

ANNUAL FINANCIAL REPORT

of

**MAGNOLIA
INDEPENDENT SCHOOL DISTRICT**

**For the Year Ended
August 31, 2023**

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

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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, 2023, at a meeting of the Board of Trustees of such school district on the _____ day of _____, _____.

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:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2023, and the respective changes in financial position 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. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 schedule, 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 22, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

 BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 22, 2024

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2023

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, 2023. 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, 2023 was \$53,261,011.
- For the fiscal year ended August 31, 2023, the District's general fund reported a total fund balance of \$33,537,908, of which \$33,240,517 is unassigned and \$297,391 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 a combined ending fund balance of \$240,291,333.

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 financial 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 custodian 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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 detailed 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, 2023

provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains 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 \$53,261,011 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 an increase in total revenue of \$23,502,329, which was mainly the result of increases in property tax revenue primarily related to increases in property values in the District. The District also reported an increase of \$32,063,537 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.

Table 1
Net Position

Description	Governmental Activities		Total Change
	2023	2022	2023-2022
Current assets	\$ 258,838,294	\$ 67,557,054	\$ 191,281,240
Capital assets	229,015,265	205,360,488	23,654,777
Total Assets	487,853,559	272,917,542	214,936,017
Deferred charge on refunding	8,494,667	9,229,226	(734,559)
Deferred outflows - pensions	24,216,686	14,749,869	9,466,817
Deferred outflows - OPEB	12,801,328	11,509,606	1,291,722
Total Deferred Outflows of Resources	45,512,681	35,488,701	10,023,980
Current liabilities	16,071,105	6,366,761	9,704,344
Long-term liabilities	421,185,986	206,626,237	214,559,749
Total Liabilities	437,257,091	212,992,998	224,264,093
Deferred inflows - pensions	3,593,365	21,964,441	(18,371,076)
Deferred inflows - OPEB	39,254,773	27,723,985	11,530,788
Total Deferred Inflows of Resources	42,848,138	49,688,426	(6,840,288)
Net Position:			
Net investment in capital assets	85,359,447	67,455,892	17,903,555
Restricted	14,269,155	25,255,244	(10,986,089)
Unrestricted	(46,367,591)	(46,986,317)	618,726
Total Net Position	\$ 53,261,011	\$ 45,724,819	\$ 7,536,192

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2023	2022	2023-2022
Revenues			
Program revenues:			
Charges for services	\$ 2,491,366	\$ 517,503	\$ 1,973,863
Operating grants and contributions	23,470,811	26,011,396	(2,540,585)
General revenues:			
Property taxes	116,316,738	97,665,876	18,650,862
Grants and contributions not restricted	41,326,975	45,670,649	(4,343,674)
Investment earnings	7,778,992	164,334	7,614,658
Miscellaneous local and intermediate revenue	5,142,369	2,995,164	2,147,205
Total Revenues	196,527,251	173,024,922	23,502,329
Expenses			
Instruction	96,065,989	83,282,963	12,783,026
Instructional resources and media services	1,201,875	1,026,521	175,354
Curriculum and staff development	2,483,785	3,407,946	(924,161)
Instructional leadership	2,650,451	2,389,952	260,499
School leadership	8,713,887	7,711,453	1,002,434
Guidance, counseling, and evaluation services	7,423,444	6,355,837	1,067,607
Social work services	107,449	88,528	18,921
Health services	1,341,321	1,169,913	171,408
Student (pupil) transportation	11,658,196	9,538,886	2,119,310
Food services	10,263,999	7,901,696	2,362,303
Cocurricular/extracurricular activities	4,869,831	3,967,378	902,453
General administration	4,752,482	4,123,442	629,040
Plant maintenance and operations	18,672,724	15,094,822	3,577,902
Security and monitoring	2,319,165	1,789,491	529,674
Data processing services	5,453,324	4,629,433	823,891
Community services	125,567	55,723	69,844
Interest on long-term debt	10,887,571	4,393,538	6,494,033
Total Expenses	188,991,059	156,927,522	32,063,537
Change in Net Position	7,536,192	16,097,400	(8,561,208)
Beginning net position	45,724,819	29,627,419	16,097,400
Ending Net Position	\$ 53,261,011	\$ 45,724,819	\$ 7,536,192

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2023, the District's governmental funds reported a combined fund balance of \$240,291,333. This compares to a combined fund balance of \$58,897,864 at August 31, 2022. The fund balance in the general fund decreased primarily due to one-time transfers related to the District's workers compensation plan. The debt service fund fund balance decrease is primarily related to a one time use of District reserves for an early cash payment on outstanding debt. The capital projects fund fund balance increase is primarily related to the issuance of new bonds during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principals, 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 year ended August 31, 2023, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget. The general fund's budgeted revenues exceeded actual revenues by \$847,322 primarily due to greater state aid program revenue budgeted than actually received. The budgeted expenditures exceeded actual expenditures by \$395,691 due primarily to less actual expenditures incurred related to school leadership than anticipated.

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, 2023, the District used a capitalization threshold of \$5,000, which means that all capital type assets, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2023, the District had a total of \$229,015,265 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 \$37,943,224.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had \$313,796,974 in general obligation bonds, leases payable, and subscription liability, outstanding versus \$130,681,900 last year. The District issued new Series 2023 School Building Bonds in fiscal year 2023 as well as made a partial cash defeasance payment on outstanding debt.

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGET AND RATES

- Given the Texas legislature's inability to pass a school finance bill to date, this marks the third 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 5th year in a row with the same basic funding per student. There was a slight enhancement in Tier II funding via an increase in the Golden Penny yield.
- 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.
- In fiscal year 2023, MISD's student enrollment population increased by approximately 400 students. District officials anticipate similar growth for 2023-2024.
- Given the absence of a new school finance bill by the legislature, five years of static per-student funding, and the compounded effects of unprecedented economic inflation, employees received no raise for the 2023-2024 school year. The District's budget did include a one-time retention payment of \$500 for all employees.
- 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 daycare for our employees.
- The District's 2023 certified net taxable value for ad valorem tax purposes is \$11.2 billion, representing an increase of approximately \$700 mil, or approximately 6.4% 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. The increase was limited due to the effects of multiple recently passed property tax relief bills.
- The District lowered its property tax rate by \$0.1834, from \$1.1472 to \$0.9638. 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 similar 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 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2023

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.

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BASIC FINANCIAL STATEMENTS

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2023

1

Data Control Codes		Governmental Activities
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 225,886,255
1120	Current investments	22,623,527
1220	Property taxes receivable (delinquent)	3,404,396
1230	Allowance for uncollectible taxes	(395,963)
1240	Due from other governments	7,014,368
1290	Other receivables	8,320
1300	Inventories, at cost	278,120
1410	Prepaid items	19,271
		<u>258,838,294</u>
	Capital assets:	
1510	Land	12,600,705
1520	Buildings, net	178,724,389
1530	Furniture and equipment, net	4,006,738
1540	Vehicles, net	5,560,146
1550	Right-to-use assets, net	2,008,028
1553	Subscription assets, net	772,740
1580	Construction in progress	25,342,519
		<u>229,015,265</u>
1000	Total Assets	<u>487,853,559</u>
	<u>Deferred Outflows of Resources</u>	
1701	Deferred charge on refunding	8,494,667
1705	Deferred outflows - pensions	24,216,686
1710	Deferred outflows - OPEB	12,801,328
1700	Total Deferred Outflows of Resources	<u>45,512,681</u>
	<u>Liabilities</u>	
2110	Accounts payable	10,785,084
2140	Interest payable	571,756
2160	Accrued wages payable	4,039,686
2177	Due to fiduciary funds	885
2180	Due to other governments	113,475
2200	Accrued expenses	405,214
		<u>16,071,105</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	19,133,506
2502	Long-term liabilities due in more than one year	325,803,865
2540	Net pension liability	50,876,023
2545	Net OPEB liability	25,372,592
2000	Total Liabilities	<u>437,257,091</u>
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pensions	3,593,365
2610	Deferred inflows - OPEB	39,254,773
2600	Total Deferred Inflows of Resources	<u>42,848,138</u>
	<u>Net Position</u>	
3200	Net investment in capital assets	85,359,447
	Restricted for:	
3820	State and federal programs	947,700
3850	Debt service	12,091,266
3870	Campus activities	1,230,189
3900	Unrestricted	(46,367,591)
3000	Total Net Position	<u>\$ 53,261,011</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2023

