



**ANNUAL FINANCIAL
&
COMPLIANCE REPORT**

JUNE 30, 2023

Mont Belvieu, Texas

Barbers Hill Independent School District
Annual Financial Report
For the Fiscal Year Ended June 30, 2023
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Barbers Hill Independent School District

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Certificate of the Board

Barbers Hill Independent School District

Name of School District

Chambers

County

036-902

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and 6 approved 0 disapproved for the fiscal year ended June 30, 2023 at a meeting of the Board of Trustees of such school district on the 23rd day of October, 2023.

Mark A. Wilson
Signature of Board Secretary

Clint Piper
Signature of Board President

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

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Financial Section

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Independent Auditor's Report

To the Board of Trustees of
Barbers Hill Independent School District
Mont Belvieu, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Barbers Hill Independent School District (the District), as of and for the year ended June 30, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 and the Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information 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* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Supplementary Information and 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 Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Required Responses to Selected School FIRST Indicators but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 October 13, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 13, 2023

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Management's Discussion and Analysis

As management of the Barbers Hill Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation/amortization, net taxes receivable, claims payable of the District's self-insured workers' compensation program, and net pension and other post-employment benefit (OPEB) liabilities.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$78,149,724 (net position).
- The District's total net position increased by \$17,448,927.
- At the end of the year, unassigned fund balance in the general fund was \$23,880,924 while total fund balance in the general fund was \$37,212,322, a decrease of \$5,779,655.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information, supplementary information, and other information in addition to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Contracted Instructional Services between Schools, and Other Intergovernmental Charges*.

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained twenty-four individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund, debt service fund and national school breakfast and lunch program special revenue fund a to demonstrate compliance with its budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. 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 accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information, supplementary information and other information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$78,149,724.

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 228,520,164	35	\$ 127,934,323	24	\$ 100,585,841	79
Capital assets, net of accumulated depreciation/amortization	416,862,801	65	404,477,469	76	12,385,332	3
Total assets	645,382,965	100	532,411,792	100	112,971,173	
Total deferred outflows of resources	24,896,302	100	19,907,657	100	4,988,645	25
Other liabilities	38,238,877	7	31,156,778	7	7,082,099	23
Long-term liabilities outstanding	527,635,323	93	429,471,217	93	98,164,106	23
Total liabilities	565,874,200	100	460,627,995	100	105,246,205	
Total deferred inflows of resources	26,255,343	100	31,002,273	100	(4,746,930)	(15)
Net position:						
Net investment in capital assets	61,633,460	78	45,040,220	74	16,593,240	37
Restricted	23,918,233	31	17,132,547	28	6,785,686	40
Unrestricted	(7,401,969)	(9)	(1,483,586)	(2)	(5,918,383)	399
Total net position	\$ 78,149,724	100	\$ 60,689,181	100	\$ 17,460,543	

The largest portion of the District's net position is net investment in capital assets. Investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment, right-to-use subscriptions and construction in progress), less any related debt used to acquire those assets is \$61,633,460, an increase of \$16.6 million from June 30, 2022. The District utilizes capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position that is restricted for debt service and grants totals \$23,918,233 or 31 percent of net position.

Unrestricted net position which is a deficit (\$7,401,969) due to net pension and OPEB liabilities. However, the District was still able to report a positive total net position.

Governmental Activities. Governmental activities increased the District's net position by \$17,488,927 from current operations. The elements giving rise to this change may be determined from the table below.

Barbers Hill Independent School District's Changes in Net Position

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue						
Program revenues:						
Charges for services	\$ 5,560,107	3	\$ 4,128,164	3	\$ 1,431,943	35
Operating grants and contributions	7,397,797	4	6,142,353	4	1,255,444	20
Capital grants and contributions	-	-	1,653,965	1	(1,653,965)	(100)
General revenues:						
Property taxes, levied for general purpose	78,862,103	44	58,231,038	37	20,631,065	35
Property taxes, levied for debt service	46,440,288	26	37,711,953	25	8,728,335	23
Grants and contributions not restricted to specific programs	31,356,158	17	38,813,882	26	(7,457,724)	(19)
Investment earnings (losses)	5,824,744	3	(549,657)	-	6,374,401	(1,160)
County available	486,244	-	24,588	-	461,656	1,878
County equalization	3,730,564	2	3,791,698	3	(61,134)	(2)
Miscellaneous	1,158,439	1	1,264,412	1	(105,973)	(8)
Total revenues	180,816,444	100	151,212,396	100	29,604,048	
Expenses						
Instruction	66,071,600	39	56,339,720	43	9,731,880	17
Instructional resources and media services	906,662	1	726,256	1	180,406	25
Curriculum and instructional staff development	2,302,145	1	1,705,722	1	596,423	35
Instructional leadership	546,941	-	607,414	-	(60,473)	(10)
School leadership	4,778,500	3	4,217,845	3	560,655	13
Guidance, counseling, and evaluation services	4,165,196	3	3,367,665	3	797,531	24
Social work services	551,737	-	583,158	-	(31,421)	(5)
Health services	1,165,496	1	1,128,797	1	36,699	3
Student transportation	4,267,674	3	3,598,343	3	669,331	19
Food services	4,258,259	3	3,805,122	3	453,137	12
Extracurricular activities	4,831,856	3	3,730,035	3	1,101,821	30
General administration	4,141,327	3	3,551,492	3	589,835	17
Plant maintenance and operations	11,938,929	7	9,795,430	8	2,143,499	22
Security and monitoring services	1,836,490	1	1,098,118	1	738,372	67
Data processing services	1,803,111	1	1,681,620	1	121,491	7
Community services	10,173,206	6	13,718,166	11	(3,544,960)	(26)
Interest on long-term debt	16,078,110	10	11,258,360	9	4,819,750	43
Issuance costs and fees	975,075	1	8,700	-	966,375	11,108
Facilities repair and maintenance	47,619	-	1,530,109	1	(1,482,490)	(97)
Contracted instructional services between schools	21,584,132	13	7,093,644	5	14,490,488	204
Other intergovernmental charges	943,452	1	640,482	-	302,970	47
Total expenses	163,367,517	100	130,186,198	100	33,181,319	
Change in net position	17,448,927		21,026,198		(3,577,271)	
Net position - beginning	60,689,181		39,662,983		21,026,198	
Cummulative effect of adoption of GASB 96	11,616		-		11,616	
Net position - beginning, as restated	60,700,797		39,662,983		21,037,814	
Net position - ending	\$ 78,149,724		\$ 60,689,181		\$ 17,460,543	

