<u>\$ 10,506</u>	<u>\$ 361,637</u>	<u>\$ 229,784</u>
\$ -	\$ 5,212	\$ 101	\$ 4,848	\$ 312,000	\$ -	\$ 38,872	\$ 14,462
-	1,435	386	-	-	-	-	1,289
-	12,097	9,682	25,302	44,705	10,506	322,765	214,033
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	18,744	10,169	30,150	356,705	10,506	361,637	229,784
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 18,744</u>	<u>\$ 10,169</u>	<u>\$ 30,150</u>	<u>\$ 356,705</u>	<u>\$ 10,506</u>	<u>\$ 361,637</u>	<u>\$ 229,784</u>

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

Data Control Codes		284 IDEA B Formula ARP Act	285 IDEA B Preschool ARP Act	288 Emergency Impact Aid	289 Other Federal Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	3,873	146	-	11,269
1260	Due from Other Funds	-	-	339	2,973
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 3,873</u>	<u>\$ 146</u>	<u>\$ 339</u>	<u>\$ 14,242</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	814	146	-	2,537
2180	Due to Other Governments	3,059	-	-	-
2300	Unearned Revenue	-	-	339	11,705
2000	Total Liabilities	<u>3,873</u>	<u>146</u>	<u>339</u>	<u>14,242</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,873</u>	<u>\$ 146</u>	<u>\$ 339</u>	<u>\$ 14,242</u>

397 Advanced Placement Incentives	404 Student Success Initiative	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,868
-	-	-	-	-	-	-	60,488
-	-	-	-	-	-	-	(3,021)
-	-	-	366,760	-	-	1,673,175	-
1,989	13,748	32,053	-	16,650	44,279	155,005	-
-	-	-	-	-	-	-	-
<u>\$ 1,989</u>	<u>\$ 13,748</u>	<u>\$ 32,053</u>	<u>\$ 366,760</u>	<u>\$ 16,650</u>	<u>\$ 44,279</u>	<u>\$ 1,828,180</u>	<u>\$ 506,335</u>
\$ -	\$ -	\$ -	\$ 168,333	\$ 4,607	\$ -	\$ 579,743	\$ -
-	-	-	618	-	-	11,183	-
-	-	-	197,809	-	340	1,072,768	201,081
-	13,748	-	-	-	-	16,807	-
334	-	32,053	-	-	43,939	91,007	70,511
<u>334</u>	<u>13,748</u>	<u>32,053</u>	<u>366,760</u>	<u>4,607</u>	<u>44,279</u>	<u>1,771,508</u>	<u>271,592</u>
-	-	-	-	-	-	-	50,845
-	-	-	-	-	-	-	50,845
1,655	-	-	-	-	-	44,629	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	183,898
-	-	-	-	12,043	-	12,043	-
<u>1,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,043</u>	<u>-</u>	<u>56,672</u>	<u>183,898</u>
<u>\$ 1,989</u>	<u>\$ 13,748</u>	<u>\$ 32,053</u>	<u>\$ 366,760</u>	<u>\$ 16,650</u>	<u>\$ 44,279</u>	<u>\$ 1,828,180</u>	<u>\$ 506,335</u>

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

Data Control Codes		698	Total
		Capital	Nonmajor
		Projects	Governmental
		Fund	Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ -	\$ 448,868
1220	Property Taxes - Delinquent	-	60,488
1230	Allowance for Uncollectible Taxes	-	(3,021)
1240	Due from Other Governments	-	1,673,175
1260	Due from Other Funds	54,186	209,191
1410	Prepayments	10,544	10,544
1000	Total Assets	<u>\$ 64,730</u>	<u>\$ 2,399,245</u>
LIABILITIES			
2110	Accounts Payable	\$ -	\$ 579,743
2160	Accrued Wages Payable	-	11,183
2170	Due to Other Funds	-	1,273,849
2180	Due to Other Governments	-	16,807
2300	Unearned Revenue	-	161,518
2000	Total Liabilities	<u>-</u>	<u>2,043,100</u>
DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	-	50,845
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>50,845</u>
FUND BALANCES			
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	44,629
3470	Capital Acquisition and Contractual Obligation	64,730	64,730
3480	Retirement of Long-Term Debt	-	183,898
3490	Other Restricted Fund Balance	-	12,043
3000	Total Fund Balances	<u>64,730</u>	<u>305,300</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 64,730</u>	<u>\$ 2,399,245</u>