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	\$ 96,065,989	\$ -	\$ 12,274,485	\$ (83,791,504)
12	Instructional resources				
12	and media services	1,201,875	-	38,889	(1,162,986)
13	Curriculum/instructional				
13	staff development	2,483,785	-	572,236	(1,911,549)
21	Instructional leadership	2,650,451	-	296,296	(2,354,155)
23	School leadership	8,713,887	-	874,805	(7,839,082)
31	Guidance, counseling, and				
31	evaluation services	7,423,444	-	1,609,778	(5,813,666)
32	Social work services	107,449	-	154,911	47,462
33	Health services	1,341,321	-	1,014	(1,340,307)
34	Student (pupil) transportation	11,658,196	-	354,828	(11,303,368)
35	Food services	10,263,999	2,491,366	6,058,550	(1,714,083)
36	Extracurricular activities	4,869,831	-	33,401	(4,836,430)
41	General administration	4,752,482	-	61,347	(4,691,135)
51	Plant maintenance and operations	18,672,724	-	461,187	(18,211,537)
52	Security and monitoring services	2,319,165	-	17,774	(2,301,391)
53	Data processing services	5,453,324	-	65,370	(5,387,954)
61	Community services	125,567	-	123,733	(1,834)
72	Debt service - interest on				
72	long-term debt	10,887,571	-	472,207	(10,415,364)
TG	Total Governmental Activities	<u>\$ 188,991,059</u>	<u>\$ 2,491,366</u>	<u>\$ 23,470,811</u>	<u>(163,028,882)</u>
TP	Total Primary Government	<u>\$ 188,991,059</u>	<u>\$ 2,491,366</u>	<u>\$ 23,470,811</u>	<u>(163,028,882)</u>
	General Revenues				
MT	Property taxes, levied for general purposes				86,830,683
DT	Property taxes, levied for debt service				29,486,055
GC	Grants and contributions not restricted				
GC	for specific programs				41,326,975
IE	Investment earnings				7,778,992
MI	Miscellaneous local and intermediate revenue				5,142,369
TR				Total General Revenues	<u>170,565,074</u>
CN				Change in Net Position	<u>7,536,192</u>
NB	Beginning net position				45,724,819
NE				Ending Net Position	<u>\$ 53,261,011</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2023

		10	50	60	ONMF
Data Control Codes		General	Debt Service	Capital Projects	Other Nonmajor Governmental
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 13,895,172	\$ 4,821,405	\$ 203,642,150	\$ 3,009,960
1120	Current investments	15,423,235	7,200,292	-	-
1220	Property taxes - delinquent	2,553,347	851,049	-	-
1230	Allowance for uncollectible taxes	(298,594)	(97,369)	-	-
1240	Due from other governments	5,192,182	-	-	1,822,186
1260	Due from other funds	3,622,923	-	54,564	271
1290	Other receivables	-	-	-	8,320
1300	Inventories, at cost	278,120	-	-	-
1410	Prepaid items	19,271	-	-	-
1000	Total Assets	\$ 40,685,656	\$ 12,775,377	\$ 203,696,714	\$ 4,840,737
<u>Liabilities</u>					
2110	Accounts payable	\$ 722,846	\$ -	\$ 9,241,716	\$ 820,522
2160	Accrued wages payable	4,035,476	-	4,210	-
2170	Due to other funds	134,672	-	1,663,902	1,806,891
2180	Due to other governments	-	112,355	-	1,120
2300	Unearned revenue	-	-	-	155,005
2000	Total Liabilities	4,892,994	112,355	10,909,828	2,783,538
<u>Deferred Inflows of Resources</u>					
2600	Unavailable revenue - property taxes	2,254,754	753,682	-	-
<u>Fund Balances</u>					
Nonspendable:					
3410	Inventories	278,120	-	-	-
3430	Prepaid items	19,271	-	-	-
Restricted:					
3450	Federal/state grant restrictions	-	-	-	947,700
3470	Construction	-	-	192,786,886	-
3480	Debt service	-	11,909,340	-	-
3490	Other restrictions of fund balance	-	-	-	1,230,189
3600	Unassigned	33,240,517	-	-	(120,690)
3000	Total Fund Balances	33,537,908	11,909,340	192,786,886	2,057,199
4000	Total Liabilities, Deferred Inflows				
4000	of Resources, and Fund Balances	\$ 40,685,656	\$ 12,775,377	\$ 203,696,714	\$ 4,840,737

See Notes to Financial Statements.

98
Total
Governmental
Funds

\$	225,368,687
	22,623,527
	3,404,396
	(395,963)
	7,014,368
	3,677,758
	8,320
	278,120
	19,271
\$	261,998,484

\$	10,785,084
	4,039,686
	3,605,465
	113,475
	155,005
	18,698,715

	3,008,436
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	278,120
	19,271

	947,700
	192,786,886
	11,909,340
	1,230,189
	33,119,827
	240,291,333

\$	261,998,484
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MAGNOLIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
August 31, 2023

Total fund balances for governmental funds	\$ 240,291,333
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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	37,943,224	
Capital assets – depreciable/amortizable	<u>191,072,041</u>	229,015,265

Other long-term assets (deferred taxes) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	3,008,433
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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.	39,179
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Deferred items and some liabilities, including bonds payable, net pension liability, and total other postemployment benefits (OPEB) liability, are not reported as liabilities or deferred items in the governmental funds.

Deferred outflows - pensions	24,216,686	
Deferred inflows - pensions	(3,593,365)	
Deferred outflows - OPEB	12,801,328	
Deferred inflows - OPEB	(39,254,773)	
Accrued interest	(571,756)	
Deferred charge on refunding	8,494,667	
Premium on long-term debt	(31,140,397)	
Noncurrent debt due in one year	(19,133,506)	
Noncurrent debt due in more than one year	(294,663,468)	
Net pension liability	(50,876,023)	
Net OPEB liability	<u>(25,372,592)</u>	<u>(419,093,199)</u>

Net Position of Governmental Activities	\$ <u>53,261,011</u>
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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, 2023

Data Control Codes		10	50	60	ONMF
		General	Debt Service	Capital Projects	Other Nonmajor Governmental
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 89,936,982	\$ 30,889,125	\$ 5,774,583	\$ 4,399,898
5800	State program revenues	35,307,694	472,207	-	590,654
5900	Federal program revenues	2,919,650	-	-	22,023,895
5020	Total Revenues	<u>128,164,326</u>	<u>31,361,332</u>	<u>5,774,583</u>	<u>27,014,447</u>
	Expenditures				
	Current:				
0011	Instruction	76,602,186	-	1,740,594	12,336,859
0012	Instructional resources and				
0012	media services	1,109,847	-	-	38,889
0013	Curriculum/instructional				
0013	staff development	1,765,793	-	-	572,236
0021	Instructional leadership	2,192,742	-	39,580	296,296
0023	School leadership	7,387,525	-	-	874,805
0031	Guidance, counseling, and				
0031	evaluation services	5,443,777	-	-	1,609,778
0032	Social work services	-	-	-	104,534
0033	Health services	1,218,937	-	-	51,391
0034	Student (pupil) transportation	8,368,533	-	3,656,567	354,828
0035	Food services	-	-	-	10,361,148
0036	Extracurricular activities	2,911,903	-	31,728	1,698,491
0041	General administration	4,224,434	-	271,218	61,347
0051	Plant maintenance and operations	12,572,129	-	5,574,553	461,187
0052	Security and monitoring services	1,716,663	-	522,344	17,774
0053	Data processing services	2,320,093	-	2,938,741	65,370
0061	Community services	-	-	-	123,733
	Debt service:				
0071	Principal	246,289	30,655,000	183,616	-
0072	Interest and fiscal charges	-	9,593,271	-	-
0073	Bond issuance costs	-	23,500	1,647,368	-
0081	Capital outlay	-	-	27,233,745	-
6030	Total Expenditures	<u>128,080,851</u>	<u>40,271,771</u>	<u>43,840,054</u>	<u>29,028,666</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>83,475</u>	<u>(8,910,439)</u>	<u>(38,065,471)</u>	<u>(2,014,219)</u>
	Other Financing Sources (Uses)				
7913	Proceeds from leases	-	-	1,183,929	-
7911	Bonds issued	-	-	213,345,000	-
7916	Bond premium	-	-	16,302,234	-
7915	Transfers in	5,950	-	-	-
8911	Transfers (out)	(531,040)	-	-	(5,950)
7080	Total Other Financing Sources (Uses)	<u>(525,090)</u>	<u>-</u>	<u>230,831,163</u>	<u>(5,950)</u>
1200	Net Change in Fund Balances	<u>(441,615)</u>	<u>(8,910,439)</u>	<u>192,765,692</u>	<u>(2,020,169)</u>
0100	Beginning fund balances	33,979,523	20,819,779	21,194	4,077,368
3000	Ending Fund Balances	<u>\$ 33,537,908</u>	<u>\$ 11,909,340</u>	<u>\$ 192,786,886</u>	<u>\$ 2,057,199</u>

See Notes to Financial Statements.