The current period increase in net position primarily resulted from total revenues of \$180,816,444 exceeding total expenses of \$163,367,517. The most significant increase in revenues of \$29,359,400 was property taxes. The most significant increase in expenses of \$14,490,488 in contracted instructional services between schools is due to an increase in recapture payments to the State.

Revenues, aggregating \$180,816,444, were generated primarily from two sources. Property taxes totaling \$125,302,391 represent 70 percent of total revenues; while grants and contributions, including those not restricted for program-specific use as well as for general operations, totaling \$38,753,955, represent 21 percent of total revenues. The remaining revenue is generated from investment earnings, charges for services, county available, county equalization and miscellaneous revenues.

The primary functional expenses of the District are instruction \$66,071,600, which represents 39 percent of total expenses, contracted instructional services between schools \$21,584,132 which represents 13 percent of total expenses, interest on long-term debt \$16,078,110 which represents 10 percent of total expenses, plant maintenance and operations \$11,938,929 which represents 7 percent of total expenses and community services \$10,173,206 which represents 6 percent of total expenses. The remaining functional expense categories are 5 percent or less of total expenses.

Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$195,902,357, an increase of \$95,343,013 from the preceding year. Comments as to each major individual fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$23,880,924, while total fund balance was \$37,212,322. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 29 percent of that same total. The fund balance of the general fund decreased \$5,779,655 during the year due to the district receiving less State Foundation revenue than budgeted and Chapter 313 payments.

The debt service fund ended the year with a total fund balance of \$28,542,491, all of which is reserved for the payment of principal and interest on debt. The debt service fund balance increased by \$7,969,151 during the year primarily due to increases in property tax revenues which exceeded the increase in scheduled debt payments.

The capital projects fund ended the year with a total fund balance of \$128,095,275, all of which is reserved for capital acquisition program and contractual obligations. The capital projects fund balance increased by \$92,899,217 primarily due to the issuance of capital-related bonds.

Governmental funds financial statements may be found by referring to the table of contents.

General Fund Budgetary Highlights

The significant differences between the original adopted budget and the final amended budget of the general fund were primarily from an increase in projected property tax revenues resulting from revised estimates of the certified taxable values, an increase in community services expenditures for payments to the foundation and an increase in contracted instructional services between schools for recapture payments to the State.

The significant difference between budget and actual was primarily from a decrease in actual revenues for State program revenue and local and intermediate revenues.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2023 was \$416,862,801 (net of accumulated depreciation/amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, right-to-use subscriptions, and construction in progress. The increase in total capital assets, net of accumulated depreciation/amortization, for the current fiscal year was \$12,209,186.

Major capital asset activity during the year included the following:

- \$4.5 million on transportation center
- \$2.1 million on high school addition
- \$4.5 million on intermediate school north campus
- \$5.3 million on intermediate school south campus

Barbers Hill Independent School District's Capital Assets (net of depreciation/amortization)

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 6,160,156	1	\$ 5,971,230	1	\$ 188,926	3
Buildings and improvements	396,806,906	96	250,625,977	63	146,180,929	58
Furniture and equipment	6,155,962	1	5,484,722	1	671,240	12
Right-to-use subscriptions*	336,018	-	176,146	-	159,872	91
Construction in progress	7,403,759	2	142,395,540	35	(134,991,781)	(95)
Totals	\$ 416,862,801	100	\$ 404,653,615	100	\$ 12,209,186	

* Right-to-use subscriptions have been adjusted to reflect a beginning balance upon adoption of GASB 96, *Subscription-Based Information Technology Arrangements*.

Additional information on the District's capital assets can be found in Note 3.D. of the notes to the financial statements as noted in the table of contents of this report.

Construction Commitments. At the end of the current fiscal year, the District's commitments with construction contractors, including purchase orders, totaled \$4,379,644.

Noncurrent Liabilities. At year-end, the District had the following long-term liabilities:

Barbers Hill Independent School District's Long-term Liabilities Outstanding

	Governmental Activities					
	2023		2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 482,962,934	91	\$ 394,284,579	92	\$ 88,678,355	22
Subscription liabilities*	237,513	-	164,530	-	72,983	44
Workers' compensation	258,490	-	387,175	-	(128,685)	(33)
Net pension liability	29,429,093	6	12,260,006	3	17,169,087	140
Net OPEB liability	14,747,293	3	22,539,457	5	(7,792,164)	(35)
Totals	\$ 527,635,323	100	\$ 429,635,747	100	\$ 97,999,576	

* Subscription liabilities have been adjusted to reflect a beginning balance upon adoption of GASB 96, *Subscription-Based Information Technology Arrangements*.

The District's total long-term liabilities increased by \$97,999,576 (23 percent) during the current fiscal year, which resulted primarily from issuance of capital-related general obligation bonds.

