

ANNUAL FINANCIAL REPORT

of

**MAGNOLIA
INDEPENDENT SCHOOL DISTRICT**

**For the Year Ended
August 31, 2022**

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Magnolia Independent School District

Name of School District

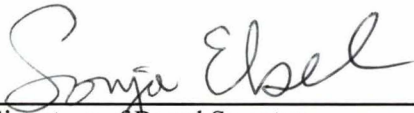
Montgomery

County

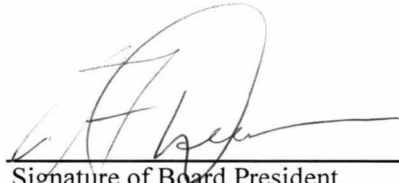
170-906

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, 2022, at a meeting of the Board of Trustees of such school district on the 25 day of January, 2023



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):

(attach list as necessary)

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Magnolia Independent School District:

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Magnolia Independent School District (the "District"), as of and for the year ended August 31, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditors' 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.

Change in Accounting Principle

As described in Note III. F to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

Responsibility 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.

Auditors' Responsibility 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 auditors' 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, budgetary comparison information, schedules of the District's proportionate share of the net pension and other postemployment benefits liability, and schedules of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements and schedules 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 required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the schedule of required responses to selected school first indicators but does not include the basic financial statements and our auditors' 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 20, 2023 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.

The logo for Belt Harris Pechacek, LLP features the firm's name in a stylized, cursive script font. The letters are dark blue or black, with a slight shadow effect. The 'B' and 'P' are particularly large and ornate.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 20, 2023

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2022

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Magnolia Independent School District (the "District") for the year ending August 31, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2022 was \$45,701,250.
- For the fiscal year ended August 31, 2022, the District's general fund reported a total fund balance of \$33,979,523, of which \$33,810,710 is unassigned, and \$168,813 is nonspendable.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$58,897,864.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund* statements provide information about services provided to parties inside the District. The proprietary funds include the District's internal service funds.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the fiduciary resources belong. These funds include student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2022

District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

Governmental Activities – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operations and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detail information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2022

provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds* – Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for workers' compensation self-insurance claims and fees, the after-school program, the aquatic club and the District's health plan. The internal service funds are included within *governmental activities* in the government-wide financial statements.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$45,701,250 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the year. *Table 1* indicates the overall condition of the District increased. *Table 2* reflects the District reporting a decrease in total revenue of \$3,363,357, which was mainly the result of decreases in grants not restricted for specific purposes as there was less state aid received than in prior year. The District also reported an increase of \$2,096,526 in total expenses, which is primarily the result of increases in expenses recognized in relation to on-behalf payments from the State for the pension and other postemployment benefits plans.

Description	Governmental Activities		Total Change
	2022	2021	2022-2021
Current assets	\$ 67,557,054	\$ 61,422,434	\$ 6,134,620
Capital assets	204,287,467	207,176,825	(2,889,358)
Total Assets	271,844,521	268,599,259	3,245,262
Deferred charge on refunding	9,229,226	9,963,785	(734,559)
Deferred outflows - pensions	14,749,869	16,672,417	(1,922,548)
Deferred outflows - OPEB	11,509,606	7,475,124	4,034,482
Total Deferred Outflows of Resources	35,488,701	34,111,326	1,377,375
Current liabilities	6,366,761	7,952,188	(1,585,427)
Long-term liabilities	205,576,785	232,266,424	(26,689,639)
Total Liabilities	211,943,546	240,218,612	(28,275,066)
Deferred inflows - pensions	21,964,441	5,250,577	16,713,864
Deferred inflows - OPEB	27,723,985	27,613,977	110,008
Total Deferred Inflows of Resources	49,688,426	32,864,554	16,823,872
Net Position:			
Net investment in capital assets	67,455,892	62,293,918	5,161,974
Restricted	25,255,244	13,175,703	12,079,541
Unrestricted	(47,009,886)	(45,842,202)	(1,167,684)
Total Net Position	\$ 45,701,250	\$ 29,627,419	\$ 16,073,831

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2022

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2022	2021	2022-2021
Revenues			
Program revenues:			
Charges for services	\$ 517,503	\$ 724,245	\$ (206,742)
Operating grants and contributions	26,011,396	27,159,765	(1,148,369)
General revenues:			
Property taxes	97,665,876	95,358,767	2,307,109
Grants and contributions not restricted	45,670,649	49,945,057	(4,274,408)
Investment earnings	164,334	62,882	101,452
Miscellaneous local and intermediate revenue	2,995,164	3,137,563	(142,399)
Total Revenue	173,024,922	176,388,279	(3,363,357)
Expenses			
Instruction	83,282,963	91,381,904	(8,098,941)
Instructional resources and media services	1,026,521	1,172,090	(145,569)
Curriculum and staff development	3,407,946	1,536,699	1,871,247
Instructional leadership	2,389,952	1,870,209	519,743
School leadership	7,711,453	7,762,924	(51,471)
Guidance, counseling, and evaluation services	6,355,837	5,349,374	1,006,463
Social work services	88,528	-	88,528
Health services	1,169,913	1,396,930	(227,017)
Student (pupil) transportation	9,538,886	9,459,695	79,191
Food services	7,901,696	6,231,699	1,669,997
Cocurricular/extracurricular activities	3,967,378	3,049,213	918,165
General administration	4,123,442	3,843,294	280,148
Plant maintenance and operations	15,094,822	14,676,428	418,394
Security and monitoring	1,789,491	1,086,353	703,138
Data processing services	4,629,433	3,238,866	1,390,567
Community services	55,723	189,056	(133,333)
Interest on long-term debt	4,417,107	2,609,831	1,807,276
Total Expenses	156,951,091	154,854,565	2,096,526
Change in Net Position	16,073,831	21,533,714	(5,459,883)
Beginning net position	29,627,419	8,093,705	21,533,714
Ending Net Position	\$ 45,701,250	\$ 29,627,419	\$ 16,073,831

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2022, the District's governmental funds reported a combined fund balance of \$58,897,864. This compares to a combined fund balance of \$51,578,429 at August 31, 2021. The fund balance in the general fund decreased primarily due to one-time transfers related to the District's alternative medical plan. The debt service fund fund balance increase is primarily related to an increase in property tax revenue due to increases in valuations. The capital projects fund fund balance decrease is primarily related to the use of funds for repair initiatives throughout the District. The elementary and secondary school emergency relief funds II and III funds are used to track the revenue and associated expenditures related to Coronavirus aid from the federal government. These funds ended the year with ending fund balances of zero.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally cover multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2022, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's budgeted revenues exceeded actual revenues by \$59,021 primarily due to greater federal program revenue budgeted than actually received, along with more insurance recovery local revenues than expected. The actual expenditures exceeded budgeted expenditures by \$138,213 due primarily to adjustments related to the implementation of Governmental Accounting Standards Board Standard No. 87 *Leases* that the District did not include in its budget.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2022, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2022, the District had a total of \$204,287,467 invested in capital assets (net of depreciation) such as land, buildings, and District equipment. This total includes capital assets not being depreciated in the amount of \$12,600,705.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had \$129,632,448 in general obligation bonds outstanding versus \$138,065,000 last year.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2022

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGET AND RATES

- This is the second year under House Bill (HB) 1525. Known as the *HB 3 Cleanup Bill*, the bill corrected some unintended consequences of HB 3. This marks the 4th year in a row with the same funding per student.
- Within HB 1525 and the continuation of Maintenance & Operations tax rate compression, an increase in student enrollment is the only mechanism to produce additional revenue.
- With the heaviest student enrollment growth in recent past, the District added 556 new students in the 2021-2022 school year.
- The District's external demographer projected student enrollment growth of 692 students for the 2022-2023 school year, which is the estimate utilized when building the 22-23 budget (with protections in place). As of the end of the 1st semester, student enrollment is up approximately 400 students and continuing to grow.
- In an attempt to remain competitive with surrounding districts in terms of attracting and retaining the best and brightest talent, yet to also protect the District against revenue uncertainties, all employees will receive a 2% raise and a total of \$2,750 in one-time retention payments.
- The District provides a competitive \$350 per month for employee health insurance premium assistance.
- In addition to health insurance, the District provides \$10,000 of life insurance coverage to full-time employees at no cost to the employee. Supplemental insurance is offered from variously selected vendors based on cost savings and plan details as chosen after competitive procurement by District administration.
- The District offers extremely affordable in-house child (day) care for our employees.
- The District's 2022 certified net taxable value for ad valorem tax purposes is \$10.6 billion, representing an increase of approximately \$2 billion, or approximately 25% higher versus the previous tax year. According to the Montgomery County Appraisal District, this increase is a result of a combination of (a) new properties on the roll, (b) market-driven increases on existing properties, and (c) commercial revaluations on existing properties. These trends are generally consistent statewide.
- In adherence with HB 1525 property tax relief requirements and based on debt service capacity, the District lowered its property tax rate by \$0.04, from \$1.1872 to \$1.1472. This represents the lowest tax rate in over 20 years, the second lowest among Montgomery County school districts, and the third lowest in the Houston area for like districts.
- The District once again received a "Superior Achievement" for an "A" rating, including a score of 98/100, on the Texas Education Agency's School FIRST accountability rating system (for fiscal year 2021).
- In November 2022, District voters approved a \$228 million bond referendum, of which the proceeds will be used to erect new school facilities (in response to student enrollment growth and building capacity limitations).