98

**Total
Governmental
Funds**

\$	131,000,588
	36,370,555
	24,943,545
	<u>192,314,688</u>

90,679,639

1,148,736

2,338,029

2,528,618

8,262,330

7,053,555

104,534

1,270,328

12,379,928

10,361,148

4,642,122

4,556,999

18,607,869

2,256,781

5,324,204

123,733

31,084,905

9,593,271

1,670,868

27,233,745

241,221,342

(48,906,654)

1,183,929

213,345,000

16,302,234

5,950

(536,990)

230,300,123

181,393,469

58,897,864

\$ 240,291,333

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, 2023

Net changes in fund balances - total governmental funds	\$ 181,393,469
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/amortization expense.	
Depreciation/amortization, net of disposals	(7,609,455)
Capital outlay, net of disposal of assets	31,264,232
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	728,877
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.	
New bond issuance	(213,345,000)
Principal repayments	31,084,905
Lease proceeds	(1,183,929)
Lease principal payments	328,950
Accrued interest	(361,709)
Amortization of loss on bond refunding	(734,559)
Premium from bond refunding	(16,302,234)
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	(30,396,236)
Change in net OPEB liability	13,642,411
Change in deferred outflows - pensions	26,638,853
Change in deferred inflows - pensions	1,199,040
Change in deferred outflows - OPEB	1,291,722
Change in deferred inflows - OPEB	(11,530,788)
Some revenues/expenses reported in governmental funds are not recognized as revenues/expenses in the Statement of Activities	
Fund level on-behalf adjustment - revenues	(6,744,776)
Fund level on-behalf adjustment - expenses	6,744,776
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.	(183,741)
Change in Net Position of Governmental Activities	\$ 7,536,192

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS - EXHIBIT D-1

August 31, 2023

Data Control			Internal Service Funds
<u>Codes</u>			
	<u>Assets</u>		
1110	Cash and cash equivalents	\$	517,568
1260	Due from other funds		78,941
	Total Assets		596,509
	<u>Liabilities</u>		
2110	Accounts payable		405,214
2170	Due to other funds		152,116
2000	Total Liabilities		557,330
	<u>Net Position</u>		
3900	Unrestricted		39,179
4000	Total Net Position	\$	39,179

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS - EXHIBIT D-2

For the Year Ended August 31, 2023

Data Control		Internal Service Funds
<u>Codes</u>		
	<u>Operating Revenues</u>	
5700	Local and intermediate sources	\$ 1,992,941
5020	Total Operating Revenues	<u>1,992,941</u>
	<u>Operating Expenses</u>	
6100	Payroll costs	1,722,970
6200	Professional and contracted services	511,654
6300	Supplies and materials	437,683
6400	Other operating costs	35,415
	Total Operating Expenses	<u>2,707,722</u>
1100	Operating (Loss)	(714,781)
	<u>Other Financing Sources (Uses)</u>	
7915	Transfers in	531,040
	Total Other Financing Sources	<u>531,040</u>
1200	Changes in Net Position	(183,741)
0100	Beginning net position	<u>222,920</u>
3000	Ending Net Position	<u><u>\$ 39,179</u></u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS - EXHIBIT D-3

For the Year Ended August 31, 2023

	Internal Service Funds
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 2,073,661
Cash payments to employees for services	(2,146,067)
Cash payments to other suppliers for goods and services	(482,269)
Net Cash (Used) by Operating Activities	(554,675)
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers in from other funds	531,040
Net Cash Provided by Noncapital Financing Activities	531,040
Net (Decrease) in Cash and Cash Equivalents	(23,635)
Beginning cash and cash equivalents	541,203
Ending Cash and Cash Equivalents	\$ 517,568
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating (loss)	\$ (714,781)
(Increase) Decrease in:	
Due from other funds	701,692
Increase (Decrease) in:	
Accrued expenses	170,455
Due to other funds	(712,041)
Net Cash (Used) by Operating Activities	\$ (554,675)

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-1

August 31, 2023

Data Control Codes		Custodial Funds
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 366,077
1260	Due from other funds	898
	Total Assets	366,975
	<u>Liabilities</u>	
2110	Accounts payable	1,023
2170	Due to other funds	14
	Total Liabilities	1,037
	<u>Net Position</u>	
3800	Unrestricted	365,938
	Total Net Position	\$ 365,938

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-2

For the Year Ended August 31, 2023

	<u>Custodial Funds</u>
<u>Additions</u>	
Fundraisers	\$ 534,387
Sales	161,435
Other	26,642
Total Additions	<u>722,464</u>
<u>Deductions</u>	
Student groups	278,100
Fees and dues	9,279
Other	449,543
Total Deductions	<u>736,922</u>
Change in Net Position	(14,458)
Beginning net position	380,396
Total Net Position	<u><u>\$ 365,938</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2023

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 THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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 major fund.

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.

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.

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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as a custodian 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 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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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.

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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 net 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 net 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.

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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

- 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. 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

- 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.
- 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.

8. Subscription-Based Information Technology Agreements

The District has noncancellable subscription-based information technology arrangements (SBITA's) to finance the use of information technology software. The District recognizes a liability (the "subscription liability") and an intangible, right-to-use subscription asset in the government-wide financial statements. The District recognizes a subscription liability with an initial, individual value of at least \$5,000 or more.

At the commencement of a SBITA, the District initially measures the subscription liability at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using either the implicit rate or the District's incremental borrowing rate if the interest rate is not readily determinable. The subscription liability is reduced by the principal portion of the payments made. The subscription asset is initially measured as the initial amount of the liability, plus payments made before the commencement of the subscription term and capitalizable implementation costs. The subscription asset is reduced for any vendor incentives received. The subscription asset is amortized on a straight-line basis over the subscription term.

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

- The District uses the interest rate charged on the SBITAs as the discount rate. When the interest rate charged on the SBITAs are not provided, the District generally uses its estimated incremental borrowing rate, or current cost of borrowing as the discount rate.
- The term includes the noncancellable period of the SBITA plus options periods, in which one party may exercise, that the District is reasonably certain will be exercised.
- The subscription payments included in the measurement of the subscription liability are composed of fixed or fixed in substance payments and other payments associated with the SBITA that the District is reasonably certain to make based on an assessment of all relevant factors.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

9. 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.

10. 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.

11. 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

12. 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.

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

14. 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.

15. Other Postemployment Benefits

The fiduciary net position of the TRS, Texas Public School Retired Group Insurance Program, ("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.

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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.

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.

Deficit Net Position/Fund Balance

For fiscal year 2023, the District reported a deficit net position in the After-School Programs fund of \$41,003 and a deficit fund balance in the state textbook fund of \$120,690. The District plans to eliminate these balances with increased function activity for each fund.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2023, the District had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Securities:		
Federal agency coupon	\$ 17,884,340	0.90
Treasury securities	3,917,083	0.73
Municipal bonds	755,879	0.75
Investment Pools:		
Texas CLASS	201,850,981	0.21
Lonestar	89,106	0.24
Money Market Accounts	66,226	0.00
Total	\$ 224,563,615	

Portfolio weighted average maturity 0.47

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, 2023, 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.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

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 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