The District's general obligation debt is backed by the full faith and credit of the District and when eligible, is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program. State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in Note 3.E. in the notes to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 4.C. to the financial statements as indicated in the table of contents of this report.

Additional information on the District's OPEB liability can be found in Note 4.D. to the financial statements as indicated in the table of contents of this report.

Discretely Presented Component Unit

The Barbers Hill ISD Education Foundation (the Foundation) is legally separate from the District and is reported as a discretely presented component unit. The Foundation is governed by at least 3 but not to exceed 15 members who are elected by the Foundation's directors. The District maintains the Foundation's accounting records. Due to the significant benefits provided by the Foundation to the District, the component unit is reported as a discretely presented component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements.

Economic Factors and Next Year's Budgets and Rates

- Student enrollment is 7,317 compared to 6,835 in the prior year.
- District staff totals 1,177 employees in 2022-23, which includes 551 teachers and 206 teacher aids and secretaries.
- Certified property values of the District are expected to increase by 2% for maintenance and operations and increase by 6% for interest and sinking for the 2023-24 year.
- A maintenance and operations tax rate of \$0.8326 and a debt service tax rate of \$0.2698, a total rate of \$1.1024, was adopted for 2023-24, which is a decrease from fiscal year 2023.
- Unemployment rates for the State and County were 4.1% and 5.8%, respectively.

All of these factors and others were considered in preparing the District's budget for the 2023-24 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$23,880,924. The District plans to utilize unassigned fund balance to fund current period expenditures prior to collecting the current year tax levy.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Finance, Barbers Hill Independent School District, P.O. Box 1108, Mont Belvieu, Texas 77580.

Basic Financial Statements

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Barbers Hill Independent School District
Statement of Net Position
June 30, 2023

Exhibit A-1

		1	
Data Control Codes		Primary Government	Component Unit
		Governmental Activities	Barbers Hill ISD Education Foundation
ASSETS			
1110	Cash and cash equivalents	\$ 18,000,070	\$ 26,889,580
1120	Investments	199,161,392	93,798,724
1220	Property taxes receivable	1,422,032	-
1230	Allowance for uncollectable taxes	(85,382)	-
1240	Due from other governments	3,652,356	-
1241	Due from component unit	448,647	-
1250	Accrued interest	218,981	96,932
1290	Other receivables	103,968	4,533
1300	Inventories	264,287	-
1410	Prepaid items	1,067,111	-
1810	Restricted cash and cash equivalents	649,475	-
1890	Restricted investments	3,617,227	-
1990	Equity investment	-	5,000,000
	Capital assets:		
1510	Land and improvements	6,160,156	10,898,754
1520	Buildings and improvements (net)	396,806,906	-
1530	Furniture and equipment (net)	6,155,962	23,334
1550	Right-to-use subscriptions (net)	336,018	-
1580	Construction in progress	7,403,759	-
1000	Total assets	645,382,965	136,711,857
DEFERRED OUTFLOWS OF RESOURCES			
1705	Deferred outflows - pension	14,054,747	-
1706	Deferred outflow - OPEB	9,747,560	-
1710	Deferred charge on refunding	1,093,995	-
1700	Total deferred outflows of resources	24,896,302	-
LIABILITIES			
2110	Accounts payable	1,008,256	9,346
2140	Interest payable	6,957,720	-
2150	Payroll deductions and withholdings	283,071	-
2160	Accrued wages payable	7,183,346	-
2180	Due to other governments	21,546,357	-
2181	Due to primary government	-	448,647
2190	Due to student groups	4,500	-
2200	Accrued liabilities	1,137,849	-
2300	Unearned revenue	117,778	-
	Noncurrent liabilities:		
2501	Due within one year (Note 3.E)	23,082,208	-
	Due in more than one year (Note 3.E)		
2502	Bonds payable, subscriptions and workers' compensation	460,376,729	-
2540	Net pension liabilities	29,429,093	-
2545	Net OPEB liability	14,747,293	-
2000	Total liabilities	565,874,200	457,993
DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows - pension	2,505,818	-
2606	Deferred inflows - OPEB	22,531,361	-
2610	Deferred gain on refunding	1,218,164	-
2600	Total deferred inflows of resources	26,255,343	-
NET POSITION			
3200	Net investment in capital assets	61,633,460	10,922,088
3820	Restricted for grants	2,027,269	-
3850	Restricted for debt service	21,890,964	-
3900	Unrestricted	(7,401,969)	125,331,776
3000	TOTAL NET POSITION	\$ 78,149,724	\$ 136,253,864

The Notes to the Financial Statements are an integral part of this statement.

Barbers Hill Independent School District

Statement of Activities

For the Fiscal Year Ended June 30, 2023

Data Control Codes	Functions/Programs	1	3	4
		Expenses	Program Revenues	
			Charges for Services	Operating Grants and Contributions
	PRIMARY GOVERNMENT			
	Governmental activities:			
0011	Instruction	\$ 66,071,600	\$ 994,233	\$ 4,381,911
0012	Instructional resources and media services	906,662	62,457	20,052
0013	Curriculum and instructional staff development	2,302,145	-	301,047
0021	Instructional leadership	546,941	-	11,296
0023	School leadership	4,778,500	-	107,341
0031	Guidance, counseling, & evaluation services	4,165,196	-	415,244
0032	Social work services	551,737	4,748	11,027
0033	Health services	1,165,496	-	27,667
0034	Student transportation	4,267,674	-	53,750
0035	Food services	4,258,259	3,325,979	1,135,657
0036	Extracurricular activities	4,831,856	1,144,582	59,725
0041	General administration	4,141,327	-	59,728
0051	Plant maintenance and operations	11,938,929	-	120,935
0052	Security and monitoring services	1,836,490	8,774	366,676
0053	Data processing services	1,803,111	19,334	25,487
0061	Community services	10,173,206	-	5,994
0072	Interest on long-term debt	16,078,110	-	287,348
0073	Issuance costs and fees	975,075	-	-
0081	Facilities repair and maintenance	47,619	-	6,912
0091	Contracted instructional services between schools	21,584,132	-	-
0099	Other intergovernmental charges	943,452	-	-
TG	Total governmental activities	163,367,517	5,560,107	7,397,797
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 163,367,517</u>	<u>\$ 5,560,107</u>	<u>\$ 7,397,797</u>
	COMPONENT UNIT			
1C	Barbers Hill ISD Education Foundation	<u>\$ 1,388,270</u>	<u>\$ -</u>	<u>\$ -</u>
	General revenues:			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
CA	County available			
CE	County equalization			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position - beginning			
PA	Cummulative effect of adoption of GASB 96			
	Net position - beginning, as restated			
NE	NET POSITION - ENDING			