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TORNILLO 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	225 IDEA - Part B Preschool	242 Summer Feeding Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	582,627	167,754	767	-
5020 Total Revenues	582,627	167,754	767	-
EXPENDITURES:				
Current:				
0011 Instruction	113,924	91,162	767	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	363,267	-	-	-
0021 Instructional Leadership	26,940	-	-	-
0023 School Leadership	26,094	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	44,620	-	-
0032 Social Work Services	-	31,972	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	52,402	-	-	-
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	582,627	167,754	767	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	42,974
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 42,974

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA V, B,2 Rural & Low Income	279 ESSER III TCLAS ARP Act	280 ESSER III Homelss Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
20,359	57,509	49,297	30,150	638,219	10,506	902,215	1,493,164
20,359	57,509	49,297	30,150	638,219	10,506	902,215	1,493,164
20,359	17,002	26,162	14,282	503,608	10,506	251,101	619,685
-	-	-	-	-	-	1,193	53,426
-	33,518	15,000	15,868	96,978	-	4,299	229,042
-	-	-	-	-	-	-	88,347
-	4,651	-	-	37,633	-	1,268	52,748
-	2,338	-	-	-	-	-	6,391
-	-	-	-	-	-	-	2,029
-	-	-	-	-	-	-	19,247
-	-	-	-	-	-	-	7,102
-	-	-	-	-	-	-	26,377
-	-	-	-	-	-	-	17,044
-	-	-	-	-	-	-	233,018
-	-	-	-	-	-	-	23,163
-	-	-	-	-	-	-	10,419
-	-	8,135	-	-	-	4,955	105,126
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	639,399	-
20,359	57,509	49,297	30,150	638,219	10,506	902,215	1,493,164
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TORNILLO 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	284 IDEA B Formula ARP Act	285 IDEA B Preschool ARP Act	288 Emergency Impact Aid	289 Other Federal Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	3,873	146	-	37,694
5020 Total Revenues	3,873	146	-	37,694
EXPENDITURES:				
Current:				
0011 Instruction	3,873	146	-	14,835
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	19,000
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	3,859
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	3,873	146	-	37,694
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

397 Advanced Placement Incentives	404 Student Success Initiative	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ 45,677	\$ 42,123	\$ 87,800	\$ 481,628
-	-	12,108	629,616	-	-	641,724	853,066
-	-	-	-	-	-	3,994,280	-
-	-	12,108	629,616	45,677	42,123	4,723,804	1,334,694
-	-	12,108	174,427	24,137	42,123	1,940,207	-
-	-	-	-	-	-	54,619	-
-	-	-	286,886	-	-	1,044,858	-
-	-	-	-	-	-	115,287	-
-	-	-	-	7,711	-	130,105	-
-	-	-	-	-	-	72,349	-
-	-	-	-	-	-	34,001	-
-	-	-	-	-	-	19,247	-
-	-	-	-	-	-	7,102	-
-	-	-	-	-	-	26,377	-
-	-	-	-	14,695	-	31,739	-
-	-	-	-	-	-	233,018	-
-	-	-	168,303	-	-	195,325	-
-	-	-	-	-	-	10,419	-
-	-	-	-	-	-	170,618	-
-	-	-	-	-	-	-	838,500
-	-	-	-	-	-	-	459,630
-	-	-	-	-	-	-	2,000
-	-	-	-	-	-	639,399	-
-	-	12,108	629,616	46,543	42,123	4,724,670	1,300,130
-	-	-	-	(866)	-	(866)	34,564
1,655	-	-	-	12,909	-	57,538	149,334
\$ 1,655	\$ -	\$ -	\$ -	\$ 12,043	\$ -	\$ 56,672	\$ 183,898