B. Capital Assets

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

	Beginning Balances	Increases	(Decreases)	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 12,600,705	\$ -	\$ -	\$ 12,600,705
Construction in progress	-	25,342,519	-	25,342,519
Total Capital Assets Not Being Depreciated/Amortized	12,600,705	25,342,519	-	37,943,224
Other capital assets:				
Buildings and improvements	262,351,309	716,656	-	263,067,965
Furniture and equipment	6,508,365	1,857,857	(24,919)	8,341,303
Vehicles	15,072,906	2,195,345	(24,331)	17,243,920
Right-to-use assets	1,263,121	1,201,105	-	2,464,226
Right-to-use subscriptions	1,073,021	-	-	1,073,021
Total Other Capital Assets	286,268,722	5,970,963	(49,250)	292,190,435
Less accumulated depreciation/amortization for:				
Buildings and improvements	(78,476,708)	(5,866,868)	-	(84,343,576)
Furniture and equipment	(4,056,242)	(303,242)	24,919	(4,334,565)
Vehicles	(10,893,699)	(814,406)	24,331	(11,683,774)
Right-to-use assets	(82,290)	(373,908)	-	(456,198)
Right-to-use subscriptions	-	(300,281)	-	(300,281)
tal Accumulated Depreciation/Amortization	(93,508,939)	(7,658,705)	49,250	(101,118,394)
Other capital assets, net	192,759,783	(1,687,742)	-	191,072,041
Governmental Activities Capital Assets, Net	\$ 205,360,488	\$ 23,654,777	\$ -	229,015,265
				Less associated debt (344,937,371)
				Plus unspent bond proceeds 192,786,886
				Plus deferred charge on refunding 8,494,667
				Net Investment in Capital Assets \$ 85,359,447

Depreciation/amortization was charged to governmental functions as follows:

11	Instruction	\$ 3,213,073
12	Instructional resources and media services	35,202
13	Curriculum and instructional staff development	114,638
21	Instructional leadership	88,838
23	School leadership	272,771
31	Guidance, counseling, and evaluation services	220,931
32	Social services	2,915
33	Health services	40,822
34	Student (pupil) transportation	1,216,915
35	Food service	488,797
36	Cocurricular/extracurricular activities	166,056
41	General administration	140,097
51	Plant maintenance and operations	1,337,623
52	Security and monitoring	62,384
53	Data processing services	255,809
61	Community Services	1,834
	Total Depreciation/Amortization Expense	\$ 7,658,705

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year	Interest Rates
Bonds payable:						
Series 2013	\$ 5,310,000	\$ -	\$ (5,310,000)	\$ -	\$ -	2.00-5.00%
Series 2016	8,540,000	-	(1,940,000)	6,600,000	1,030,000	2.00-5.00%
Series 2017	7,010,000	-	(4,190,000)	2,820,000	2,240,000	3.00-5.00%
Series 2020A	69,010,000	-	(5,395,000)	63,615,000	485,000	2.00-5.00%
Series 2020B	38,580,000	-	-	38,580,000	5,525,000	1.75-5.00%
Series 2023	-	213,345,000	(13,820,000)	199,525,000	9,080,000	4.00-5.00%
Lease liability	1,182,448	1,201,105	(467,498)	1,916,055	404,897	4.50%
Subscription liability	1,049,452	-	(308,533)	740,919	368,609	1.70-3.28%
	<u>130,681,900</u>	<u>214,546,105</u>	<u>(31,431,031)</u>	<u>313,796,974</u>	<u>* 19,133,506</u>	
Other liabilities:						
Unamortized bond premium	16,449,547	16,302,234	(1,611,384)	31,140,397	*	-
Net pension liability	20,479,787	30,396,236	-	50,876,023	-	-
Net OPEB liability	39,015,003	-	(13,642,411)	25,372,592	-	-
Total Governmental Activities	\$ 206,626,237	\$ 261,244,575	\$ (46,684,826)	\$ 421,185,986	\$ 19,133,506	

Long-term liabilities due in more than one year \$ 402,052,480

*Debt associated with capital assets \$ 344,937,371

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.

New Debt

During the fiscal year, the District issued unlimited tax school building bonds, Series 2023 (the "Bonds") for a total amount of \$213,345,000 for capital improvements and development. The Bonds carry an interest rate of 4 to 5 percent and are scheduled to be paid off in 2048.

Cash Defeasance

During the fiscal year, the District used available debt service fund cash to partially refund \$7,920,000 of outstanding Series 2016, Series 2017 and Series 2020A bonds. These bonds had interest rates of 2 to 5 percent. The District deposited a total of \$8,732,490 into an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded debt. As a result, a portion of these debt issuances are considered defeased and the liability for these bonds has been removed from the statement of net position.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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

Fiscal Year Ended Aug 31	Principal	Interest	Total Requirements
2024	\$ 18,360,000	\$ 13,150,383	\$ 31,510,383
2025	11,720,000	12,232,383	23,952,383
2026	11,370,000	11,649,233	23,019,233
2027	12,570,000	11,107,683	23,677,683
2028	13,200,000	10,479,183	23,679,183
2029-2033	54,480,000	45,287,415	99,767,415
2034-2038	66,815,000	33,413,103	100,228,103
2039-2043	63,425,000	19,966,470	83,391,470
2044-2048	59,200,000	6,483,600	65,683,600
	<u>\$ 311,140,000</u>	<u>\$ 163,769,453</u>	<u>\$ 474,909,453</u>

Leases

During the current fiscal year, the District entered into a bus lease agreements with a 7 year term. An initial lease liability was recorded in the amount of \$1,201,105. As of August 31, 2023, the value of the total lease liability was \$1,916,055. The District is required to make monthly principal and interest payments ranging from \$9,775 to \$11,735 and one annual lease payment of \$183,616. An estimated borrowing rate of 4.50% was used by the District. The value of the right-to-use lease assets as of the end of the current fiscal year was \$2,464,226 and had accumulated amortization of \$456,198.

The future principal and interest lease payments as of August 31, 2023 were as follows:

Fiscal Year Ended Aug 31	Principal	Interest	Total Requirements
2024	\$ 404,897	\$ 40,554	\$ 445,451
2025	413,057	32,393	445,450
2026	421,412	24,039	445,451
2027	324,169	15,694	339,863
2028	173,957	9,968	183,925
2029-2033	178,563	5,053	183,616
	<u>\$ 1,916,055</u>	<u>\$ 127,701</u>	<u>\$ 2,043,756</u>

Subscription-Based Information Technology Arrangement

During the current fiscal year, the District implemented GASB Standard No. 96 and recorded a liability for the current SBITAs the District is a party to. Annual principal and interest payments for these SBITAs range from \$4,830 to \$115,000. An initial liability for these SBITAs was recorded of \$1,049,451 and a corresponding right-to-use asset for these subscriptions was recorded for \$1,073,022. The interest rates used to discount these agreements varied based on each individual agreement. At the end of the fiscal year, the District's right-to-use subscription assets was \$300,281.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

The future principal and interest SBITA payments as of August 31, 2023 are as follows:

Fiscal Year Ended Aug 31	Principal	Interest	Total Requirements
2024	\$ 368,609	\$ 40,554	\$ 409,163
2025	364,545	32,393	396,938
2026	4,104	24,039	28,143
2027	3,661	15,694	19,355
	<u>\$ 740,919</u>	<u>\$ 112,680</u>	<u>\$ 853,599</u>

D. Interfund Transactions

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

	Due From Other Funds
General	
Other Nonmajor governmental	\$ 1,806,891
Capital projects	1,663,902
Internal service	152,116
Custodial	14
Total General Fund	<u>3,622,923</u>
Capital projects	
General	<u>54,564</u>
Total Capital Projects Fund	<u>54,564</u>
Other nonmajor governmental	
General	<u>271</u>
Total Other Nonmajor Governmental Funds	<u>271</u>
Custodial funds	
Total Custodial Funds	<u>898</u>
Internal service	
General	<u>78,941</u>
Total Internal Service Funds	<u>78,941</u>
Total	<u>\$ 3,757,597</u>

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

Transfers between funds during the fiscal year were as follows:

Transfers In	Transfers Out	Amount
Internal Service	General	\$ 531,040
General	Nonmajor	<u>5,950</u>
	Total	<u>536,990</u>

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, 2023

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 THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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
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%

Note: SB12 of the 86th Texas Legislature establishes contributor through fiscal year 2025. Additional rate changes will require Tex Legislative action.

	Contribution Rates	
	2022	2023
Member	8.00%	8.00%
NECE (State)	7.75%	8.00%
Employers	7.75%	7.75%

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

	Measurement Year (2022)	Fiscal Year (2023)
Employer contributions	\$ 3,998,869	\$ 4,278,733
Member contributions	\$ 7,732,827	\$ 8,109,422
NECE On-Behalf contributions	\$ 4,799,071	\$ 5,340,143

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;

- All public schools, charter schools, and regional educational service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2.0% in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

Actuarial Assumptions

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

Valuation date	August 31, 2021, rolled forward to August 31, 2022
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate	3.91%. 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	2.95% to 8.95%, including inflation
Benefit changes during the year	None

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

Discount Rate

A single discount rate of 7.00% was used to measure the TPL. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the 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 7.00%. 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, 2023

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

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2022

	Target Allocation (1)	Long-Term Expected Geometric Real Reate of Return (2)	Expected Contributions to Long-Term Portfolio Returns
Global			
U.S.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity*	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, National Resources, and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	0.43%
Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag (3)			-0.91%
Total	100%	54.70%	8.21%

*Absolute Return includes Credit Sensitive Investments

(1) Target allocations are based on the FY2022 policy model.