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position	Component Unit
Governmental Activities	Barbers Hill ISD Education Foundation
\$ (60,695,456)	\$ (833)
(824,153)	-
(2,001,098)	-
(535,645)	-
(4,671,159)	-
(3,749,952)	-
(535,962)	-
(1,137,829)	-
(4,213,924)	-
203,377	-
(3,627,549)	-
(4,081,599)	(649,420)
(11,817,994)	-
(1,461,040)	-
(1,758,290)	-
(10,167,212)	(738,017)
(15,790,762)	-
(975,075)	-
(40,707)	-
(21,584,132)	-
(943,452)	-
(150,409,613)	(1,388,270)
(150,409,613)	-
-	(1,388,270)
78,862,103	-
46,440,288	-
31,356,158	10,293,310
5,824,744	13,413,598
486,244	-
3,730,564	-
1,158,439	-
167,858,540	23,706,908
17,448,927	22,318,638
60,689,181	113,935,226
11,616	-
60,700,797	113,935,226
<u>\$ 78,149,724</u>	<u>\$ 136,253,864</u>

Barbers Hill Independent School District

Balance Sheet

Governmental Funds

June 30, 2023

Data Control Codes		199	599
		General Fund	Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 8,072,660	\$ 162,707
1120	Investments	52,755,391	24,078,750
1220	Property taxes receivable	1,096,295	325,737
1230	Allowance for uncollectable taxes	(65,838)	(19,544)
1240	Due from other governments	2,930,938	-
1241	Due from component unit	-	-
1250	Accrued interest	108,872	76,910
1260	Due from other funds	1,011,041	-
1290	Other receivables	90,989	-
1300	Inventories	264,287	-
1410	Prepaid items	1,067,111	-
1810	Restricted cash and cash equivalents	-	649,475
1890	Restricted investments	-	3,617,227
1000	Total assets	67,331,746	28,891,262
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 67,331,746	\$ 28,891,262
LIABILITIES			
2110	Accounts payable	\$ 356,561	\$ -
2150	Payroll deductions and withholdings	272,620	-
2160	Accrued wages payable	6,870,393	-
2170	Due to other funds	31,265	-
2180	Due to other governments	21,506,164	40,193
2190	Due to student groups	4,500	-
2200	Accrued liabilities	45,513	2,385
2300	Unearned revenue	1,951	-
2000	Total liabilities	29,088,967	42,578
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	1,030,457	306,193
	Total deferred inflows of resources	1,030,457	306,193
FUND BALANCES			
3410	Nonspendable - inventories	264,287	-
3430	Nonspendable - prepaid items	1,067,111	-
3450	Restricted - grants	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	28,542,491
3520	Committed - claims and judgements	4,000,000	-
3545	Committed - other	8,000,000	-
3600	Unassigned	23,880,924	-
3000	Total fund balances	37,212,322	28,542,491
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 67,331,746	\$ 28,891,262

The Notes to the Financial Statements are an integral part of this statement.

699		98
Capital	Total	Total
Projects Fund	Nonmajor	Governmental
	Funds	Funds
\$ 6,768,624	\$ 2,996,079	\$ 18,000,070
122,327,251	-	199,161,392
-	-	1,422,032
-	-	(85,382)
-	721,418	3,652,356
-	448,647	448,647
33,199	-	218,981
552,854	42,548	1,606,443
-	12,979	103,968
-	-	264,287
-	-	1,067,111
-	-	649,475
-	-	3,617,227
129,681,928	4,221,671	230,126,607
<u>\$ 129,681,928</u>	<u>\$ 4,221,671</u>	<u>\$ 230,126,607</u>
\$ 496,500	\$ 155,195	\$ 1,008,256
2	10,449	283,071
200	312,753	7,183,346
-	1,575,178	1,606,443
-	-	21,546,357
-	-	4,500
1,089,951	-	1,137,849
-	115,827	117,778
1,586,653	2,169,402	32,887,600
-	-	1,336,650
-	-	1,336,650
-	-	264,287
-	-	1,067,111
-	2,027,269	2,027,269
128,095,275	-	128,095,275
-	-	28,542,491
-	-	4,000,000
-	25,000	8,025,000
-	-	23,880,924
128,095,275	2,052,269	195,902,357
<u>\$ 129,681,928</u>	<u>\$ 4,221,671</u>	<u>\$ 230,126,607</u>

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Barbers Hill Independent School District**Exhibit C-1R**

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 195,902,357

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 526,254,858	
Accumulated depreciation/amortization of governmental capital assets	(109,392,057)	416,862,801

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.	1,336,650
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Long-term liabilities and the respective accrued interest payable, including bonds payable, subscription liabilities, workers compensation, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Liabilities at year-end related to such items consist of:

Bonds payable, at original par	\$ (434,325,000)	
Premium on bonds payable	(48,655,546)	
Discount on bonds payable	17,612	
Accrued interest on the bonds	(6,957,720)	
Subscription liabilities	(237,513)	
Workers' compensation	(258,490)	
Net pension liability	(29,429,093)	
Net OPEB liability	(14,747,293)	(534,593,043)

Deferred charge on refunding is reported as a deferred outflow of resources in the statement of net position and it is not reported in the governmental funds as it is not a current financial resource available to pay for current expenditures.	1,093,995
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Deferred gain on refunding is reported as a deferred inflow of resources in the statement of net position and it is not reported in the governmental funds as it is not a current financial resource available to recognize as revenue.	(1,218,164)
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Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.	14,054,747
--	------------

Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	(2,505,818)
--	-------------

Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.	9,747,560
---	-----------

Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	(22,531,361)
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 78,149,724

The Notes to the Financial Statements are an integral part of this statement.

Barbers Hill Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

Data Control Codes		199	599
		General Fund	Debt Service Fund
REVENUES			
5700	Local and intermediate revenues	\$ 107,379,324	\$ 47,311,742
5800	State program revenues	18,002,797	287,348
5900	Federal program revenues	729,174	-
5020	Total revenues	126,111,295	47,599,090
EXPENDITURES:			
Current:			
0011	Instruction	57,991,060	-
0012	Instructional resources and media services	807,633	-
0013	Curriculum and instructional staff development	2,119,544	-
0021	Instructional leadership	571,412	-
0023	School leadership	4,976,853	-
0031	Guidance, counseling, and evaluation services	3,931,294	-
0032	Social work services	577,466	-
0033	Health services	1,198,583	-
0034	Student transportation	3,776,093	-
0035	Food services	430	-
0036	Extracurricular activities	3,061,677	-
0041	General administration	4,128,698	125
0051	Plant maintenance and operations	10,416,696	-
0052	Security and monitoring services	1,358,692	-
0053	Data processing services	1,835,913	-
0061	Community services	10,164,804	-
Debt service:			
0071	Principal on long-term debt	107,930	22,055,000
0072	Interest on long-term debt	494	17,566,064
0073	Issuance costs and fees	-	8,750
Capital outlay:			
0081	Facilities aquisition and construction	23,532	-
Intergovernmental:			
0091	Contracted instructional services between schools	21,584,132	-
0099	Other intergovernmental charges	943,452	-
6030	Total expenditures	129,576,388	39,629,939
1100	Excess (deficiency) of revenues over (under) expenditures	(3,465,093)	7,969,151
OTHER FINANCING SOURCES (USES)			
7911	Capital-related debt issued (general obligation bonds)	-	-
7913	Proceeds from leased subscription assets	180,913	-
7915	Transfers in	36,627	-
7916	Premium or (discount) on issuance of bonds	-	-
8911	Transfers out	(65,225)	-
8948	Tax refund pursuant to Texas Tax Code 313	(2,466,877)	-
7080	Total other financing sources (uses)	(2,314,562)	-
1200	Net change in fund balances	(5,779,655)	7,969,151
0100	Fund balances - beginning	42,991,977	20,573,340
3000	FUND BALANCES - ENDING	\$ 37,212,322	\$ 28,542,491

The Notes to the Financial Statements are an integral part of this statement.

699		98
Capital	Total	Total
Projects Fund	Nonmajor	Governmental
Funds	Funds	Funds
\$ 3,611,340	\$ 5,201,527	\$ 163,503,933
23,053	539,804	18,853,002
-	3,697,709	4,426,883
3,634,393	9,439,040	186,783,818
1,009,425	3,142,637	62,143,122
53,264	62,526	923,423
-	279,691	2,399,235
-	-	571,412
-	-	4,976,853
38,668	316,126	4,286,088
-	4,753	582,219
9,861	-	1,208,444
1,475,844	-	5,251,937
-	4,325,087	4,325,517
422,763	757,528	4,241,968
2,282	-	4,131,105
1,130,895	18,152	11,565,743
215,032	319,602	1,893,326
96,992	19,355	1,952,260
-	4,508	10,169,312
-	-	22,162,930
-	-	17,566,558
966,325	-	975,075
18,743,523	-	18,767,055
-	-	21,584,132
-	-	943,452
24,164,874	9,249,965	202,621,166
(20,530,481)	189,075	(15,837,348)
104,605,000	-	104,605,000
-	-	180,913
-	65,225	101,852
8,861,325	-	8,861,325
(36,627)	-	(101,852)
-	-	(2,466,877)
113,429,698	65,225	111,180,361
92,899,217	254,300	95,343,013
35,196,058	1,797,969	100,559,344
\$ 128,095,275	\$ 2,052,269	\$ 195,902,357

Barbers Hill Independent School District**Exhibit C-3**

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ 95,343,013

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation/amortization expense.

Capital assets <i>increased</i>	\$ 21,199,744	
Depreciation/amortization expense	<u>(8,980,757)</u>	12,218,987

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(9,801)
--	--	---------

Because some revenues will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred inflows increased (decreased) by this amount this year.