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2022

- District officials remain committed to an aggressive bond defeasance plan in order to save interest on bond payments resulting in taxpayer savings. Recent efforts of early payoff and bond refundings have saved District taxpayers nearly \$60 million in bond interest expense.
- The District is governed by a well-trained, informed, dedicated, and student-focused Board of Trustees and administrative staff.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 questions about this report or need additional financial information, contact either the Assistant Superintendent of Operations/CFO Dr. Erich Morris, or Executive Director of Financial Services Kim Weatherby at 31141 Nichols Sawmill Road, Magnolia, Texas 77353 or by calling (281) 356-8485.

BASIC FINANCIAL STATEMENTS

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2022

1

Data Control Codes		Governmental Activities
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 33,410,465
1120	Current investments	21,928,438
1220	Property taxes receivable (delinquent)	2,722,185
1230	Allowance for uncollectible taxes	(442,629)
1240	Due from other governments	9,751,950
1267	Due from custodial funds	4,661
1290	Other receivables	13,171
1300	Inventories, at cost	159,866
1410	Prepaid items	8,947
		<u>67,557,054</u>
	Capital assets:	
1510	Land	12,600,705
1520	Buildings, net	183,874,601
1530	Furniture and equipment, net	2,452,123
1540	Vehicles, net	4,179,207
1559	Right-to-use leased equipment, net	1,180,831
		<u>204,287,467</u>
1000	Total Assets	<u>271,844,521</u>
	<u>Deferred Outflows of Resources</u>	
1700	Deferred charge on refunding	9,229,226
1705	Deferred outflows - pensions	14,749,869
1710	Deferred outflows - OPEB	11,509,606
		<u>35,488,701</u>
	<u>Liabilities</u>	
2110	Accounts payable	2,365,105
2140	Interest payable	210,047
2160	Accrued wages payable	3,430,342
2180	Due to other governments	20
2200	Accrued expenses	234,759
		<u>6,366,761</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	9,164,038
2502	Long-term liabilities due in more than one year	136,917,957
2540	Net pension liability	20,479,787
2545	Net OPEB liability	39,015,003
2000	Total Liabilities	<u>211,943,546</u>
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pensions	21,964,441
2610	Deferred inflows - OPEB	27,723,985
		<u>49,688,426</u>
	<u>Net Position</u>	
3200	Net investment in capital assets	67,455,892
	Restricted for:	
3820	State and federal programs	3,028,247
3850	Debt service	21,177,876
3870	Campus activities	1,049,121
3900	Unrestricted	(47,009,886)
3000	Total Net Position	<u>\$ 45,701,250</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2022

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
					6 Primary Gov. Governmental Activities
	Primary Government				
	Governmental Activities				
11	Instruction	\$ 83,282,963	\$ -	\$ 8,947,050	\$ (74,335,913)
12	Instructional resources				
12	and media services	1,026,521	-	13,725	(1,012,796)
13	Curriculum/instructional				
13	staff development	3,407,946	-	1,401,794	(2,006,152)
21	Instructional leadership	2,389,952	-	162,214	(2,227,738)
23	School leadership	7,711,453	-	328,605	(7,382,848)
31	Guidance, counseling, and				
31	evaluation services	6,355,837	-	1,524,948	(4,830,889)
32	Social work services	88,528	-	85,585	(2,943)
33	Health services	1,169,913	-	16,512	(1,153,401)
34	Student (pupil) transportation	9,538,886	-	158,170	(9,380,716)
35	Food services	7,901,696	517,503	7,925,289	541,096
36	Extracurricular activities	3,967,378	-	9,520	(3,957,858)
41	General administration	4,123,442	-	19,857	(4,103,585)
51	Plant maintenance and operations	15,094,822	-	3,530,082	(11,564,740)
52	Security and monitoring services	1,789,491	-	-	(1,789,491)
53	Data processing services	4,629,433	-	1,496,708	(3,132,725)
61	Community services	55,723	-	53,870	(1,853)
72	Debt service - interest on				
72	long-term debt	4,417,107	-	337,467	(4,079,640)
	Total Governmental Activities	<u>\$ 156,951,091</u>	<u>\$ 517,503</u>	<u>\$ 26,011,396</u>	<u>(130,422,192)</u>
TP	Total Primary Government	<u>\$ 156,951,091</u>	<u>\$ 517,503</u>	<u>\$ 26,011,396</u>	<u>(130,422,192)</u>
	General Revenues				
MT	Property taxes, levied for general purposes				72,256,777
DT	Property taxes, levied for debt service				25,409,099
GC	Grants and contributions not restricted				
GC	for specific programs				45,670,649
IE	Investment earnings				164,334
MI	Miscellaneous local and intermediate revenue				2,995,164
TR				Total General Revenues	<u>146,496,023</u>
CN				Change in Net Position	<u>16,073,831</u>
NB	Beginning net position				<u>29,627,419</u>
NE				Ending Net Position	<u>\$ 45,701,250</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2022

Data Control Codes		10	50	60	Elementary & Secondary School Emergency Relief II
		General	Debt Service	Capital Projects	
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ 14,198,994	\$ 13,839,676	\$ 290,718	\$ 2,473
1120	Current investments	14,948,335	6,980,103	-	-
1220	Property taxes - delinquent	2,046,594	675,591	-	-
1230	Allowance for uncollectible taxes	(335,182)	(107,447)	-	-
1240	Due from other governments	3,759,125	-	-	726,736
1260	Due from other funds	6,450,945	-	55,160	1,491
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	159,866	-	-	-
1410	Prepaid items	8,947	-	-	-
1000	Total Assets	\$ 41,237,624	\$ 21,387,923	\$ 345,878	\$ 730,700
	<u>Liabilities</u>				
2110	Accounts payable	\$ 1,509,499	\$ -	\$ 24,684	\$ 700
2160	Accrued wages payable	3,430,342	-	-	-
2170	Due to other funds	606,827	-	300,000	730,000
2180	Due to other governments	20	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	5,546,688	-	324,684	730,700
	<u>Deferred Inflows of Resources</u>				
2600	Unavailable revenue - property taxes	1,711,413	568,144	-	-
	<u>Fund Balances</u>				
	Nonspendable:				
3410	Inventories	159,866	-	-	-
3430	Prepaid items	8,947	-	-	-
	Restricted:				
3450	Federal/state grant restrictions	-	-	-	-
3470	Construction	-	-	21,194	-
3480	Debt service	-	20,819,779	-	-
3490	Other restrictions of fund balance	-	-	-	-
3600	Unassigned	33,810,710	-	-	-
3000	Total Fund Balances	33,979,523	20,819,779	21,194	-
4000	Total Liabilities, Deferred Inflows				
4000	of Resources, and Fund Balances	\$ 41,237,624	\$ 21,387,923	\$ 345,878	\$ 730,700

See Notes to Financial Statements.

Elementary & Secondary School Emergency Relief III	Nonmajor Governmental	98 Total Governmental Funds
\$ 1,756	\$ 4,535,646	\$ 32,869,263
-	-	21,928,438
-	-	2,722,185
-	-	(442,629)
3,177,466	2,088,623	9,751,950
-	83,677	6,591,273
-	13,171	13,171
-	-	159,866
-	-	8,947
<u>\$ 3,179,222</u>	<u>\$ 6,721,117</u>	<u>\$ 73,602,464</u>
\$ 282,812	\$ 547,410	\$ 2,365,105
-	-	3,430,342
2,896,410	1,969,851	6,503,088
-	-	20
-	126,488	126,488
<u>3,179,222</u>	<u>2,643,749</u>	<u>12,425,043</u>
<u>-</u>	<u>-</u>	<u>2,279,557</u>
-	-	159,866
-	-	8,947
-	3,028,247	3,028,247
-	-	21,194
-	-	20,819,779
-	1,049,121	1,049,121
-	-	33,810,710
<u>-</u>	<u>4,077,368</u>	<u>58,897,864</u>
<u>\$ 3,179,222</u>	<u>\$ 6,721,117</u>	<u>\$ 73,602,464</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
August 31, 2022

Total fund balances for governmental funds \$ 58,897,864

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets – nondepreciable	12,600,705	
Capital assets – depreciable	191,686,762	
	204,287,467	204,287,467

Other long-term assets (deferred taxes) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,279,556
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Internal service funds are used by management to charge the costs of of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		222,920
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Some liabilities, including bonds payable, net pension liability, and total other postemployment benefits (OPEB) liability, are not reported as liabilities in the governmental funds.