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

(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%, and what the NPL would be if it was calculated using a discount rate that is 1% point lower (6%) or 1% point higher (8%) than the current rate:

	1% Decrease in Discount Rate (6%)	Current Discount Rate (7%)	1% Increase in Discount Rate (8%)
District's proportionate share of the net pension liability	\$ 79,143,801	\$ 50,876,023	\$ 27,963,661

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

At August 31, 2023, the District reported a liability of \$50, 876,023 for its proportionate share of the TRS's NPL. This liability reflects a reduction for state pension support provided to the District. The

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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	\$	50,876,023
State's proportionate share that is associated with the District		61,056,674
Total	\$	111,932,697

The NPL was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 through August 31, 2022.

At the measurement year ended August 31, 2022, the District's proportion of the collective NPL was 0.0856969%, which was an increase of 0.0052782% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year's NPL. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

For the measurement year ended August 31, 2022, the District recognized pension expense of \$5,836,326 and revenue of \$5,836,326 for support provided by the State.

At the measurement year ended 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	\$ 737,698	\$ 1,109,194
Changes in actuarial assumptions	9,479,859	2,362,646
Difference between projected and actual investment earnings	5,026,388	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	4,694,008	121,525
Contributions paid to TRS subsequent to the measurement date	4,278,733	-
Total	\$ 24,216,686	\$ 3,593,365

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
2024	\$ 4,347,409
2025	2,658,696
2026	1,418,995
2027	6,703,642
2028	1,215,846
Total	\$ 16,344,588

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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_2023.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, 2022 are as follows:

Total OPEB liability	\$ 27,061,642,520
Less: plan fiduciary net position	(3,117,937,218)
Net OPEB Liability	\$ 23,943,705,302
Net position as a percentage of total OPEB liability	11.52%

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.

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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	
	2022	2023
Active employee	0.65%	0.65%
NECE (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	Measurement	Fiscal
	Year (2022)	Year (2023)
District contributions	\$ 870,345	\$ 863,186
Member contributions	\$ 279,040	\$ 329,445
NECE on-behalf contributions	\$ 1,061,684	\$ 1,267,097

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 \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs during fiscal year 2022.

Actuarial Assumptions

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

The actuarial valuation 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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

1. Rates of Mortality	4. Rates of Disability
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, 2021 rolled forward to August 31, 2022
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.91% as of August 31, 2022
Aging factors	Based on plan-specific experience
Election rates	Normal retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Healthcare trend rates	Medical trend rates: 8.25% (Medicare retirees) and 7.25% (non-Medicare retirees) prescription drug trend rate: 8.25%
Projected salary increases	3.05% to 9.05%, including inflation
Ad hoc postemployment benefit changes	None

Discount Rate

A single discount rate of 3.91% was used to measure the total OPEB liability. There was an increase of 1.96% 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 (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of net OPEB liability	\$ 29,916,298	\$ 25,372,592	\$ 21,691,607

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 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	\$ 20,907,130	\$ 25,372,592	\$ 31,161,488

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

At August 31, 2023, the District reported a liability of \$25,372,592 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	\$ 25,372,592
State's proportionate share that is associated with the District	30,950,575
Total	\$ 56,323,167

The net OPEB liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2021 through August 31, 2022.

At August 31, 2023, the employer's proportion of the collective net OPEB liability was 0.1059664%, compared to 0.1011420% as of August 31, 2022.

Changes Since the Prior Actuarial Valuation

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

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

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

For the measurement year ended August 31, 2022, the District recognized OPEB expense of \$4,392,136 and revenue of \$4,392,136 for support provided by the State.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

At August 31, 2023, 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	\$ 1,410,626	\$ 21,137,646
Changes in actuarial assumptions	3,864,748	17,627,367
Differences between projected and actual investment earnings	75,578	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	6,587,190	489,760
Contributions paid to TRS subsequent to the measurement date	863,186	-
Total	\$ 12,801,328	\$ 39,254,773

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
2024	\$ (5,380,132)
2025	(5,379,858)
2026	(4,303,893)
2027	(2,847,224)
2028	(3,314,904)
Thereafter	(6,090,620)
Total	\$ (27,316,631)

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, 2023, 2022, and 2021, the subsidy payments received by TRS-Care on behalf of the District were \$550,185, \$404,110, and \$410,889, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2023, 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, 2023 and terms of coverage and premiums costs are included in the contractual provisions.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

F. Workers' Compensation Insurance

During the year ended August 31, 2023, 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	
	2023	2022
Claims liability at beginning of year	\$ 208,174	\$ 150,860
Current year claims and estimated changes	166,637	191,035
Claims payments	(87,697)	(133,721)
Claims liability at year end	<u>\$ 287,114</u>	<u>\$ 208,174</u>

G. Unemployment Compensation

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

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

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, 2022 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2023

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.

I. Restatement of Net Position

The District has restated beginning net position for the implementation of GASB Statement No. 96 as follows:

	Governmental Activities
Beginning net position - as reported	\$ 45,701,250
Right-to-use subscription asset	1,073,021
Subscription liability	(1,049,452)
Restated net position	<u>\$ 45,724,819</u>

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, 2023

Data Control Codes		Budgeted Amounts			Variance With Final Budget Positive (Negative)
		Original	Final	Actual	
Revenues					
5700	Local and intermediate sources	\$ 89,454,500	\$ 89,454,500	\$ 89,936,982	\$ 482,482
5800	State program revenues	36,807,148	36,807,148	35,307,694	(1,499,454)
5900	Federal program revenues	2,750,000	2,750,000	2,919,650	169,650
5020	Total Revenues	129,011,648	129,011,648	128,164,326	(847,322)
Expenditures					
Current:					
0011	Instruction	76,318,828	76,631,222	76,602,186	29,036
0012	Instructional resources and media services	1,112,833	1,112,833	1,109,847	2,986
0013	Curriculum and instructional staff development	2,298,200	1,778,200	1,765,793	12,407
0021	Instructional leadership	1,711,922	2,196,922	2,192,742	4,180
0023	School leadership	8,217,016	7,517,016	7,387,525	129,491
0031	Guidance, counseling, and evaluation services	5,555,475	5,450,475	5,443,777	6,698
0033	Health services	1,205,850	1,220,850	1,218,937	1,913
0034	Student (pupil) transportation	7,436,800	8,376,800	8,368,533	8,267
0036	Extracurricular activities	2,860,874	2,915,874	2,911,903	3,971
0041	General administration	3,845,270	4,232,770	4,224,434	8,336
0051	Plant maintenance and operations	13,052,877	12,637,877	12,572,129	65,748
0052	Security and monitoring services	1,548,227	1,788,227	1,716,663	71,564
0053	Data processing services	3,545,175	2,370,175	2,320,093	50,082
Debt service:					
0071	Principal	302,301	247,301	246,289	1,012
6030	Total Expenditures	129,011,648	128,476,542	128,080,851	395,691
1100	Excess Deficiency of Revenues				
1100	Over (Under) Expenditures	-	535,106	83,475	(451,631)
Other Financing Sources (Uses)					
7915	Transfers in	-	-	5,950	5,950
8911	Transfers (out)	-	(531,040)	(531,040)	-
7080	Total Other Financing (Uses)	-	(531,040)	(525,090)	5,950
1200	Net Change in Fund Balance	-	4,066	(441,615)	(445,681)
0100	Beginning fund balance	33,979,523	33,979,523	33,979,523	-
3000	Ending Fund Balance	\$ 33,979,523	\$ 33,983,589	\$ 33,537,908	\$ (445,681)

Notes to Required Supplementary Information:

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

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, 2023

	Measurement Year*			
	2022	2021	2020	2019
District's proportion of the net pension liability (asset)	0.0856969%	0.0804187%	0.0734984%	0.0733636%
District's proportionate share of the net pension liability (asset)	\$ 50,876,023	\$ 20,479,787	\$ 39,364,320	\$ 38,136,687
State's proportionate share of the net pension liability (asset) associated with the District	61,056,674	27,602,937	59,526,550	54,804,632
Total	<u>\$ 111,932,697</u>	<u>\$ 48,082,724</u>	<u>\$ 98,890,870</u>	<u>\$ 92,941,319</u>
District's covered payroll**	\$ 96,660,338	\$ 92,023,023	\$ 87,835,525	\$ 79,619,555
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.63%	22.26%	44.82%	47.90%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%

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

** As of measurement date

Notes to Required Supplementary Information:

1. *Changes in Assumptions:* The discount rate changed from 7.25% as of August 31, 2021 to 7.00% as of August 31, 2022.