TORNILLO 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		
	698	Total
	Capital	Nonmajor
	Projects	Governmental
	Fund	Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ -	\$ 569,428
5800 State Program Revenues	-	1,494,790
5900 Federal Program Revenues	-	3,994,280
5020 Total Revenues	-	6,058,498
EXPENDITURES:		
Current:		
0011 Instruction	-	1,940,207
0012 Instructional Resources and Media Services	-	54,619
0013 Curriculum and Instructional Staff Development	-	1,044,858
0021 Instructional Leadership	-	115,287
0023 School Leadership	-	130,105
0031 Guidance, Counseling, and Evaluation Services	-	72,349
0032 Social Work Services	-	34,001
0033 Health Services	-	19,247
0034 Student (Pupil) Transportation	-	7,102
0035 Food Services	-	26,377
0041 General Administration	-	31,739
0051 Facilities Maintenance and Operations	-	233,018
0052 Security and Monitoring Services	-	195,325
0053 Data Processing Services	-	10,419
0061 Community Services	-	170,618
Debt Service:		
0071 Principal on Long-Term Liabilities	-	838,500
0072 Interest on Long-Term Liabilities	-	459,630
0073 Bond Issuance Cost and Fees	-	2,000
Capital Outlay:		
0081 Facilities Acquisition and Construction	-	639,399
6030 Total Expenditures	-	6,024,800
1200 Net Change in Fund Balance	-	33,698
0100 Fund Balance - September 1 (Beginning)	64,730	271,602
3000 Fund Balance - August 31 (Ending)	\$ 64,730	\$ 305,300

OTHER INFORMATION - REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ Various
2015	1.090100	0.213600	62,229,604
2016	1.090100	0.213600	61,401,358
2017	1.090100	0.310700	66,480,248
2018	1.090100	0.310700	72,774,713
2019	1.090100	0.310700	74,584,345
2020	1.016500	0.384300	83,753,955
2021	1.002900	0.468900	84,798,477
2022	0.931500	0.468900	95,326,121
2023 (School year under audit)	0.899500	0.468900	98,491,952
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.115, Tax Code			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
\$ 68,877	\$ -	\$ 2,528	\$ 546	\$ (10,322)	\$ 55,481
6,516	-	1,021	200	-	5,295
6,456	-	1,361	267	-	4,828
5,340	-	929	265	-	4,146
8,399	-	1,037	296	-	7,066
10,936	-	2,103	600	-	8,233
16,508	-	3,756	1,420	1,179	12,511
26,375	-	4,217	1,972	(2,262)	17,924
72,944	-	24,279	12,221	(4,311)	32,133
-	1,319,465	816,417	425,589	-	77,459
<u>\$ 222,351</u>	<u>\$ 1,319,465</u>	<u>\$ 857,648</u>	<u>\$ 443,376</u>	<u>\$ (15,716)</u>	<u>\$ 225,076</u>
		<u>\$ 792</u>			

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 51,000	\$ 51,000	\$ 80,792	\$ 29,792
5800 State Program Revenues	3,600	3,600	3,004	(596)
5900 Federal Program Revenues	805,900	938,804	896,734	(42,070)
5020 Total Revenues	860,500	993,404	980,530	(12,874)
EXPENDITURES:				
Current:				
0035 Food Services	860,500	993,404	995,827	(2,423)
6030 Total Expenditures	860,500	993,404	995,827	(2,423)
1200 Net Change in Fund Balances	-	-	(15,297)	(15,297)
0100 Fund Balance - September 1 (Beginning)	185,541	185,541	185,541	-
3000 Fund Balance - August 31 (Ending)	\$ 185,541	\$ 185,541	\$ 170,244	\$ (15,297)

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 422,191	\$ 422,191	\$ 481,628	\$ 59,437
5800 State Program Revenues	878,840	878,840	853,066	(25,774)
5020 Total Revenues	1,301,031	1,301,031	1,334,694	33,663
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	838,500	838,500	838,500	-
0072 Interest on Long-Term Liabilities	459,631	459,631	459,630	1
0073 Bond Issuance Cost and Fees	2,900	2,900	2,000	900
6030 Total Expenditures	1,301,031	1,301,031	1,300,130	901
1200 Net Change in Fund Balances	-	-	34,564	34,564
0100 Fund Balance - September 1 (Beginning)	149,334	149,334	149,334	-
3000 Fund Balance - August 31 (Ending)	\$ 149,334	\$ 149,334	\$ 183,898	\$ 34,564

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

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	1,205,711
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	727,194

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.	266,469
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	156,888

FEDERAL AWARDS SECTION

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

To the Board of Trustees
Tornillo Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tornillo Independent School District (District) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 Tornillo Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001.