Unavailable revenues - property taxes		104,810
Unavailable revenues - county equalization		(475,000)

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par value	\$ (104,605,000)	
(Premium) discount	<u>(8,861,325)</u>	(113,466,325)

Financed subscriptions provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position.		(180,913)
--	--	-----------

Repayment of bond and subscription principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		22,162,930
---	--	------------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:

Accrued interest on current interest bonds payable (<i>increased</i>) <i>decreased</i>	\$ (1,469,081)	
Amortization of bond premium and discount	2,732,970	
Amortization of deferred charge and gain on refunding	<u>224,559</u>	1,488,448

The (increase) decrease in workers' compensation is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		128,685
--	--	---------

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 4,621,705	
Deferred inflows (increased) decreased	11,174,689	
Net pension liability (increased) decreased	<u>(17,169,087)</u>	(1,372,693)

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 568,631	
Deferred inflows (increased) decreased	(6,854,009)	
Net OPEB liability (increased) decreased	<u>7,792,164</u>	1,506,786

CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ 17,448,927

The Notes to the Financial Statements are an integral part of this statement.

Barbers Hill Independent School District**Exhibit E-1**

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2023

	Custodial Fund
	Student Activity
ASSETS	
Cash and cash equivalents	\$ 97,082
Investments	1,176
Other receivables	456
Total assets	98,714
LIABILITIES	
Other payables	348
Total liabilities	348
NET POSITION	
Restricted for:	
Student activities	98,366
TOTAL NET POSITION	\$ 98,366

The Notes to the Financial Statements are an integral part of this statement.

Barbers Hill Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2023

Exhibit E-2

	Custodial Fund Student Activity
ADDITIONS	
Fundraising and dues	\$ 93,132
Other	5,073
	<hr/>
Total additions	98,205
DEDUCTIONS	
Beneficiary payments	1,019
Operating expenses	86,396
	<hr/>
Total deductions	87,415
	<hr/>
Net change in fiduciary net position	10,790
Net position - beginning	87,576
	<hr/>
NET POSITION - ENDING	\$ 98,366
	<hr/>

The Notes to the Financial Statements are an integral part of this statement.

Barbers Hill Independent School District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Description of 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 (the District) and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

B. Reporting Entity

The Barbers Hill Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters. The District is not included in any other governmental reporting entity. The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the District.

Discretely Presented Component Unit. The Barbers Hill Independent School District Education Foundation (the Foundation) was created to provide grants to Barbers Hill Independent School District teachers for the purpose of enhancing education of the Barbers Hill Independent School District students. The Foundation is governed by at least 3 but not to exceed 15 members who are elected by the Foundation's directors. The District maintains the Foundation's accounting records. The District is reimbursed for the aforementioned functions. Due to the significant benefits provided by the Foundation to the District, the component unit is reported as a discretely presented component unit.

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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the District has one discretely presented component unit which is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Barbers Hill Independent School District

Notes to the Financial Statements

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities.

Additionally, the District reports the following fund types:

The *custodial fund* accounts for assets held by the District for student organizations. Custodial funds report fiduciary activities that are not held in a trust.

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 funds) are eliminated.

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 are eliminated in governmental activities.

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 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 property tax revenues to be available when collected and all other revenues within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to pension liability, OPEB, subscription liability, 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 leases are reported as other financing sources.

Barbers Hill Independent School District

Notes to the Financial Statements

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues in 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 120 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 120 days of year end). All other revenue items, including property taxes, 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 and bank demand or time deposits with original maturities of one year or less from the date of acquisition.

2. Investments

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized costs or fair value.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Food service commodities and food service supplies are recorded as expenditures when received or purchased at their estimated market value or costs, respectively.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, furniture and equipment, and right-to-use subscriptions are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Barbers Hill Independent School District

Notes to the Financial Statements

Land and improvements and construction in progress are not depreciated. The buildings and improvements, furniture and equipment, and right-to-use subscriptions of the District are depreciated/amortized using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	5-50
Furniture and equipment	3-50
Subscriptions	1.5-5

5. Restricted Assets

The debt service fund has restricted certain cash, cash equivalents and investments for Qualified School Construction Bonds debt service. Because of certain bond covenants, the debt service fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

6. Subscription-Based Information Technology Arrangements (SBITAs)

The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$10,000 or more.

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

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

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the District is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

7. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Barbers Hill Independent School District

Notes to the Financial Statements

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

8. Pension

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

9. Other Postemployment Benefits (OPEB)

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

10. 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 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.

11. 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.

Barbers Hill Independent School District

Notes to the Financial Statements

12. Fund Balance Policies

Fund balance of governmental funds is 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).

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 board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until performance of commitment or a similar action is taken (the board action or adoption of another resolution) 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 Board has, by policy, authorized the superintendent or his designee to assign fund balance. The 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 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.

In the general fund, the District shall maintain at a minimum unassigned fund balance equal to or greater than 20% of the combined budgeted expenditures of the District's general fund.

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 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

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to July 1 of each year, the District adopts its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

H. Use of Estimates

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

Barbers Hill Independent School District

Notes to the Financial Statements

I. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

J. Implementation of New Accounting Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for SBITAs for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 was implemented in the District's 2023 financial statements, resulting in recognition of \$176,146 in subscription assets and \$164,530 in subscription liabilities as of July 1, 2022, a cumulative effect adjustment of \$11,616 to net position as of July 1, 2022 in the government-wide financial statements.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, National School Breakfast/Lunch Program special revenue fund, and Debt Service Fund. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District made two supplemental budgetary amendments during the year.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Barbers Hill Independent School District

Notes to the Financial Statements

Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in: <u>Restricted Fund Balance</u>
Capital projects fund	<u>\$ 4,379,644</u>
Total encumbrances	<u><u>\$ 4,379,644</u></u>

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments - District

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

The District is authorized to invest in the following instruments provided that they meet the guidelines of the investment policy:

- 1. Obligations of, or guaranteed by governmental entities as permitted by Government Code 2256.009
- 2. Certificates of deposit and share certificates as permitted by Government Code 2256.010
- 3. Fully collateralized repurchase agreements permitted by Government Code 2256.011
- 4. A securities lending program as permitted by Government Code 2256.0115
- 5. Banker's acceptances as permitted by Government Code 2256.012
- 6. Commercial paper as permitted by Government Code 2256.013
- 7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
- 8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meet the criteria and eligibility requirements established by Government Code 2256.015
- 9. Public funds investment pools as permitted by Government Code 2256.016.