2. *Changes in Benefits:* There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Measurement Year*			
2018	2017	2016	2015
0.0707019%	0.0720633%	0.0674318%	0.0644642%
\$ 38,916,039	\$ 23,041,967	\$ 25,481,474	\$ 22,787,237
61,112,056	36,779,755	44,165,685	41,556,031
<u>\$ 100,028,095</u>	<u>\$ 59,821,722</u>	<u>\$ 69,647,159</u>	<u>\$ 64,343,268</u>
<u>\$ 75,558,224</u>	<u>\$ 75,894,006</u>	<u>\$ 71,854,210</u>	<u>\$ 66,661,323</u>
48.88%	30.36%	35.46%	34.18%
73.74%	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, 2023

	Fiscal Year*			
	2023	2022	2021	2020
Contractually required contribution	\$ 4,278,733	\$ 3,516,306	\$ 3,788,312	\$ 2,999,087
Contributions in relation to the contractually required contribution	4,278,733	3,516,306	3,788,312	2,999,087
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 101,367,777	\$ 96,660,388	\$ 92,023,023	\$ 87,835,525
Contributions as a percentage of covered payroll	4.22%	3.64%	4.12%	3.41%

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

Fiscal Year*			
2019	2018	2017	2016
\$ 2,396,759	\$ 2,278,252	\$ 2,345,519	\$ 2,142,479
2,396,759	2,278,252	2,345,519	2,142,479
\$ -	\$ -	\$ -	\$ -
\$ 79,619,555	\$ 75,558,224	\$ 75,894,006	\$ 71,854,210
3.01%	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, 2023

	Measurement Year*			
	2022	2021	2020	2019
District's proportion of the collective net OPEB liability (asset)	0.1059664%	0.1011420%	0.0967427%	0.0923449%
District's proportionate share of the collective net OPEB liability (asset)	\$ 25,372,592	\$ 39,015,003	\$ 36,776,263	\$ 43,671,023
State's proportionate share of the collective net OPEB liability (asset) associated with the District	30,950,575	52,271,409	49,418,482	58,029,021
Total	<u><u>\$ 56,323,167</u></u>	<u><u>\$ 91,286,412</u></u>	<u><u>\$ 86,194,745</u></u>	<u><u>\$ 101,700,044</u></u>
District's covered payroll**	\$ 96,660,388	\$ 92,023,023	\$ 87,835,525	\$ 79,619,555
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	26.25%	42.40%	41.87%	54.85%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%	2.66%

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

**As of measurement date

Notes to Required Supplementary Information:

1. Changes in Assumptions:

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

2. Changes in Benefits:

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

Measurement Year*	
2018	2017
0.0937564%	0.0935182%
\$ 46,813,418	\$ 40,667,543
66,781,605	60,509,092
<u>\$ 113,595,023</u>	<u>\$ 101,176,635</u>
\$ 75,558,224	\$ 75,894,006
61.69%	53.58%
1.57%	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, 2023

	Fiscal Year*			
	2023	2022	2021	2020
Statutorily required contributions	\$ 863,186	\$ 819,857	\$ 714,215	\$ 725,548
Contributions in relation to the statutorily required contributions	863,186	819,857	714,215	725,548
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 101,367,777	\$ 96,660,388	\$ 92,023,023	\$ 87,835,525
Contributions as a percentage of covered payroll	0.85%	0.85%	0.78%	0.83%

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

Fiscal Year*	
2019	2018
\$ 624,566	\$ 575,237
624,566	575,237
\$ -	\$ -
\$ 79,619,555	\$ 75,558,224
0.78%	0.76%

***OTHER SUPPLEMENTARY
INFORMATION***

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

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

August 31, 2023

		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	\$ 388	\$ 112	\$ -	\$ -
1240	Due from other governments	267,184	289,752	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1000	Total Assets	<u>\$ 267,572</u>	<u>\$ 289,864</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ 148,572	\$ 98,864	\$ -	\$ -
2170	Due to other funds	119,000	191,000	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>267,572</u>	<u>289,864</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
Restricted:					
3450	Federal/state grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3600	Unrestricted	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 267,572</u>	<u>\$ 289,864</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	280 Homeless ARP	281 Elementary and Secondary School Relief Program II
\$ 1,737,061	\$ 1,719	\$ 357	\$ 515	\$ -	\$ -
400,488	4,050	63,781	25,149	-	-
271	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,137,820</u>	<u>\$ 5,769</u>	<u>\$ 64,138</u>	<u>\$ 25,664</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 337,971	\$ 5,769	\$ 34,138	\$ 9,544	\$ -	\$ -
705,747	-	30,000	15,000	-	-
-	-	-	1,120	-	-
155,005	-	-	-	-	-
<u>1,198,723</u>	<u>5,769</u>	<u>64,138</u>	<u>25,664</u>	<u>-</u>	<u>-</u>
939,097	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>939,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,137,820</u>	<u>\$ 5,769</u>	<u>\$ 64,138</u>	<u>\$ 25,664</u>	<u>\$ -</u>	<u>\$ -</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

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

August 31, 2023

Data Control Codes		282 Elementary and Secondary School Relief Program III	284 IDEA B Preschool ARP	289 Summer School LEP	385 State Supplemented Visually Impaired
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 1,915	\$ -	\$ 1	\$ -
1240	Due from other governments	508,085	-	64,906	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1000	Total Assets	\$ 510,000	\$ -	\$ 64,907	\$ -
<u>Liabilities</u>					
2110	Accounts payable	\$ -	\$ -	\$ 31,307	\$ -
2170	Due to other funds	510,000	-	33,600	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	510,000	-	64,907	-
<u>Fund Balances</u>					
Restricted:					
3450	Federal/state grant restrictions	-	-	-	-
3470	Other restrictions of fund balance	-	-	-	-
3490	Unrestricted	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 510,000	\$ -	\$ 64,907	\$ -

397	410	429	461	Total Nonmajor Governmental Funds
Advanced Placement Incentives	State Textbook	Pre-K Activity	Campus Activity	
\$ 2,971	\$ 770	\$ 51	\$ 1,264,100	\$ 3,009,960
-	184,230	14,561	-	1,822,186
-	-	-	-	271
-	-	8,320	-	8,320
<u>\$ 2,971</u>	<u>\$ 185,000</u>	<u>\$ 22,932</u>	<u>\$ 1,264,100</u>	<u>\$ 4,840,737</u>
\$ -	\$ 120,690	\$ -	\$ 33,667	\$ 820,522
-	185,000	17,300	244	1,806,891
-	-	-	-	1,120
-	-	-	-	155,005
<u>-</u>	<u>305,690</u>	<u>17,300</u>	<u>33,911</u>	<u>2,783,538</u>
2,971	-	5,632	-	947,700
-	-	-	1,230,189	1,230,189
-	(120,690)	-	-	(120,690)
<u>2,971</u>	<u>(120,690)</u>	<u>5,632</u>	<u>1,230,189</u>	<u>2,057,199</u>
<u>\$ 2,971</u>	<u>\$ 185,000</u>	<u>\$ 22,932</u>	<u>\$ 1,264,100</u>	<u>\$ 4,840,737</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, 2023