Tornillo Independent School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Gibson Ruddock Patterson LLC
El Paso, Texas
January 23, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Tornillo Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tornillo Independent School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material 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 a 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.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
January 23, 2024

TORNILLO 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 Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal control disclosed? None reported

Were material weaknesses in internal control disclosed? No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards? Yes, finding 2023-001

Federal Awards

Internal control over major federal award programs:

Were significant deficiencies in internal control over major programs disclosed? None reported

Were material weaknesses in internal control over major programs disclosed? No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Were there any audit findings that the auditor is required to disclosed under Title 2 CFR 200.516 Audit findings paragraph (a)? No

Major Federal Programs: **Child Nutrition Cluster**
Assistance Listing No. 10.553 and 10.555
Education Stabilization Fund
Assistance Listing No. 84.425

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Did auditee qualified as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee? Yes

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

FINANCIAL STATEMENT FINDINGS

2023-001 - State Procurement Compliance

Criteria: Texas Education Code 44.031 requires school districts to procure goods and services over \$50,000.

Condition Found: The District did not properly procure services for a project costing over \$50,000.

Effect: The District has not complied with Texas Education Code 44.031.

Cause: The District utilized a Board approved co-operative vendor to provide services to the District for phase I of a project. Unfortunately, when the District moved to begin phase II of the project, the vendor was no longer in business due to the death of the owner. To move forward with the project to phase II, the District erroneously utilized a quote from a business not in the co-operative instead of using another co-operative vendor. As such, services were procured in excess of \$50,000 from a vendor that was not part of the co-operative. The District should have gone through the bidding process if a co-operative vendor was not going to be utilized.

Recommendation: In order to be in compliance with Texas Education Code 44.031, we recommend the District ensure goods and services over \$50,000 are properly procured.

Management Response: See Corrective Action Plan

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings or questioned costs.

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF **PRIOR AUDIT FINDINGS**
FOR THE YEAR ENDED AUGUST 31, 2023

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.



TORNILLO INDEPENDENT SCHOOL DISTRICT

Finance Services

January 23, 2024

The following is the Tornillo Independent School District Corrective Action Plan:

2023-001 -State Procurement Compliance

Finding: The District did not properly procure services for a project costing over \$50,000

Correction Plan: The district will follow Texas Education Code 44.031 by ensuring that all goods and services in excess of \$50,000 be properly procured.

Responsible Parties: TISD Cabinet and Board of Directors

Anticipated Completion Date: January 2024

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101071908	\$ 5,007
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101071908	503,505
2022-2024 School Action Fund Continuation	84.010A	23610162711003	118,506
Total Assistance Listing Number 84.010			627,018
*IDEA - Part B, Formula	84.027A	226600010719086600	9,473
*IDEA - Part B, Formula	84.027A	236600010719086600	174,758
*COVID-19 -IDEA-B Formula - ARP	84.027X	225350020719085350	4,222
Total Assistance Listing Number 84.027			188,453
*IDEA - Part B, Preschool	84.173A	236610010719086610	841
*COVID-19 IDEA-B Preschool - ARP	84.173X	225360020719085360	159
Total Assistance Listing Number 84.173			1,000
Total Special Education Cluster (IDEA)			189,453
22-23 Perkins V: Strengthening CTE for 21st Century	84.048A	23420006071908	20,480
ESEA, Title V, Part B,2 - Rural & Low Income Prog.	84.358A	23696001071908	32,868
Title III, Part A - English Language Acquisition	84.365A	22671001071908	674
Title III, Part A - English Language Acquisition	84.365A	23671001071908	49,610
Total Assistance Listing Number 84.365			50,284
ESEA, Title II, Part A, Teacher Principal Training	84.367A	22694501071908	2,678
ESEA, Title II, Part A, Teacher Principal Training	84.367A	23694501071908	60,444
Total Assistance Listing Number 84.367			63,122
Title IV, Part A, Subpart 1	84.424A	22680101071908	150
Title IV, Part A, Subpart 1	84.424A	23680101071908	36,936
Total Assistance Listing Number 84.424			37,086
COVID-19 CRRSA ESSER II	84.425D	21521001071908	902,215
COVID-19 ARP ESSER III	84.425D	21528001071908	1,336,802
COVID-19 TCLAS High-Quality After-School	84.425D	215280587110153	284,824
COVID-19 TCLAS ESSER - III	84.425U	21528042071908	638,219
COVID-19 ARP Homeless II	84.425W	21533002071908	11,530
Total Assistance Listing Number 84.425			3,173,590
Total Passed Through Texas Education Agency			4,193,901
TOTAL U.S. DEPARTMENT OF EDUCATION			4,193,901
U.S. DEPARTMENT OF JUSTICE			
<u>Passed Through the Office of Community Oriented Policing Servs</u>			
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-22-GG-04205-	3,859
Total Passed Through the Office of Community Oriented Policing Servs			3,859
TOTAL U.S. DEPARTMENT OF JUSTICE			3,859
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
**School Breakfast Program	10.553	806780706	298,541