Barbers Hill Independent School District

Notes to the Financial Statements

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 which establishes a three-level fair value hierarchy that describes the inputs that are 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 included 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 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.

The District's governmental and fiduciary funds investment balances, recurring fair value measurements weighted average maturity of such investments, and investment ratings are presented in the following tables:

Governmental Funds' Investment Type	S&P Rating	June 30, 2023	Fair Value Measurements Using		Percentage of Total Investments	Weighted Average Maturity (Days)
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Investments measured at amortized cost, not subject to level reporting						
Investment pools:						
TexPool	AAAm	\$ 19,955,029	\$ -	\$ -	10%	26
Lone Star - Corporate Overnight	AAAm	4,758	-	-	0%	26
TexStar	AAAm	2,850	-	-	0%	22
Investments measured at fair value, subject to level reporting:						
U.S. treasury bills	Not Rated	49,898,243	49,898,243	-	25%	131
U.S. treasury notes	Not Rated	116,384,890	116,384,890	-	57%	158
U.S. government agency securities	AA+	5,704,470	-	5,704,470	3%	404
Municipal government securities	AAA-BBB+	10,207,818	-	10,207,818	5%	706
Corporate government securities	AAA	620,561		620,561	0%	1,097
Total value		\$ 202,778,619	\$ 166,283,133	\$ 16,532,849	100%	
Portfolio weighted average maturity						176

Fiduciary Funds' Investment Type	S&P Rating	June 30, 2023	Fair Value Measurements Using		Percentage of Total Investments	Weighted Average Maturity (Days)
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Investments measured at amortized cost, not subject to level reporting						
Investment pools:						
Lone Star - Corporate Overnight	AAAm	\$ 1,176	\$ -	\$ -	100%	26
Total value		\$ 1,176	\$ -	\$ -	100%	
Portfolio weighted average maturity						26

Investment pools are measured at amortized cost. Such investments are not required to be reported in the fair value hierarchy.

Barbers Hill Independent School District

Notes to the Financial Statements

U.S. Treasury Bills and U.S. Treasury Notes are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities. U.S. Government Agency Securities, Municipal Government Securities, and Corporate Government Securities are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Hermes, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

Lone Star is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, a subsidiary of the Texas Association of School Boards, and managed by Mellon Investments Corporation and American Beacon Advisors. State Street Bank and Trust Company is the custodial bank.

The TexPool and Lone Star investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

TexSTAR is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM, who provides custody and investment management.

The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants' needs, and yield. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of \$1.00 per share. TexSTAR may invest in securities including: obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; other obligations which are unconditionally guaranteed or insured by the U.S.; fully collateralized repurchase agreements with a defined termination date and unconditionally guaranteed or insured by the U.S. or its agencies and instrumentalities; and SEC-registered no-load money-market fund which meet the requirements of the Public Funds Investment Act. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by the Public Funds Investment Act for local government investment pools is AAA or AAAm. During the year ended June 30, 2023, the District was not significantly exposed to credit risk, and its investment pool met the minimum required rating as noted in the preceding table.

Barbers Hill Independent School District

Notes to the Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. Investments with maturities longer than one year shall be authorized by the Superintendent and shall not exceed legal limits prescribed by the state and federal laws.

Concentration of Credit Risk

The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. On June 30, 2023, the District's banks' balances, including fiduciary funds, were not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are held by the District's agent in the District's name for the benefit of the District.

Investments - Foundation

As of June 30, 2023, the Barbers Hill Independent School District Education Foundation had investments as follows:

Barbers Hill ISD Education Foundation		S&P Rating	June 30, 2023	Fair Value Measurements Using		Percentage of Total Investments	Weighted Average Maturity (Days)
				Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Investments measured at fair value (NAV), not subject to level reporting:							
Alternative investments			\$ 4,056,359	\$ -	\$ -	4%	
Investments measured at fair value, subject to level reporting:							
U.S. treasury notes		Not Rated	7,553,232	7,553,232	-	8%	212
Fixed income funds - corporate bonds		BBB- to AAA	7,128,918	-	7,128,918	8%	606
Equity securities - stocks		Not Rated	50,709,590	50,709,590	-	54%	N/A
Equity funds- mutual funds		Not Rated	24,350,625	24,350,625	-	26%	N/A
Total value			\$ 93,798,724	\$ 82,613,447	\$ 7,128,918	100%	
Portfolio weighted average maturity							46

The Foundation follows the investment policy approved by the Foundation's Board of Trustees.

Barbers Hill Independent School District

Notes to the Financial Statements

The Foundation's alternative investments represent an investment in units of Partners Group Private Equity (Master Fund), LLC (the Fund), which is a registered non-diversified, closed-end management investment company. The fund is managed by Partners Group Inc. (the Advisor), an investment advisor, and governed by a board of managers that provides oversight responsibility for the management and supervision of the business operations of the Fund. The Fund's investment objective is to seek long-term capital appreciation by investing in a wholly owned diversified portfolio of private equity and debt investments including infrastructure. The Fund offers two classes of units and each class represents a pro rata interest in the Fund. Realized and unrealized gains and losses and net investment income and losses, other than class-specific expenses, are allocated daily to each class of units based on the relative net assets of each class to the total net assets of the Fund. Units of the Fund are offered for purchase as of the first day of each calendar month and units can be redeemed each January 1st, April 1st, July 1st, and October 1st. The Foundation has no unfunded commitments to the Fund. The Fund's accounting and reporting policies conform with U.S. generally accepted accounting principles.