Deferred outflows - pensions	14,749,869	
Deferred inflows - pensions	(21,964,441)	
Deferred outflows - OPEB	11,509,606	
Deferred inflows - OPEB	(27,723,985)	
Accrued interest	(210,047)	
Deferred charge on refunding	9,229,226	
Premium on long-term debt	(16,449,547)	
Noncurrent debt due in one year	(9,164,038)	
Noncurrent debt due in more than one year	(120,468,410)	
Net pension liability	(20,479,787)	
Net OPEB liability	(39,015,003)	(219,986,557)

Net Position of Governmental Activities		\$ 45,701,250
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See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EXHIBIT C-2
For the Year Ended August 31, 2022

		10	50	60	Elementary & Secondary School Emergency Relief II
Data Control Codes		General	Debt Service	Capital Projects	
Revenues					
5700	Local, intermediate, and out-of-state	\$ 73,972,788	25,705,395	\$ 3,337	\$ -
5800	State program revenues	47,705,074	337,467	-	-
5900	Federal program revenues	2,450,435	-	-	3,105,542
5020	Total Revenues	<u>124,128,297</u>	<u>26,042,862</u>	<u>3,337</u>	<u>3,105,542</u>
Expenditures					
Current:					
0011	Instruction	72,745,929	-	276,924	1,818,082
0012	Instructional resources and				
0012	media services	1,019,973	-	-	13,725
0013	Curriculum/instructional				
0013	staff development	1,964,514	-	-	8,552
0021	Instructional leadership	2,216,698	-	-	10,717
0023	School leadership	7,533,319	-	-	122,333
0031	Guidance, counseling, and				
0031	evaluation services	4,962,610	-	-	42,816
0032	Social work services	-	-	-	-
0033	Health services	1,183,984	-	-	16,512
0034	Student (pupil) transportation	8,365,565	-	139,545	155,986
0035	Food services	-	-	-	62,606
0036	Extracurricular activities	3,241,686	-	-	9,520
0041	General administration	4,077,987	-	16,057	19,857
0051	Plant maintenance and operations	12,150,903	-	495,720	725,044
0052	Security and monitoring services	1,726,529	-	-	-
0053	Data processing services	2,938,600	-	-	47,009
0061	Community services	-	-	-	52,783
Debt service:					
0071	Principal	-	9,615,000	-	-
0072	Interest and fiscal charges	-	5,314,834	-	-
0081	Capital outlay	<u>1,263,121</u>	<u>-</u>	<u>333,136</u>	<u>-</u>
6030	Total Expenditures	<u>125,391,418</u>	<u>14,929,834</u>	<u>1,261,382</u>	<u>3,105,542</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,263,121)</u>	<u>11,113,028</u>	<u>(1,258,045)</u>	<u>-</u>
Other Financing Sources (Uses)					
7913	Proceeds from leases	1,263,121	-	-	-
8911	Transfers (out)	(3,434,449)	-	-	-
7080	Total Other Financing (Uses)	<u>(2,171,328)</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	<u>(3,434,449)</u>	<u>11,113,028</u>	<u>(1,258,045)</u>	<u>-</u>
0100	Beginning fund balances	37,413,972	9,706,751	1,279,239	-
3000	Ending Fund Balances	<u>\$ 33,979,523</u>	<u>\$ 20,819,779</u>	<u>\$ 21,194</u>	<u>\$ -</u>

See Notes to Financial Statements.

Elementary & Secondary School Emergency Relief III	Nonmajor Governmental	98 Total Governmental Funds
\$ -	\$ 1,495,093	\$ 101,176,613
-	712,012	48,754,553
7,252,529	14,470,611	27,279,117
<u>7,252,529</u>	<u>16,677,716</u>	<u>177,210,283</u>
1,992,873	5,137,726	81,971,534
-	-	1,033,698
84,906	1,308,336	3,366,308
10,244	141,253	2,378,912
206,272	-	7,861,924
700,226	781,906	6,487,558
-	85,585	85,585
-	-	1,200,496
2,184	-	8,663,280
-	7,505,070	7,567,676
-	818,939	4,070,145
-	-	4,113,901
2,805,038	-	16,176,705
-	-	1,726,529
1,449,699	-	4,435,308
1,087	-	53,870
-	-	9,615,000
-	-	5,314,834
-	-	1,596,257
<u>7,252,529</u>	<u>15,778,815</u>	<u>167,719,520</u>
<u>-</u>	<u>898,901</u>	<u>9,490,763</u>
-	-	1,263,121
-	-	(3,434,449)
-	-	(2,171,328)
-	898,901	7,319,435
-	3,178,467	51,578,429
<u>\$ -</u>	<u>\$ 4,077,368</u>	<u>\$ 58,897,864</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3
For the Year Ended August 31, 2022

Net changes in fund balances - total governmental funds	\$ 7,319,435
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	(6,808,985)
Capital outlay, net of disposal of assets	3,919,627
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	166,264
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments	9,615,000
Capital lease proceeds	(1,263,121)
Capital lease principal payments	80,673
Accrued interest	20,902
Amortization of loss on bond refunding	(734,559)
Amortization of premiums	1,611,384
Pension and other postemployment benefits (OPEB) activity reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure or revenue in governmental funds.	
Change in net pension liability	18,884,443
Change in net OPEB liability	(2,238,740)
Change in deferred outflows - pensions	(1,125,653)
Change in deferred inflows - pensions	(17,510,759)
Change in deferred outflows - OPEB	4,034,482
Change in deferred inflows - OPEB	(110,008)
Internal service funds are used by management to charge the costs of certain activities, such as employee healthcare, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	213,446
Change in Net Position of Governmental Activities	\$ 16,073,831

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS - EXHIBIT D-1

August 31, 2022

Data Control Codes		Internal Service
	Assets:	
1110	Cash and cash equivalents	\$ 541,203
1260	Due from other funds	780,633
	Total Assets	1,321,836
	Liabilities:	
2200	Accounts payable	234,759
2071	Due to other funds	864,157
2000	Total Liabilities	1,098,916
	Net Position:	
3600	Unrestricted	222,920
4000	Total Net Position	\$ 222,920

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS - EXHIBIT D-2
For the Year Ended August 31, 2022

<u>Data Control Codes</u>		<u>Internal Service</u>
Operating Revenues:		
5700	Local and intermediate sources	\$ 8,601,572
5020	Total Operating Revenues	<u>8,601,572</u>
Operating Expenses:		
6100	Payroll costs	10,789,351
6200	Professional and contracted services	445,223
6300	Supplies and materials	540,246
6400	Other operating costs	47,755
	Total Operating Expenses	<u>11,822,575</u>
1100	Operating (Loss)	(3,221,003)
Other Financing Sources (Uses):		
7915	Transfers in	3,434,449
	Total Other Financing Sources	<u>3,434,449</u>
1200	Changes in Net Position	213,446
0100	Beginning net position	<u>9,474</u>
3000	Ending Net Position	<u><u>\$ 222,920</u></u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS - EXHIBIT D-3

For the Year Ended August 31, 2022

	<u>Internal Service</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 7,336,463
Cash payments to employees for services	(11,162,673)
Cash payments to other suppliers for goods and services	(1,068,594)
Net Cash (Used) by Operating Activities	<u>(4,894,804)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers in from other funds	3,434,449
Net Cash Provided by Noncapital Financing Activities	<u>3,434,449</u>
Net (Decrease) in Cash and Equivalents	(1,460,355)
Beginning cash and cash equivalents	<u>2,001,558</u>
Ending Cash and Cash Equivalents	<u><u>\$ 541,203</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating (loss)	\$ (3,221,003)
(Increase) Decrease in:	
Due from other funds	(780,633)
Increase (Decrease) in:	
Accrued expenses	(7,476)
Due to other funds	(885,692)
Net Cash Used by Operating Activities	<u><u>\$ (4,894,804)</u></u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-1

August 31, 2020

<u>Data Control Codes</u>		<u>Custodial Funds</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 374,837
1260	Due from other funds	70
1290	Accounts receivable	10,220
	Total Assets	<u>385,127</u>
	<u>Liabilities</u>	
2170	Due to other funds	4,731
	Total Liabilities	<u>4,731</u>
	<u>Net Position</u>	
3600	Unrestricted	380,396
	Total Net Position	<u><u>\$ 380,396</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-2

For the Year Ended August 31, 2021

	<u>Custodial Funds</u>
<u>Additions:</u>	
Fundraisers	\$ 178,483
Sales	319,944
Other	171,815
Total Additions	<u>670,242</u>
<u>Deductions:</u>	
Student groups	231,175
Fees and dues	300,563
Other	90,264
Total Deductions	<u>622,002</u>
Change in Net Position	48,240
Beginning net position	332,156
Total Net Position	<u><u>\$ 380,396</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Magnolia Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas (the “State”). It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations and is considered a primary government. As required by GAAP, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

The District reports the following governmental funds:

General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a nonmajor fund, but the District has elected to present it as major for reporting purposes due to its significance.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance are accounted for in a special revenue fund. The Elementary and Secondary School Emergency Relief (ESSER) II and III funds are used to account for and report financial resources that are related to Coronavirus Aid federal funding. The ESSER II and III funds are considered major funds for reporting purposes.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

The District has the following type of proprietary funds:

Internal Service Funds

These funds are used to account for and report revenue and expenses related to services provided to parties inside the District on a cost reimbursement basis and account for the District's group health insurance benefits and workers' compensation risk management, the Aquatic Club activities, and the after-school programs. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District has the following type of fiduciary funds:

Custodial Funds

The custodial funds report resources, not in a trust, that are held by the District for other parties outside of the District. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds, livestock show funds, and special projects donations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

timing of 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents. The District uses a consolidated claim on cash to track each participating fund's claim on cash which is net of each fund's current receivable and payables. The general fund's financial statement includes gross receivables and payable for all funds, and the general fund's claim on cash is adjusted accordingly.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized repurchase agreements that meet certain criteria
- Government investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	10 to 50 years
Vehicles	8 to 20 years
Equipment	5 to 25 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

7. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

11. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

12. Pensions

The fiduciary net position of Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Other Postemployment Benefits

The fiduciary net position of Teacher Retirement System ActiveCare ("TRS-Care") 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 OPEB, 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.

14. Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$15,000 or more.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate, or current cost of borrowing as the discount rate for leases.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to customers for sales and services. Operating expenses for the internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

Expenditures exceeded the legal level of control in the general fund function 81 capital outlay by \$1,263,121 as a result of the implementation of GASB Standard No. 87.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2022, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Securities:		
Federal agency coupon	\$ 12,188,857	1.40
Treasury securities	8,810,226	1.22
Municipal bonds	755,693	1.75
Investment Pools:		
Texas CLASS	2,847,533	0.19
Lonestar	85,317	0.24
Money Market Accounts	<u>55,270</u>	<u>0.00</u>
Total	<u>\$ 24,742,896</u>	<u>0.80</u>

Custodial credit risk – deposits. In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Lone Star members and nonmembers. Lone Star

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

is rated 'AAAm' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight fund of Lone Star which seeks to maintain a net asset value of \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of \$1.00.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 12,600,705	\$ -	\$ -	\$ 12,600,705
Total Capital Assets Not Being Depreciated	<u>12,600,705</u>	<u>-</u>	<u>-</u>	<u>12,600,705</u>
Other capital assets:				
Buildings and improvements	259,904,996	2,446,313	-	262,351,309
Furniture and equipment	6,412,420	95,945	-	6,508,365
Vehicles	14,958,658	114,248	-	15,072,906
Right-to-use equipment	-	1,263,121	-	1,263,121
Total Other Capital Assets	<u>281,276,074</u>	<u>3,919,627</u>	<u>-</u>	<u>285,195,701</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(72,826,405)	(5,650,303)	-	(78,476,708)
Furniture and equipment	(3,764,194)	(292,048)	-	(4,056,242)
Vehicles	(10,109,355)	(784,344)	-	(10,893,699)
Right-to-use equipment	-	(82,290)	-	(82,290)
Total Accumulated Depreciation	<u>(86,699,954)</u>	<u>(6,808,985)</u>	<u>-</u>	<u>(93,508,939)</u>
Other capital assets, net	<u>194,576,120</u>	<u>(2,889,358)</u>	<u>-</u>	<u>191,686,762</u>
Governmental Activities Capital Assets, Net	<u>\$ 207,176,825</u>	<u>\$ (2,889,358)</u>	<u>\$ -</u>	<u>204,287,467</u>
			Less associated debt	(146,081,995)
			Plus unspent bond proceeds	21,194
			Plus deferred charge on refunding	9,229,226
			Net Investment in Capital Assets	<u>\$ 67,455,892</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

Depreciation was charged to governmental functions as follows:

11	Instruction	\$	2,884,531
12	Instructional resources and media services		35,548
13	Curriculum and instructional staff development		115,764
21	Instructional leadership		89,633
23	School leadership		275,401
31	Guidance, counseling, and evaluation services		223,101
32	Social services		2,943
33	Health services		41,284
34	Student (pupil) transportation		972,679
35	Food service		391,535
36	Cocurricular/extracurricular activities		169,714
41	General administration		141,473
51	Plant maintenance and operations		1,157,106
52	Security and monitoring		62,962
53	Data processing services		243,458
61	Community Services		1,853
Total Depreciation Expense		\$	<u>6,808,985</u>

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year	Interest Rates
Governmental Activities:						
Bonds payable:						
Series 2013	\$ 7,480,000	\$ -	\$ (2,170,000)	\$ 5,310,000	\$ 5,310,000	2.00-5.00%
Series 2016	10,145,000	-	(1,605,000)	8,540,000	1,010,000	2.00-5.00%
Series 2017	12,410,000	-	(5,400,000)	7,010,000	2,130,000	3.00-5.00%
Series 2020A	69,450,000	-	(440,000)	69,010,000	465,000	2.00-5.00%
Series 2020B	38,580,000	-	-	38,580,000	-	1.75-5.00%
Leases Payable	-	1,263,121	(80,673)	1,182,448	249,038	4.50%
	<u>138,065,000</u>	<u>1,263,121</u>	<u>(9,695,673)</u>	<u>129,632,448</u>	<u>* 9,164,038</u>	
Other liabilities:						
Unamortized bond premium	18,060,931	-	(1,611,384)	16,449,547	*	-
Net pension liability	39,364,230	-	(18,884,443)	20,479,787		-
Net OPEB liability	36,776,263	2,238,740	-	39,015,003		-
Total Governmental Activities	\$ 232,266,424	\$ 1,263,121	\$ (11,307,057)	\$ 205,576,785	\$ 9,164,038	
Long-term liabilities due in more than one year				\$ 196,412,747		
*Debt associated with capital assets				\$ 146,081,995		

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

The annual requirements to amortize debt issues outstanding at year end are as follows:

Fiscal Year Ended Aug 31	Principal	Interest	Total Requirements
2023	\$ 8,915,000	\$ 4,831,084	\$ 13,746,084
2024	9,280,000	4,385,334	13,665,334
2025	11,125,000	3,921,334	15,046,334
2026	11,800,000	3,367,934	15,167,934
2027	12,370,000	2,814,184	15,184,184
2028-2032	35,460,000	7,959,337	43,419,337
2033-2037	27,845,000	3,219,962	31,064,962
2038-2041	11,655,000	420,075	12,075,075
	<u>\$ 128,450,000</u>	<u>\$ 30,919,244</u>	<u>\$ 159,369,244</u>

D. Leases

During the current fiscal year, the District entered into copier lease agreements with 5 year terms. An initial lease liability was recorded in the amount of \$1,263,121. As of August 31, 2022, the value of the lease liability was \$1,182,448. The District is required to make monthly principal and interest payments ranging from \$9,775 to \$11,735. An estimated borrowing rate of 4.25% was used by the District. The value of the right-to-use lease assets as of the end of the current fiscal year was \$1,180,832 and had accumulated amortization of \$82,290.

The future principal and interest lease payments as of August 31, 2022 were as follows:

Fiscal Year Ended Aug 31	Principal	Interest	Total Requirements
2023	\$ 249,038	\$ 9,082	\$ 258,120
2024	251,163	6,957	258,120
2025	253,306	4,814	258,120
2026	255,468	2,652	258,120
2027	173,473	567	174,040
	<u>\$ 1,182,448</u>	<u>\$ 24,072</u>	<u>\$ 1,206,520</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

E. Interfund Transactions

The following is a summary of the District's interfund transactions for the year:

	<u>Due From Other Funds</u>
General	
ESSER II	\$ 730,000
ESSER III	2,841,250
Other Nonmajor governmental	1,716,419
Capital projects	300,000
Internal service	863,276
Total General Fund	<u>6,450,945</u>
ESSER II	
General	680
Internal service	811
Total ESSER II Fund	<u>1,491</u>
Capital projects	
ESSER III	55,160
Total Capital Projects Fund	<u>55,160</u>
Other nonmajor governmental	
General	78,946
Custodial	4,731
Total Other Nonmajor Governmental Funds	<u>83,677</u>
Custodial funds	
Other nonmajor governmental	70
Total Custodial Funds	<u>70</u>
Internal service	
General	527,201
Other nonmajor governmental	253,432
Total Internal Service Funds	<u>780,633</u>
Total	<u><u>\$ 7,371,976</u></u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
MISD Health	General	\$ 3,236,343	Transfers for alternative medical plan
After-School Programs	General	\$ 198,106	Transfers for after-school program salaries

IV. OTHER INFORMATION

A. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of 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 every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

C. Defined Benefit Pension Plan

Teacher Retirement System

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 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. TRS's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/aboutpublications.aspx>, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

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 the State. The pension formula is calculated using 2.3% (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 postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan Description above.

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. 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.

Contribution Rates			
Fiscal Year	State	Public Education	Active
		Employer*	Employee
2021	7.50%	1.60%	7.70%
2022	7.75%	1.70%	8.00%
2023	8.00%	1.80%	8.00%
2024	8.25%	1.90%	8.25%
2025	8.25%	2.00%	8.25%

	Contribution Rates	
	2021	2022
Member	7.70%	8.00%
NECE (State)	7.50%	7.75%
Employers	7.50%	7.50%

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

	<u>Measurement Year (2021)</u>	<u>Fiscal Year (2022)</u>
Employer Contributions	\$ 3,431,846	\$ 3,516,306
Member Contributions	\$ 7,085,773	\$ 7,732,831
NECE On-Behalf Contributions	\$ 4,625,489	\$ 5,431,095

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

As the NECE for public education and junior colleges, the State contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of TRS during that fiscal year reduced by the amounts described below, which are paid by the employers.

Employers (public schools, junior colleges, other entities, or the State 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 noneducational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2.0% in fiscal year 2025.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2020, rolled forward to August 31, 2021
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal bond rate	1.95%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%, including inflation
Benefit changes during the year	None

The actuarial methods and assumptions used in the determination of the TPL are the same assumptions used in the actuarial valuation as of ending August 31, 2020. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 9, 2020.