		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	2,694,236	2,384,460	26,483	171,289
5020	Total Revenues	<u>2,694,236</u>	<u>2,384,460</u>	<u>26,483</u>	<u>171,289</u>
	Expenditures				
	Current:				
0011	Instruction	2,694,234	1,069,804	26,483	171,289
0012	Instructional resources				
0012	and media services	-	-	-	-
0013	Curriculum and instructional				
0013	staff development	2	274,925	-	-
0021	Instructional leadership	-	113,738	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	925,993	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	Total Expenditures	<u>2,694,236</u>	<u>2,384,460</u>	<u>26,483</u>	<u>171,289</u>
	Excess (Deficiency) of Revenues				
	Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Other Financing Sources (Uses)				
8911	Transfers (out)	-	-	-	-
	Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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	280 Homless ARP	281 Elementary and Secondary School Relief Program II
\$ 2,491,366	\$ -	\$ -	\$ -	\$ -	\$ -
32,884	-	-	-	-	-
5,912,067	152,856	485,496	265,728	2,534	1,977,775
8,436,317	152,856	485,496	265,728	2,534	1,977,775
-	152,856	340,629	231,014	2,534	1,212,700
-	-	-	-	-	14,195
-	-	144,867	34,714	-	9,889
-	-	-	-	-	17,745
-	-	-	-	-	113,576
-	-	-	-	-	81,590
-	-	-	-	-	-
-	-	-	-	-	18,758
-	-	-	-	-	165,331
10,247,549	-	-	-	-	55,790
-	-	-	-	-	14,198
-	-	-	-	-	25,856
-	-	-	-	-	160,420
-	-	-	-	-	-
-	-	-	-	-	25,348
-	-	-	-	-	62,379
10,247,549	152,856	485,496	265,728	2,534	1,977,775
(1,811,232)	-	-	-	-	-
(5,950)	-	-	-	-	-
(5,950)	-	-	-	-	-
(1,817,182)	-	-	-	-	-
2,756,279	-	-	-	-	-
\$ 939,097	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2023

Data Control Codes		282 Elementary and Secondary School Relief Program III	284 IDEA B Preschool ARP	289 Summer School LEP	385 State Supplemented Visually Impaired
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	6,500
5900	Federal program revenues	7,347,992	246,444	356,535	-
5020	Total Revenues	<u>7,347,992</u>	<u>246,444</u>	<u>356,535</u>	<u>6,500</u>
<u>Expenditures</u>					
Current:					
0011	Instruction	5,098,661	246,444	161,444	6,500
0012	Instructional resources				
0012	and media services	24,694	-	-	-
0013	Curriculum and instructional				
0013	staff development	104,639	-	-	-
0021	Instructional leadership	96,698	-	1,571	-
0023	School leadership	761,229	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	602,195	-	-	-
0032	Social work services	1,014	-	103,520	-
0033	Health services	32,633	-	-	-
0034	Student transportation	189,497	-	-	-
0035	Food services	57,809	-	-	-
0036	Extracurricular activities	19,203	-	-	-
0041	General administration	35,491	-	-	-
0051	Plant maintenance and operations	210,767	-	90,000	-
0052	Security and monitoring services	12,086	-	-	-
0053	Data processing services	40,022	-	-	-
0061	Community services	61,354	-	-	-
6030	Total Expenditures	<u>7,347,992</u>	<u>246,444</u>	<u>356,535</u>	<u>6,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>					
8911	Transfers out	-	-	-	-
	Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

397	410	429	461	Total Nonmajor Governmental Funds
Advanced Placement Incentives	State Textbook	Pre-K Activity	Campus Activity	
\$ -	\$ -	\$ -	\$ 1,908,532	\$ 4,399,898
6,171	391,454	153,645	-	590,654
-	-	-	-	22,023,895
6,171	391,454	153,645	1,908,532	27,014,447
-	778,480	81,413	62,374	12,336,859
-	-	-	-	38,889
3,200	-	-	-	572,236
-	-	66,544	-	296,296
-	-	-	-	874,805
-	-	-	-	1,609,778
-	-	-	-	104,534
-	-	-	-	51,391
-	-	-	-	354,828
-	-	-	-	10,361,148
-	-	-	1,665,090	1,698,491
-	-	-	-	61,347
-	-	-	-	461,187
-	-	5,688	-	17,774
-	-	-	-	65,370
-	-	-	-	123,733
3,200	778,480	153,645	1,727,464	29,028,666
2,971	(387,026)	-	181,068	(2,014,219)
-	-	-	-	(5,950)
-	-	-	-	(5,950)
2,971	(387,026)	-	181,068	(2,020,169)
-	266,336	5,632	1,049,121	4,077,368
\$ 2,971	\$ (120,690)	\$ 5,632	\$ 1,230,189	\$ 2,057,199

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-3

August 31, 2023

Data Control Codes		748	798	876	879
		After-School Programs	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 215,977	\$ 93,418	\$ -	\$ 208,173
1260	Due from other funds	-	-	-	78,941
	Total Assets	215,977	93,418	-	287,114
<u>Liabilities</u>					
Current liabilities:					
2110	Accounts payable	105,290	12,810	-	287,114
2170	Due to other funds	151,690	426	-	-
2000	Total Liabilities	256,980	13,236	-	287,114
<u>Net Position</u>					
3900	Unrestricted	(41,003)	80,182	-	-
4000	Total Net Position	\$ (41,003)	\$ 80,182	\$ -	\$ -

Total Internal Service Funds	
\$	517,568
	78,941
	<u>596,509</u>

	405,214
	152,116
	<u>557,330</u>

	39,179
\$	<u>39,179</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, 2023

Data Control Codes		748	798	876	879
		After-School Programs	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
	<u>Operating Revenues</u>				
5700	Local and intermediate sources	\$ 1,325,490	\$ 667,451	\$ -	\$ -
5020	Total Operating Revenues	<u>1,325,490</u>	<u>667,451</u>	<u>-</u>	<u>-</u>
	<u>Operating Expenses</u>				
6100	Payroll costs	1,082,037	388,611	252,322	-
6200	Professional and contracted services	-	9,617	-	502,037
6300	Supplies and materials	296,826	140,857	-	-
6400	Other operating costs	-	35,415	-	-
	Total Operating Expenses	<u>1,378,863</u>	<u>574,500</u>	<u>252,322</u>	<u>502,037</u>
1100	Operating Income (Loss)	(53,373)	92,951	(252,322)	(502,037)
	<u>Other Financing Sources (Uses)</u>				
7915	Transfers in	-	-	29,003	502,037
	Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>29,003</u>	<u>502,037</u>
1200	Changes in Net Position	(53,373)	92,951	(223,319)	-
0100	Beginning net position	<u>12,370</u>	<u>(12,769)</u>	<u>223,319</u>	<u>-</u>
3000	Ending Net Position	<u><u>\$ (41,003)</u></u>	<u><u>\$ 80,182</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Total
Internal
Service Funds**

\$	1,992,941
	<u>1,992,941</u>

1,722,970
511,654
437,683
35,415
<u>2,707,722</u>

(714,781)

531,040
<u>531,040</u>

(183,741)

222,920
<u>222,920</u>

\$	39,179
	<u><u>39,179</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-5

For the Year Ended August 31, 2023

	748	798	876	879
	After-School Programs	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 1,216,942	\$ 667,451	\$ 89,252	\$ 100,016
Cash payments to employees for services	(1,082,037)	(388,611)	(252,322)	(423,097)
Cash payments to other suppliers for goods and services	(296,826)	(185,443)	-	-
Net Cash Provided (Used) by Operating Activities	(161,921)	93,397	(163,070)	(323,081)
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers to/from other funds	-	-	29,003	502,037
Net Cash Provided by Noncapital Financing Activities	-	-	29,003	502,037
Net Increase (Decrease) in Cash and Cash Equivalents	(161,921)	93,397	(134,067)	178,956
Beginning cash and cash equivalents	377,898	21	134,067	29,217
Ending Cash and Cash Equivalents	\$ 215,977	\$ 93,418	\$ -	\$ 208,173
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (53,373)	\$ 92,951	\$ (252,322)	\$ (502,037)
(Increase) Decrease in:				
Due from other funds	512,424	-	89,252	100,016
Increase (Decrease) in:				
Accounts payable	84,195	7,320	-	78,940
Due to other funds	(705,167)	(6,874)	-	-
Net Cash Provided (Used) by Operating Activities	\$ (161,921)	\$ 93,397	\$ (163,070)	\$ (323,081)

**Total
Internal
Service Funds**

\$ 2,073,661
(2,146,067)

(482,269)

(554,675)

531,040

531,040

(23,635)

541,203

\$ 517,568

\$ (714,781)

701,692

170,455

(712,041)

\$ (554,675)

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT H-6

For the Year Ended August 31, 2023

	865	888	899	
	Student	Donations for	Magnolia	Total
	Activity	Projects	Livestock	Custodial
			Show	Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 306,785	\$ 4,746	\$ 54,546	\$ 366,077
Due from other funds	898	-	-	898
Total Assets	307,683	4,746	54,546	366,975
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	821	-	202	1,023
Due to other funds	14	-	-	14
Total Liabilities	835	-	202	1,037
<u>Net Position</u>				
Unrestricted	306,848	4,746	54,344	365,938
Total Net Position	\$ 306,848	\$ 4,746	\$ 54,344	\$ 365,938