TORNILLO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
**National School Lunch Program - Cash Assistance	10.555	806780706	502,050
**National School Lunch Prog. - Non-Cash Assistance	10.555	806780706	62,191
**Supply Chain Assistance Funds	10.555	806780706	43,123
Total Assistance Listing Number 10.555			607,364
Total Child Nutrition Cluster			905,905
NSLP Equipment Assistance Grant	10.579	806780706	49,418
Child & Adult Care Food Program - Cash Assistance	10.558	806780706	42,752
Total Passed Through the Texas Department of Agriculture			998,075
TOTAL U.S. DEPARTMENT OF AGRICULTURE			998,075
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,195,835

*, ** Clustered Programs

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2023

1. BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the general fund or a special revenue fund in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a special revenue fund. 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. For the year ended August 31, 2023, the District predominately accounted for federal grant funds in special revenue funds, with the exception of the Child Nutrition Program, SHARS, and indirect costs, which were accounted for in the general fund.

These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When grant funds are received before expenditures are made, they are recorded as unearned revenues until earned. Due to the nature of the reporting process for the SHARS program, the District recognizes SHARS revenue upon receipt of the reimbursements during the fiscal year and when the annual Cost Report is acknowledged by the federal government.

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal activity of the District under programs of the federal government for the year ended August 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Period of performance - The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement - May 2023.

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2023

2. BASIS OF PRESENTATION (Continued)

Matching - Matching contributions were not required for any of the federal awards.

Program Income - The Child Nutrition Cluster generated program income in the amount of \$80,792 for the year ended August 31, 2023.

Commodities - Commodity assistance is reported by the Assistance Listing number of the programs under which USDA donated the commodities identified as non-cash assistance.

3. INDIRECT COST RATE

The District did not elect to use the 10% de minimis indirect cost rate but used the indirect cost rate assigned by Texas Education Agency.

The District accounted for federally funded indirect costs in the General Fund as follows:

Program Title	Federal Assistance Listing No.	Amount
Title I, Part A - Improving Basic Programs	84.010A	\$ 44,391
IDEA - Part B, Formula	84.027A	16,477
COVID-19 IDEA - Part B, Formula - American Rescue Act	84.027X	349
IDEA - Part B, Preschool	84.173A	74
COVID-19 IDEA - Part B, Preschool - American Rescue Act	84.173X	13
Carl D. Perkins Basic Formula Grant	84.048A	121
Title II, Part A, Supporting Effective Instruction	84.367A	5,613
Title III, Part A - LEP/LEA	84.365A	987
Title V. B SP 2 - Rural & Low Income School	84.358B	2,718
COVID-19 ARP ESSER III	84.425D	103,256
COVID-19 TCLAS High-Quality After-School	84.425U	25,206
COVID-19 ARP Homeless II	84.425W	1,024
Title IV, Part A, Subpart 1	84.424A	3,251
School Breakfast Program	10.553	37,790
National School Lunch Program	10.555	63,551
Total Indirect Costs		<u>\$ 304,821</u>

(Continued)

TORNILLO INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2023

4. RECONCILIATIONS

Of the federal expenditures presented in Exhibit K-1, the District accounted for certain funds in the General Fund as follows:

Program Title	Federal Assistance Listing No.	Amount
School Breakfast Program	10.553	\$ 260,751
National School Lunch Program - Cash Assistance	10.555	438,499
National School Lunch Program - Non-Cash Assistance	10.555	62,191
Supply Chain Assistance Grant	10.555	43,123
Child & Adult Care Food Program	10.558	42,752
NSLP Equipment Assistance Grant	10.579	49,418
Indirect Costs	Various	<u>304,821</u>
		1,201,555
SHARS (not included in Exhibit K-1)		<u>137,335</u>
Total General Fund federal revenue per Exhibit C-3		<u><u>\$ 1,338,890</u></u>

The total federal revenue presented on Exhibit K-1 can be reconciled to Exhibit C-3 as follows:

Expenditures of federal awards per Exhibit K-1	\$ 5,195,835
School Health and Related Services (SHARS) reimbursements	<u>137,335</u>
Total federal revenue per Exhibit C-3	<u><u>\$ 5,333,170</u></u>

SCHOOLS FIRST QUESTIONNAIRE

Exhibit L-1

Tornillo Independent School District

Fiscal Year 2023

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	Yes
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	0