Discount Rate

A single discount rate of 7.25% was used to measure the TPL. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the NECE will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on TRS investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2021 are summarized as follows:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2021

	Target Allocation (1)	Long-Term Expected Arithmetic Real Reate of Return (2)	Expected Contributions to Long-Term Portfolio Returns(3)
Global			
U.S.	18.00%	3.60%	94.00%
Non-U.S. Developed	13.00%	4.40%	83.00%
Emerging Markets	9.00%	4.60%	74.00%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy and National Resources, and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity			
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag (3)			-0.95%
Total	<u>100%</u>	<u>34.50%</u>	<u>6.90%</u>

(1)Target allocations are based on the FY2021 policy model.

(2)Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021).

(3)The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following table presents the net pension liability (NPL) of TRS using the discount rate of 7.25%, and what the NPL would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease in Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	\$ 44,751,585	\$ 20,479,787	\$ 787,991

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

Pension Liability, Pension Expense, and Deferred Outflows/ Inflows of Resources Related to Pensions

At August 31, 2022, the District reported a liability of \$20,479,787 for its proportionate share of the TRS's NPL. This liability reflects a reduction for state pension support provided to the District.

The amounts recognized by the District as its proportionate share of the NPL, the related state support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	20,479,787
State's proportionate share that is associated with the District		27,602,937
Total	\$	48,082,724

The NPL was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2020 through August 31, 2021.

At August 31, 2022, the District's proportion of the collective NPL was 0.080418%, which was an increase of 0.0069203% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$110,353 and revenue of \$110,353 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 34,272	\$ 1,441,793
Changes in actuarial assumptions	7,239,205	3,155,672
Difference between projected and actual investment earnings	-	17,172,036
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,960,086	194,940
Contributions paid to TRS subsequent to the measurement date	3,516,306	-
Total	\$ 14,749,869	\$ 21,964,441

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

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

Fiscal Year Ended August 31	Pension Expense
2023	\$ (1,422,873)
2024	(1,816,536)
2025	(3,410,699)
2026	(4,577,307)
2027	377,903
Thereafter	118,634
Total	\$ (10,730,878)

D. Defined Other Postemployment Benefits Plan

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined OPEB plan with a special funding situation. TRS-Care was established in 1986 by the Texas Legislature.

The TRS Board of Trustees (the "Board") administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board 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

Detailed information about TRS-Care's fiduciary net position is available in a separately issued TRS Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

Components of the net OPEB liability of TRS-Care as of August 31, 2021 are as follows:

Total OPEB liability	\$ 41,113,711,083
Less: plan fiduciary net position	(2,539,242,470)
Net OPEB Liability	\$ 38,574,468,613
Net position as a percentage of total OPEB liability	-6.18%

Benefits Provided

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

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 TRS. There are no automatic postemployment benefit changes, including automatic COLAs.

The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

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

*or surviving spouse

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the GAA.

The following table shows contributions to TRS-Care by type of contributor:

Contribution Rates			
	Fiscal Year		
	2021	2022	
Active employee	0.65%	0.65%	
NECE	1.25%	1.25%	
Employers	0.75%	0.75%	
Federal/private funding remitted by employers	1.25%	1.25%	
	Measurement Year (2021)	Fiscal Year (2022)	
District contributions	\$ 790,149	\$ 819,857	
Member contributions	\$ 253,273	\$ 314,146	
NECE on-behalf contributions	\$ 1,058,624	\$ 1,208,255	

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

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

TRS-Care received supplemental appropriations from the State as the NECE in the amount of \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the TRS 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, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

- | | |
|-------------------------|--------------------------------|
| 1. Rates of Mortality | 4. Rates of Disability Incider |
| 2. Rates of Retirement | 5. General Inflation |
| 3. Rates of Termination | 6. Wage Inflation |

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, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

Additional actuarial methods and assumptions are as follows:

Valuation date	August 31, 2020, rolled forward to August 31, 2021
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.25%
Long-term expected investment rate of return	7.25%
Municipal bond rate	1.95%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%, including inflation
Benefit changes during the year	None
Ad hoc postemployment benefit changes	None

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

Discount Rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because TRS-Care 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 NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care’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, 2021 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of net OPEB liability	\$ 47,061,083	\$ 39,015,003	\$ 32,682,475

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate of 4.25%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 31,600,859	\$ 39,015,003	\$ 48,962,941

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2022, the District reported a liability of \$39,015,003 for its proportionate share of 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:

District's proportionate share of the collective net OPEB liability	\$ 39,015,003
State's proportionate share that is associated with the District	52,271,409
Total	\$ 91,286,412

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2020 through August 31, 2021.

At August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.1011420%, compared to 0.0967427% as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

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

For the year ended August 31, 2021, the District recognized OPEB expense of \$1,929,214 and revenue of \$1,929,214 for support provided by the State.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

At August 31, 2022, the District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,679,781	\$ 18,885,991
Changes in actuarial assumptions	4,321,370	8,250,951
Differences between projected and actual investment earnings	42,358	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	4,646,240	587,043
Contributions paid to TRS subsequent to the measurement date	819,857	-
Total	\$ 11,509,606	\$ 27,723,985

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

Fiscal Year Ended August 31	Expense Amount
2023	\$ (3,597,945)
2024	(3,598,900)
2025	(3,598,639)
2026	(2,571,660)
2027	(1,181,309)
Thereafter	(2,485,783)
	\$ (17,034,236)

Medicare Part D Subsidies

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 TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$375,620, \$410,889, and \$404,110, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$350 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2022 and terms of coverage and premiums costs are included in the contractual provisions.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

F. Workers' Compensation Insurance

During the year ended August 31, 2021, employees of the District were covered by a workers' compensation plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreements.

The contract between the District and the third-party administrator, Creative Risk Funding (CRF), acting on behalf of the self-funded pool, is renewable on September 1 and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with State statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Safety National Casualty Corporation, a commercial insurer licensed or eligible to do business in the State of Texas in accordance with the Texas Insurance Code. The specific retention is \$350,000 and the aggregate limit is \$1,000,000. The aggregate stop-loss coverage is \$11,653,213. According to CRF, the unfunded claim benefit obligation included \$208,174 in claims that were unpaid and \$129,365 in estimated claims incurred, but not reported. Other school districts contributed to the self-funded pool which was operated under the contractual provisions of Article 4413(32c), Interlocal Cooperation Act.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims which have been incurred but not reported based on historical experience.

Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below:

	Fiscal Year	
	2022	2021
Claims liability at beginning of year	\$ 150,860	\$ 147,957
Current year claims and estimated changes	191,035	2,825,318
Claims payments	(133,721)	(3,124,135)
Claims liability at year end	<u>\$ 208,174</u>	<u>\$ 150,860</u>

G. Unemployment Compensation

During the year ended August 31, 2022, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2022

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 accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

H. Shared Services Arrangement

Conroe Regional Day School for the Deaf

The District participates in a shared services arrangement for the disability condition of auditory impairment under authority of Section 29.007 of the Texas Education Code and Section 791.001 et seq., of the Texas Government Code as Conroe Regional Day School Program for the Deaf. The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Conroe Regional Day School for the Deaf, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District.

REQUIRED SUPPLEMENTARY INFORMATION

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - EXHIBIT G-1
For the Year Ended August 31, 2022

Data					Variance With
Control Codes		Budgeted Amounts		Actual	Final Budget
		Original	Final		Positive (Negative)
Revenues					
5700	Local and intermediate sources	\$ 73,128,457	\$ 73,945,750	\$ 73,972,788	\$ 27,038
5800	State program revenues	43,905,517	47,677,096	47,705,074	27,978
5900	Federal program revenues	2,150,000	2,446,430	2,450,435	4,005
5020	Total Revenues	<u>119,183,974</u>	<u>124,069,276</u>	<u>124,128,297</u>	<u>59,021</u>
Expenditures					
Current:					
0011	Instruction	72,018,864	72,795,477	72,745,929	49,548
0012	Instructional resources and media services	1,097,833	1,024,833	1,019,973	4,860
0013	Curriculum and instructional staff development	1,742,289	1,982,289	1,964,514	17,775
0021	Instructional leadership	2,094,766	2,219,766	2,216,698	3,068
0023	School leadership	7,267,401	7,537,401	7,533,319	4,082
0031	Guidance, counseling, and evaluation services	4,409,064	4,969,064	4,962,610	6,454
0033	Health services	1,345,858	1,185,858	1,183,984	1,874
0034	Student (pupil) transportation	7,335,334	9,250,334	8,365,565	884,769
0036	Extracurricular activities	2,926,355	3,246,355	3,241,686	4,669
0041	General administration	3,896,242	4,081,242	4,077,987	3,255
0051	Plant maintenance and operations	13,300,000	12,250,000	12,150,903	99,097
0052	Security and monitoring services	1,410,000	1,730,000	1,726,529	3,471
0053	Data processing services	2,835,586	2,980,586	2,938,600	41,986
Capital outlay:					
0081	Facilities acquisition and construction	-	-	1,263,121	(1,263,121) *
6030	Total Expenditures	<u>121,679,592</u>	<u>125,253,205</u>	<u>125,391,418</u>	<u>(138,213)</u>
1100	Deficiency of Revenues				
1100	(Under) Expenditures	<u>(2,495,618)</u>	<u>(1,183,929)</u>	<u>(1,263,121)</u>	<u>(79,192)</u>
Other Financing Sources (Uses)					
7913	Proceeds from leases	-	1,183,929	1,263,121	79,192
8911	Transfers (out)	-	-	(3,434,449)	(3,434,449) *
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>1,183,929</u>	<u>(2,171,328)</u>	<u>(3,355,257)</u>
1200	Net Change in Fund Balance	(2,495,618)	-	(3,434,449)	(3,434,449)
0100	Beginning fund balance	<u>37,413,972</u>	<u>37,413,972</u>	<u>37,413,972</u>	<u>-</u>
3000	Ending Fund Balance	<u>\$ 34,918,354</u>	<u>\$ 37,413,972</u>	<u>\$ 33,979,523</u>	<u>\$ (3,434,449)</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