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-7
For the Year Ended August 31, 2023

	865	888	899	
	Student	Donations for	Magnolia	Total
	Activity	Projects	Livestock	Custodial
	Show	Show	Show	Funds
<u>Additions</u>				
Fundraisers	\$ 186,281	\$ -	\$ 348,106	\$ 534,387
Dues	69,030	-	92,405	161,435
Other	-	-	26,642	26,642
Total Additions	<u>255,311</u>	<u>-</u>	<u>467,153</u>	<u>722,464</u>
<u>Deductions</u>				
Student groups	278,100	-	-	278,100
Fees	9,279	-	-	9,279
Other	-	2,481	447,062	449,543
Total Deductions	<u>287,379</u>	<u>2,481</u>	<u>447,062</u>	<u>736,922</u>
Change in Net Position	(32,068)	(2,481)	20,091	(14,458)
Beginning net position	<u>338,916</u>	<u>7,227</u>	<u>34,253</u>	<u>380,396</u>
Total Net Position	<u><u>\$ 306,848</u></u>	<u><u>\$ 4,746</u></u>	<u><u>\$ 54,344</u></u>	<u><u>\$ 365,938</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1

For the Year Ended August 31, 2023

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
Last Ten Years	Maintenance	Debt Service	
2014 and prior	Various	Various	Various
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
2023	\$ 0.8546	\$ 0.2926	\$ 10,482,017,979

1000 Totals

8000 Taxes Refunded

9000 Tax Increment

10	20	31	32	40	50
Beginning Balance 9/1/22	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/23
\$ 335,298	\$ -	\$ 18,086	\$ 5,745	\$ (33,135)	\$ 278,332
73,687	-	7,681	1,779	1	64,228
81,955	-	7,937	1,838	(207)	71,973
106,803	-	11,799	3,556	(830)	90,618
169,238	-	16,716	5,457	(1,206)	145,859
180,955	-	38,679	8,126	21,055	155,205
290,257	-	130,577	45,702	113,504	227,482
436,715	-	80,993	29,412	17,003	343,313
1,047,277	-	179,749	63,384	(262,243)	541,901
-	116,362,884	85,631,594	29,318,751	72,946	1,485,485
<u>\$ 2,722,185</u>	<u>\$ 116,362,884</u>	<u>\$ 86,123,811</u>	<u>\$ 29,483,750</u>	<u>\$ (73,112)</u>	<u>\$ 3,404,396</u>
		<u>\$ 26,841</u>			
		<u>\$ -</u>			

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2023

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local and intermediate sources	\$ 1,773,326	\$ 2,491,326	\$ 2,491,366	\$ 40
5800	State program revenues	37,712	-	32,884	32,884
5900	Federal program revenues	4,059,851	5,972,851	5,912,067	(60,784)
5020	Total Revenues	<u>5,870,889</u>	<u>8,464,177</u>	<u>8,436,317</u>	<u>(27,860)</u>
	<u>Expenditures</u>				
	Current:				
0035	Food services	5,870,889	10,248,513	10,247,549	964
6030	Total Expenditures	<u>5,870,889</u>	<u>10,248,513</u>	<u>10,247,549</u>	<u>964</u>
1100	(Deficiency) of Revenues				
1100	(Under) Expenditures	<u>-</u>	<u>(1,784,336)</u>	<u>(1,811,232)</u>	<u>(26,896)</u>
	<u>Other Financing Sources (Uses)</u>				
8911	Transfers out	-	(5,950)	(5,950)	-
7080	Total Other Financing (Uses)	<u>-</u>	<u>(5,950)</u>	<u>(5,950)</u>	<u>-</u>
1200	Net Change in Fund Balance	-	(1,790,286)	(1,817,182)	(26,896)
0100	Beginning fund balance	2,756,279	2,756,279	2,756,279	-
3000	Ending Fund Balance	<u>\$ 2,756,279</u>	<u>\$ 965,993</u>	<u>\$ 939,097</u>	<u>\$ (26,896)</u>

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended August 31, 2023

Data Control Codes		Budgeted Amounts			Variance With Final Budget
		Original	Final	Actual	Positive (Negative)
	Revenues				
5700	Local and intermediate sources	\$ 29,376,104	\$ 30,442,087	\$ 30,889,125	\$ 447,038
5800	State program revenues	597,223	597,223	472,207	(125,016)
5020	Total Revenues	29,973,327	31,039,310	31,361,332	322,022
	Expenditures				
	Debt service:				
0071	Principal on long-term debt	22,665,000	30,655,000	30,655,000	-
0072	Interest on long-term debt	7,308,327	9,641,021	9,593,271	47,750
0073	Bond issuance costs and fees		-	23,500	(23,500)
6030	Total Expenditures	29,973,327	40,296,021	40,271,771	24,250
1200	Net Change in Fund Balance	-	(9,256,711)	(8,910,439)	346,272
0100	Beginning fund balance	20,819,779	20,819,779	20,819,779	-
3000	Ending Fund Balance	\$ 20,819,779	\$ 11,563,068	\$ 11,909,340	\$ 346,272

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT
FOR SELECT STATE ALLOTMENT PROGRAMS - EXHIBIT J-4
For the Year Ended August 31, 2023

<u>Data Control Codes</u>		<u>Responses</u>
<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.	\$ 9,865,090
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)	\$ 5,435,272
<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.	\$ 1,608,007
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	\$ 889,654

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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 Magnolia Independent School District (the "District"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the 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 a 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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, LLP
Certified Public Accountants
Houston, Texas
January 22, 2024



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, 2023. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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

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

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 22, 2024

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended August 31, 2023

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, 2023

I. SUMMARY OF AUDITORS' 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

Is a significant deficiency in internal controls over major programs disclosed? No

Is a material weakness in internal control over major programs disclosed? No

Did the audit disclose any findings that the auditor is required to report under Uniform Guidance 2 CFR Sections 200.516 Audit Findings paragraph (a)? 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? Yes

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>
84.027A/84.173A	Special Education 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, 2023

(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	23610101170906	\$ 2,510,374
Title I, Part A	84.010A	24610101170906	183,861
IDEA B, Formula Grant*	84.027A	226600011709066600	72,778
IDEA B, Formula Grant*	84.027A	236600011709066600	2,265,092
IDEA B, Formula Grant*	84.027A	246600011709066600	46,590
IDEA B, Discretionary*	84.027A	236600121709066677	171,289
IDEA B, Preschool*	84.173A	236610011709066610	26,483
Career and Technical, Base Grant	84.048A	23420006170906	152,856
Title II, Part A, Supporting Effective Instruction	84.367A	22694501170906	6,781
Title II, Part A, Supporting Effective Instruction	84.367A	23694501170906	455,747
Title II, Part A, Supporting Effective Instruction	84.367A	24694501170906	22,968
Title III, English Language Acquisition State Grants	84.365A	23671001170906	243,853
Title III, English Language Acquisition State Grants	84.365A	24671001170906	21,875
Education for Homeless Children and Youth	84.196A	225350011709065350	2,534
IDEA B, Preschool ARPA*	84.027X	236610011709066610	246,444
Title IV, Part A	84.424A	23680101170906	225,228
Title IV, Part A	84.424A	24680101170906	23,838
LEP Summer School	84.369A	69551202	17,468
Elementary and Secondary School Emergency Relief II	84.425D	21521001170906	1,846,673
Elementary and Secondary School Emergency Relief III	84.425U	21528001170906	7,292,832
TOTAL U.S. DEPARTMENT OF EDUCATION			15,835,564
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
School Breakfast Programs*	10.553A	806780706	1,055,777
National School Lunch*	10.555A	806780706	3,719,764
<i>Passed Through State Department of Agriculture</i>			
State Administrative Expenses	10.560	236TX312N2533	460,178
<i>Direct Award</i>			
USDA Commodities	10.565A	N/A	676,347
TOTAL U.S. DEPARTMENT OF AGRICULTURE			5,912,066
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through State Department of Education</i>			
COVID-19 School Health Support	93.323	HHS001114100001	505,884
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			505,884
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 22,253,514
* Indicates clustered program under OMB Compliance Supplement			
The accompanying notes are an integral part of this schedule.			
Federal Revenue per SEFA			\$ 22,253,514
Medicaid Reimbursement - General Fund			2,534,082
Junior ROTC			155,949
C-2 Federal Revenue			\$ 24,943,545

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2023

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.	\$ -