*Expenditures exceed appropriations at the legal level of control

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) EXHIBIT G-2
For the Year Ended August 31, 2022

	Measurement Year*			
	2021	2020	2019	2018
District's proportion of the net pension liability	0.0804187%	0.0734984%	0.0733636%	0.0707019%
District's proportionate share of the net pension liability	\$ 20,479,787	\$ 39,364,320	\$ 38,136,687	\$ 38,916,039
State's proportionate share of the net pension liability associated with the District	27,602,937	59,526,550	54,804,632	61,112,056
Total	<u>\$ 48,082,724</u>	<u>\$ 98,890,870</u>	<u>\$ 92,941,319</u>	<u>\$ 100,028,095</u>
District's covered payroll**	\$ 92,023,023	\$ 87,835,525	\$ 79,619,555	\$ 75,558,224
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.26%	44.82%	47.90%	48.88%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%

* Only seven years' worth of information is currently available.

Notes to Required Supplementary Information:

1. *Changes in Assumptions:* There were no changes of assumptions that affected measurement of the total pension liability (TPL) during the measurement period.
2. *Changes in Benefits:* There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

Measurement Year*		
2017	2016	2015
0.0720633%	0.0674318%	0.0644642%
\$ 23,041,967	\$ 25,481,474	\$ 22,787,237
36,779,755	44,165,685	41,556,031
<u>\$ 59,821,722</u>	<u>\$ 69,647,159</u>	<u>\$ 64,343,268</u>
\$ 75,894,006	\$ 71,854,210	\$ 66,661,323
30.36%	35.46%	34.18%
82.17%	78.00%	78.43%

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) EXHIBIT G-3

For the Year Ended August 31, 2022

	Fiscal Year*			
	2022	2021	2020	2019
Contractually required contribution	\$ 3,516,306	\$ 3,788,312	\$ 2,999,087	\$ 2,396,759
Contributions in relations to the contractually required contribution	3,516,306	3,788,312	2,999,087	2,396,759
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 96,660,388	\$ 92,023,023	\$ 87,835,525	\$ 79,619,555
Contributions as a percentage of covered payroll	3.64%	4.12%	3.41%	3.01%

* Only seven years' worth of information is currently available.

Fiscal Year*		
2018	2017	2016
\$ 2,278,252	\$ 2,345,519	\$ 2,142,479
2,278,252	2,345,519	2,142,479
\$ -	\$ -	\$ -
\$ 75,558,224	\$ 75,894,006	\$ 71,854,210
3.02%	3.09%	2.98%

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY, TEXAS PUBLIC SCHOOL
RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
("TRS-CARE") EXHIBIT G-4
For the Year Ended August 31, 2022

	Measurement Year*			
	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.1011420%	0.0967427%	0.0923449%	0.0937564%
District's proportionate share of the collective net OPEB liability	\$ 39,015,003	\$ 36,776,263	\$ 43,671,023	\$ 46,813,418
State's proportionate share of the collective net OPEB liability associated with the District	52,271,409	49,418,482	58,029,021	66,781,605
Total	<u><u>\$ 91,286,412</u></u>	<u><u>\$ 86,194,745</u></u>	<u><u>\$ 101,700,044</u></u>	<u><u>\$ 113,595,023</u></u>
District's covered payroll**	\$ 92,023,023	\$ 87,835,525	\$ 79,619,555	\$ 75,558,224
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	42.40%	41.87%	54.85%	61.69%
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	4.99%	2.66%	1.57%

* Only five years' worth of information is currently available.

Notes to Required Supplementary Information:

1. Changes in Assumptions:

The discount rate was changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

2. Changes in Benefits:

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

Measurement
Year*
2017

0.0935182%

\$ 40,667,543

60,509,092
<u>\$ 101,176,635</u>

\$ 75,894,006

53.58%

0.91%

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS, TEXAS PUBLIC SCHOOL
RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
("TRS-CARE") EXHIBIT G-5
For the Year Ended August 31, 2022

	Fiscal Year*			
	2022	2021	2020	2019
Statutorily required contributions	\$ 819,857	\$ 714,215	\$ 725,548	\$ 624,566
Contributions in relations to the statutorily required contributions	819,857	714,215	725,548	624,566
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 96,660,388	\$ 92,023,023	\$ 87,835,525	\$ 79,619,555
Contributions as a percentage of covered payroll	0.85%	0.78%	0.83%	0.78%

* Only five years' worth of information is currently available.

Fiscal Year*	
2018	
\$	575,237

	575,237
\$	-

\$ 75,558,224

0.76%

***OTHER SUPPLEMENTARY
INFORMATION***

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-1

August 31, 2022

		211	224	225	226
Data Control Codes		ESEA Title I Part A	IDEA B Formula	IDEA B Preschool	IDEA B Discretionary
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 246	\$ 2,511	\$ -	\$ -
1240	Due from other governments	433,834	211,104	6,252	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1000	Total Assets	\$ 434,080	\$ 213,615	\$ 6,252	\$ -
<u>Liabilities</u>					
2110	Accounts payable	\$ 29,080	\$ 43,615	\$ -	\$ -
2170	Due to other funds	405,000	170,000	6,252	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	434,080	213,615	6,252	-
<u>Fund Balances</u>					
Restricted:					
3450	Federal/state grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 434,080	\$ 213,615	\$ 6,252	\$ -

240 National School Breakfast and Lunch Program	244 Career and Technical Basic Grant	255 ESEA Title II Part A	263 Title III Part A English Language	266 Elementary and Secondary School Relief Program I	284 IDEA B Preschool ARRA
\$ 3,426,936	\$ 61	\$ 924	\$ 407	\$ -	\$ -
342,294	7,995	84,120	54,576	-	89,433
78,946	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,848,176</u>	<u>\$ 8,056</u>	<u>\$ 85,044</u>	<u>\$ 54,983</u>	<u>\$ -</u>	<u>\$ 89,433</u>
\$ 291,176	\$ 2,956	\$ 10,044	\$ 3,983	\$ -	\$ -
674,233	5,100	75,000	51,000	-	89,433
126,488	-	-	-	-	-
<u>1,091,897</u>	<u>8,056</u>	<u>85,044</u>	<u>54,983</u>	<u>-</u>	<u>89,433</u>
2,756,279	-	-	-	-	-
-	-	-	-	-	-
<u>2,756,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,848,176</u>	<u>\$ 8,056</u>	<u>\$ 85,044</u>	<u>\$ 54,983</u>	<u>\$ -</u>	<u>\$ 89,433</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-1

August 31, 2022

		285	289	385	397
Data				State	
Control			Summer	Supplemented	Advanced
Codes		ESEA Title I	School	Visually	Placement
		ARRA	LEP	Impaired	Incentives
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 43	\$ 170	\$ -	\$ 25,000
1240	Due from other governments	25,957	2,237	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	4,093	-	-
1000	Total Assets	<u>\$ 26,000</u>	<u>\$ 6,500</u>	<u>\$ -</u>	<u>\$ 25,000</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2170	Due to other funds	26,000	6,500	-	25,000
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>26,000</u>	<u>6,500</u>	<u>-</u>	<u>25,000</u>
<u>Fund Balances</u>					
Restricted:					
3450	Federal/state grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 26,000</u>	<u>\$ 6,500</u>	<u>\$ -</u>	<u>\$ 25,000</u>

410	429	461	Total Nonmajor Governmental Funds
State Textbook	Pre-K Activity	Campus Activity	
\$ 330	\$ 587	\$ 1,078,431	\$ 4,535,646
779,622	51,199	-	2,088,623
-	-	4,731	83,677
-	5,572	3,506	13,171
<u>\$ 779,952</u>	<u>\$ 57,358</u>	<u>\$ 1,086,668</u>	<u>\$ 6,721,117</u>
\$ 131,616	\$ -	\$ 34,940	\$ 547,410
382,000	51,726	2,607	1,969,851
-	-	-	126,488
<u>513,616</u>	<u>51,726</u>	<u>37,547</u>	<u>2,643,749</u>
266,336	5,632	-	3,028,247
-	-	1,049,121	1,049,121
<u>266,336</u>	<u>5,632</u>	<u>1,049,121</u>	<u>4,077,368</u>
<u>\$ 779,952</u>	<u>\$ 57,358</u>	<u>\$ 1,086,668</u>	<u>\$ 6,721,117</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-2
For the Year Ended August 31, 2022

		211	224	225	226
Data					
Control					
Codes					
		ESEA Title I	IDEA B	IDEA B	IDEA B
		Part A	Formula	Preschool	Discretionary
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	2,716,744	2,100,211	38,211	168,682
5020	Total Revenues	<u>2,716,744</u>	<u>2,100,211</u>	<u>38,211</u>	<u>168,682</u>
	Expenditures				
	Current:				
0011	Instruction	2,260,362	867,167	38,211	168,682
0013	Curriculum and instructional				
0013	staff development	456,382	320,853	-	-
0021	Instructional leadership	-	130,285	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	781,906	-	-
0032	Social work services	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
6030	Total Expenditures	<u>2,716,744</u>	<u>2,100,211</u>	<u>38,211</u>	<u>168,682</u>
1200	Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
0100	Beginning fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National School Breakfast and Lunch Program	244 Career and Technical Basic Grant	255 ESEA Title II Part A	263 Title III Part A English Language	266 Elementary and Secondary School Relief Program I	284 IDEA B Preschool ARRA
\$ 517,503	\$ -	\$ -	\$ -	\$ -	\$ -
12,624	-	-	-	-	-
7,850,059	166,961	527,017	277,458	56,187	324,362
<u>8,380,186</u>	<u>166,961</u>	<u>527,017</u>	<u>277,458</u>	<u>56,187</u>	<u>324,362</u>
-	166,961	129,614	144,360	56,187	324,362
-	-	397,403	133,098	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,505,070	-	-	-	-	-
-	-	-	-	-	-
<u>7,505,070</u>	<u>166,961</u>	<u>527,017</u>	<u>277,458</u>	<u>56,187</u>	<u>324,362</u>
875,116	-	-	-	-	-
<u>1,881,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,756,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-2
For the Year Ended August 31, 2022

Data Control Codes		285	289	385	397
		ESEA Title I	Summer School LEP	State Supplemented Visually Impaired	Advanced Placement Incentives
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	7,705	8,175
5900	Federal program revenues	25,957	218,762	-	-
5020	Total Revenues	<u>25,957</u>	<u>218,762</u>	<u>7,705</u>	<u>8,175</u>
Expenditures					
Current:					
0011	Instruction	25,957	133,177	7,705	21,984
0013	Curriculum and instructional				
0013	staff development	-	-	-	600
0021	Instructional leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0032	Social work services	-	85,585	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
6030	Total Expenditures	<u>25,957</u>	<u>218,762</u>	<u>7,705</u>	<u>22,584</u>
1200	Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,409)</u>
0100	Beginning fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,409</u>
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

410	429	461	Total Nonmajor Governmental Funds
State Textbook	Pre-K Activity	Campus Activity	
\$ -	\$ -	\$ 977,590	\$ 1,495,093
598,810	84,698	-	712,012
-	-	-	14,470,611
<u>598,810</u>	<u>84,698</u>	<u>977,590</u>	<u>16,677,716</u>
716,150	75,216	1,631	5,137,726
-	-	-	1,308,336
-	10,968	-	141,253
-	-	-	781,906
-	-	-	85,585
-	-	-	7,505,070
-	-	818,939	818,939
<u>716,150</u>	<u>86,184</u>	<u>820,570</u>	<u>15,778,815</u>
<u>(117,340)</u>	<u>(1,486)</u>	<u>157,020</u>	<u>898,901</u>
<u>383,676</u>	<u>7,118</u>	<u>892,101</u>	<u>3,178,467</u>
<u>\$ 266,336</u>	<u>\$ 5,632</u>	<u>\$ 1,049,121</u>	<u>\$ 4,077,368</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-3

August 31, 2022

Data Control Codes		748	798	876 MISD Health Plan	879 Workers' Compensation Insurance
		After-School Programs	Aquatic Club		
Assets:					
1110	Cash and cash equivalents	\$ 377,898	\$ 21	\$ 134,067	\$ 29,217
1260	Due from other funds	512,424	-	89,252	178,957
	Total Assets	890,322	21	223,319	208,174
Liabilities:					
Current liabilities:					
2110	Accounts payable	21,095	5,490	-	208,174
2071	Due to other funds	856,857	7,300	-	-
2000	Total Liabilities	877,952	12,790	-	208,174
Net Position:					
3600	Unrestricted	12,370	(12,769)	223,319	-
4000	Total Net Position	\$ 12,370	\$ (12,769)	\$ 223,319	\$ -

Total Internal Service Funds	
\$	541,203
	780,633
	<u>1,321,836</u>

	234,759
	864,157
	<u>1,098,916</u>

	<u>222,920</u>
\$	<u><u>222,920</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-4
For the Year Ended August 31, 2022

Data Control Codes		748 After-School Program	798 Aquatic Club	876 MISD Health Plan	879 Workers' Compensation Insurance
	Operating Revenues:				
5700	Local and intermediate sources	\$ 1,467,675	\$ 429,937	\$ 6,273,324	\$ 430,636
5020	Total Operating Revenues	<u>1,467,675</u>	<u>429,937</u>	<u>6,273,324</u>	<u>430,636</u>
	Operating Expenses:				
6100	Payroll costs	1,193,062	300,467	9,295,822	-
6200	Professional and contracted services	-	14,587	-	430,636
6300	Supplies and materials	460,349	79,897	-	-
6400	Other operating costs	-	47,755	-	-
	Total Operating Expenses	<u>1,653,411</u>	<u>442,706</u>	<u>9,295,822</u>	<u>430,636</u>
1100	Operating (Loss)	(185,736)	(12,769)	(3,022,498)	-
	Other Financing Sources (Uses):				
7915	Transfers in	198,106	-	3,236,343	-
	Total Other Financing Sources	<u>198,106</u>	<u>-</u>	<u>3,236,343</u>	<u>-</u>
1200	Changes in Net Position	12,370	(12,769)	213,845	-
0100	Beginning net position	-	-	9,474	-
3000	Ending Net Position	<u>\$ 12,370</u>	<u>\$ (12,769)</u>	<u>\$ 223,319</u>	<u>\$ -</u>

**Total
Internal
Service Funds**

\$ 8,601,572
8,601,572

10,789,351
445,223
540,246
47,755
11,822,575

(3,221,003)

3,434,449
3,434,449

213,446

9,474

\$ 222,920

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-5
For the Year Ended August 31, 2022

	748	798	876	879
	After-School Program	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 470,775	\$ 429,937	\$ 6,184,072	\$ 251,679
Cash payments to employees for services	(1,193,062)	(300,467)	(9,295,822)	(373,322)
Cash payments to other suppliers for goods and services	(460,349)	(608,245)	-	-
Net Cash Provided (Used) by Operating Activities	(1,182,636)	(478,775)	(3,111,750)	(121,643)
<u>Cash Flows from Capital Financing Activities</u>				
Transfers to/from other funds	198,106	-	3,236,343	-
Net Cash Provided by Capital Financing Activities	198,106	-	3,236,343	-
Net Increase (Decrease) in Cash and Equivalents	(984,530)	(478,775)	124,593	(121,643)
Beginning cash and cash equivalents	1,362,428	478,796	9,474	150,860
Ending Cash and Cash Equivalents	\$ 377,898	\$ 21	\$ 134,067	\$ 29,217
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities				
Operating (loss)	\$ (185,736)	\$ (12,769)	\$ (3,022,498)	\$ -
(Increase) Decrease in:				
Due from other funds	(512,424)	-	(89,252)	(178,957)
Increase (Decrease) in:				
Accounts payable	(58,954)	(5,836)	-	57,314
Due to other funds	(425,522)	(460,170)	-	-
Net Cash Provided (Used) by Operating Activities	\$ (1,182,636)	\$ (478,775)	\$ (3,111,750)	\$ (121,643)

**Total
Internal
Service Funds**

\$ 7,336,463
(11,162,673)

(1,068,594)

(4,894,804)

3,434,449

3,434,449

(1,460,355)

2,001,558

\$ 541,203

\$ (3,221,003)

(780,633)

(7,476)
(885,692)

\$ (4,894,804)

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT H-6

For the Year Ended August 31, 2022

	865	888	899	
	Student	Donations for	Magnolia	Total
	Activity	Projects	Livestock	Custodial
			Show	Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 333,357	\$ 7,227	\$ 34,253	\$ 374,837
Due from other funds	70	-	-	70
Accounts receivable	10,220	-	-	10,220
Total Assets	<u>343,647</u>	<u>7,227</u>	<u>34,253</u>	<u>385,127</u>
<u>Liabilities</u>				
Current liabilities:				
Due to other funds	4,731	-	-	4,731
Total Liabilities	<u>4,731</u>	<u>-</u>	<u>-</u>	<u>4,731</u>
<u>Net Position</u>				
Unrestricted	338,916	7,227	34,253	380,396
Total Net Position	<u>\$ 338,916</u>	<u>\$ 7,227</u>	<u>\$ 34,253</u>	<u>\$ 380,396</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT H-7

For the Year Ended August 31, 2022

	865	888	899	
	Student	Donations for	Magnolia	Total
	Activity	Projects	Livestock	Custodial
			Show	Funds
Additions:				
Fundraisers	\$ 178,483	\$ -	\$ -	\$ 178,483
Sales	18,553	-	301,391	319,944
Other	97,981	-	73,834	171,815
Total Additions	\$ 295,017	\$ -	\$ 375,225	\$ 670,242
Deductions:				
Student groups	231,175	-	-	231,175
Fees and dues	1,309	-	299,254	300,563
Other	-	15,368	74,896	90,264
Total Deductions	232,484	15,368	374,150	622,002
Change in Net Position	62,533	(15,368)	1,075	48,240
Beginning net position	276,383	22,595	33,178	332,156
Total Net Position	\$ 338,916	\$ 7,227	\$ 34,253	\$ 380,396

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2022

	1	2	3
	Tax Rates		Net Assessed/ Appraised
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>	<u>Value For School Tax Purposes</u>
2013 and prior	Various	Various	Various
2014	\$ 1.0400	\$ 0.3595	\$ 4,127,425,795
2015	\$ 1.0400	\$ 0.3595	\$ 4,448,138,076
2016	\$ 1.0400	\$ 0.3595	\$ 5,136,608,436
2017	\$ 1.0400	\$ 0.3395	\$ 5,656,561,487
2018	\$ 1.0400	\$ 0.3395	\$ 6,002,349,971
2019	\$ 1.1400	\$ 0.2395	\$ 6,483,797,056
2020	\$ 0.9700	\$ 0.3395	\$ 7,194,618,479
2021	\$ 0.9349	\$ 0.3395	\$ 7,746,650,772
2022	\$ 0.8778	\$ 0.3095	\$ 8,235,025,142
1000 Totals			

10	20	31	32	40	50
Beginning Balance 9/1/21	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/22
\$ 320,344	\$ -	\$ 4,336	\$ 1,265	\$ (39,759)	\$ 274,984
65,176	-	3,911	906	(45)	60,314
80,681	-	5,630	1,304	(60)	73,687
92,336	-	8,198	1,899	(284)	81,955
127,974	-	13,842	4,172	(3,157)	106,803
200,611	-	25,858	8,441	2,926	169,238
229,225	-	50,673	10,646	13,049	180,955
471,410	-	138,484	48,470	5,801	290,257
1,022,227	-	331,069	120,224	(134,219)	436,715
-	97,771,983	71,543,153	25,227,989	46,436	1,047,277
<u>\$ 2,609,984</u>	<u>\$ 97,771,983</u>	<u>\$ 72,125,154</u>	<u>\$ 25,425,316</u>	<u>\$ (109,312)</u>	<u>\$ 2,722,185</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local and intermediate sources	\$ 1,823,091	\$ 518,115	\$ 517,503	\$ (612)
5800	State program revenues	103,872	12,624	12,624	-
5900	Federal program revenues	3,943,926	7,706,500	7,850,059	143,559
5020	Total Revenues	<u>5,870,889</u>	<u>8,237,239</u>	<u>8,380,186</u>	<u>142,947</u>
	<u>Expenditures</u>				
	Current:				
0035	Food services	5,870,889	8,006,739	7,505,070	501,669
6030	Total Expenditures	<u>5,870,889</u>	<u>8,006,739</u>	<u>7,505,070</u>	<u>8,208,169</u>
1200	Net Change in Fund Balance	-	230,500	875,116	8,351,116
0100	Beginning fund balance	1,881,163	1,881,163	1,881,163	-
3000	Ending Fund Balance	<u>\$ 1,881,163</u>	<u>\$ 2,111,663</u>	<u>\$ 2,756,279</u>	<u>\$ 8,351,116</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended August 31, 2022

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 25,587,344	\$ 25,587,344	\$ 25,705,395	\$ 118,051
5800	State program revenues	289,516	289,516	337,467	47,951
5020	Total Revenues	<u>25,876,860</u>	<u>25,876,860</u>	<u>26,042,862</u>	<u>166,002</u>
	Expenditures				
	Debt service:				
0071	Principal on long-term debt	20,562,026	20,562,026	9,615,000	10,947,026
0072	Interest on long-term debt	5,314,834	5,314,834	5,314,834	-
6030	Total Expenditures	<u>25,876,860</u>	<u>25,876,860</u>	<u>14,929,834</u>	<u>10,947,026</u>
1200	Net Change in Fund Balance	-	-	11,113,028	11,113,028
0100	Beginning fund balance	9,706,751	9,706,751	9,706,751	-
3000	Ending Fund Balance	<u>\$ 9,706,751</u>	<u>\$ 9,706,751</u>	<u>\$ 20,819,779</u>	<u>\$ 11,113,028</u>

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT
FOR SELECT STATE ALLOTMENT PROGRAMS- EXHIBIT J-4
For the Year Ended August 31, 2022

Data Control Codes		Responses
<u>Section A: Compensatory Education Programs</u>		
AP1	Did the District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the District 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.	\$ 5,292,279
AP4	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 9,556,282
<u>Section B: Bilingual Education Programs</u>		
AP5	Did the District expend any biligual education program state allotment funds during the District's fiscal year?	Yes
AP6	Does the District have written policies and procedures for biligual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 1,473,636
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	\$ 889,821

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***FEDERAL AWARDS AND
COMPLIANCE SECTION***



**INDEPENDENT AUDITORS' 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 of
Magnolia 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 the Magnolia Independent School District (the "District"), as of and for the year ended August 31, 2022, 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 20, 2023.

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 the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 20, 2023



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

To the Board of Trustees of
Magnolia Independent School District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Magnolia Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the summary of auditors' 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, 2022.

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 Auditors' 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.

Auditors' 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.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 have not been identified.

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.



Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 20, 2023

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended August 31, 2022

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1

For the Year Ended August 31, 2022

I. SUMMARY OF AUDIT RESULTS

Financial Statements

What were the results of the auditors' determination of whether the financial statements were prepared in accordance with generally accepted accounting principles? Unmodified

Is a 'going concern' emphasis-of-matter paragraph included in the auditors' report? No

Is a significant deficiency in internal control disclosed? No

Is a material weakness in internal control disclosed? No

Is a material noncompliance disclosed? No

Federal Programs

Does the auditors' report include a statement that the financial statements include departments, agencies, or other organizational units expending federal awards which are not included in this audit? No

What is the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualified as low-risk auditee? No

Major Program Information and Audit Findings

Identification of major programs:

<u>Assistance Listing (AL) Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Number of Audit Findings</u>
10.553/10.555	Child Nutrition Cluster	0
84.425D/84.425U	Education Stabilization Fund	0

Type of audit report issued on compliance for major programs Unmodified

II. FINANCIAL STATEMENT FINDINGS

None identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None identified.

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1

For the Year Ended August 31, 2022

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal AL Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
Title I, Part A	84.010A	22610101170906	\$ 2,667,563
Title I, Part A	84.010A	23610101170906	49,181
IDEA B, Formula Grant*	84.027A	216600011709066600	11,316
IDEA B, Formula Grant*	84.027A	226600011709066600	1,954,781
IDEA B, Formula Grant*	84.027A	236600011709066600	134,114
IDEA B, Discretionary*	84.027A	226600121709066677	168,682
IDEA B, Preschool*	84.173A	226610011709066610	37,683
IDEA B, Preschool*	84.173A	236610011709066610	528
Carl D. Perkins	84.048A	22420006170906	158,966
Carl D. Perkins	84.048A	23420006170906	7,995
Title II, Part A, Supporting Effective Instruction	84.367A	21694501170906	4,013
Title II, Part A, Supporting Effective Instruction	84.367A	21694501170906	523,004
English Language Acquisition State Grants	84.365A	22671001170906	254,678
English Language Acquisition State Grants	84.365A	23671001170906	22,780
IDEA B, Formula Grant*	84.027X	225350011709065350	324,362
IDEA B, Preschool*	84.173X	225360011709065360	25,957
Title IV, Part A	84.424A	21680101170906	1,273
Title IV, Part A	84.424A	22680101170906	197,441
Title IV, Part A	84.424A	23680101170906	9,725
LEP Summer School	84.369A	69551202	10,322
Elementary and Secondary School Emergency Relief I	84.425D	21521001170906	56,187
Elementary and Secondary School Emergency Relief II	84.425U	21521001170906	3,105,542
Elementary and Secondary School Emergency Relief III	84.425U	21528001170906	7,252,529
TOTAL U.S. DEPARTMENT OF EDUCATION			16,978,622
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
School Breakfast Programs*	10.553A	806780706	2,790,069
National School Lunch*	10.555A	806780706	4,639,801
COVID-19 Child and Adult Care Food Program	10.558A	806780706	78,946
USDA Commodities	10.565A	806780706	341,243
TOTAL U.S. DEPARTMENT OF AGRICULTURE			7,850,059

* Indicates clustered program under OMB Compliance Supplement

The accompanying notes are an integral part of this schedule.

Federal Revenue per SEFA	\$ 24,828,681
Medicaid Reimbursement - General Fund	2,450,436
C-2 Federal Revenue	<u>\$ 27,279,117</u>

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3: INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 4: DONATED PERSONAL PROTECTIVE EQUIPMENT

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to non-federal entities. In connection with that donation, the recipient must disclose the estimated value of the donated PPE, but such amounts are not included in the SEFA. The District did not receive PPE donations during the reporting year.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2022

Data Control Codes		Responses
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 at fiscal year end?	No
SF3	Did the District make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the District was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the District is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the District issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the District is considered to have been issued a warrant hold.	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?	No
SF7	Did the 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 that were in effect at the District's fiscal year end?	Yes
SF8	Did the Board members discuss the District's property values at a Board meeting within 120 days before the District adopted its budgets?	Yes
SF9	Total accumulated accretion on CAB's included in government-wide financial statements at fiscal year end.	\$ <u> - </u>