The Advisor has valued the investment in alternative investments at \$4,056,359 using the underlying fund net asset value as a practical expedient to measure fair value as of June 30, 2023. These investments are exempt from categorization within the fair value hierarchy.

Fixed income funds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

U.S. treasury, equity securities – stocks and equity funds – mutual funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Restricted Cash, Cash Equivalents and Investments

The debt service fund reports restricted cash, cash equivalents and investments for the following purpose:

<u>Restricted Purpose</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Qualified School Construction Bonds	\$ 649,475	\$ 3,617,227
Totals	\$ 649,475	\$ 3,617,227

B. Receivables

Tax revenues of the general and debt service funds are reported net of estimated uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	\$ (4,209)
Change in uncollectibles related to debt service property taxes	<u>(2,545)</u>
Total change in uncollectibles of the current fiscal year	<u>\$ (6,754)</u>

Approximately 51% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

A concentration of risk exists for local revenue sources since approximately 52% of the District's taxable property value is attributed to two taxpayers. Similarly, the District's ten largest taxpayers approximate 75% of the total taxable value of the District.

Barbers Hill Independent School District

Notes to the Financial Statements

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund receivable/payable balances as of June 30, 2023, is as follows:

Due From/To Other Funds	Interfund Receivables	Interfund Payables
General fund	\$ 1,011,041	\$ 31,265
Capital projects fund	552,854	-
Nonmajor governmental funds	42,548	1,575,178
Totals	\$ 1,606,443	\$ 1,606,443

As of June 30, 2023, a balance of \$552,854 was due from nonmajor funds to the capital projects fund for capital expenditures paid by the capital projects fund. The remainder of the balances consist of short-term lending/borrowing arrangements that generally result from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund.

2. Transfers

The composition of interfund transfers between the various funds at June 30, 2023, is as follows:

Transfer Out	Transfers In	Amount
Capital projects fund	General fund	\$ 36,627
General fund	Nonmajor governmental funds	65,225
Total		\$ 101,852

The transfers were made to supplement construction projects and for tuition for Pre-K student meals at year end.

D. Equity Investment

In April 2023, the Foundation, Americus Brickyard GP, LLC and Americus Brickyard Investors, LLC formed a joint venture called Americus Brickyard Partners, LTD (JV). The purpose of the joint venture was to acquire, develop and construct, own, hold, operate, lease, manage, finance, and refinance, position and market for sale, lease, exchange or otherwise dispose of certain property. The Foundation has a 50% interest, Americus Brickyard GP, LLC has a 0.01% interest and Americus Brickyard Investors, LLC has a 49.99% interest. Profits and losses, are allocated proportionate to their equity interests. During the fiscal year ended June 30, 2023, the Foundation provided capital contributions of \$5,000,000. The Foundation equity interest in the joint venture totaled \$5,000,000 as of June 30, 2023 and is recorded as an asset in the statement of net position. The JV does not issue separately available financial statements.

Barbers Hill Independent School District

Notes to the Financial Statements

E. Capital Assets

Capital asset activity for the primary government for the fiscal year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Transfers & Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land and improvements	\$ 5,971,230	\$ 188,926	\$ -	\$ -	\$ 6,160,156
Construction in progress	142,395,540	7,170,556	-	(142,162,337)	7,403,759
Total capital assets, not being depreciated/amortized	148,366,770	7,359,482	-	(142,162,337)	13,563,915
Capital assets, being depreciated/amortized:					
Buildings and improvements	330,024,144	11,281,097	-	142,162,337	483,467,578
Furniture and equipment	26,571,792	2,264,526	(83,738)	-	28,752,580
Right-to-use subscriptions*	176,146	294,639	-	-	470,785
Total capital assets, being depreciated/amortized	356,772,082	13,840,262	(83,738)	142,162,337	512,690,943
Less accumulated depreciation/amortization for:					
Buildings and improvements	(79,398,167)	(7,262,505)	-	-	(86,660,672)
Furniture and equipment	(21,087,070)	(1,583,485)	73,937	-	(22,596,618)
Right-to-use subscriptions	-	(134,767)	-	-	(134,767)
Total accumulated depreciation/amortization	(100,485,237)	(8,980,757)	73,937	-	(109,392,057)
Total capital assets, being depreciated/amortized, net	256,286,845	4,859,505	(9,801)	142,162,337	403,298,886
Governmental activities capital assets, net	\$ 404,653,615	\$ 12,218,987	\$ (9,801)	\$ -	\$ 416,862,801

* Right-to-use subscriptions have been adjusted to reflect a beginning balance upon adoption of GASB 96.

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

Governmental activities:	
11 Instruction	\$ 6,038,671
12 Instructional resources and media services	7,089
13 Curriculum and instructional staff development	723
33 Health services	1,499
34 Student transportation	624,857
35 Food services	7,824
36 Extracurricular activities	787,796
41 General administration	115,838
51 Plant maintenance and operations	1,176,525
52 Security and monitoring services	153,298
53 Data processing services	60,139
61 Community services	6,498
Total depreciation/amortization expense-governmental activities	\$ 8,980,757

Barbers Hill Independent School District

Notes to the Financial Statements

Construction Commitments

The District has active construction projects as of June 30, 2023. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
Intermediate South North Campus	\$ 1,151,042
Intermediate School South Campus	1,232,918
Transportation Center	185,070
High School Addition	1,312,500
Track Resurface	176,347
Locker Room Renovations	321,767
Totals	\$ 4,379,644

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

Capital asset activity for the component unit for the fiscal year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Transfers & Adjustments	Ending Balance
Component unit activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 10,898,754	\$ -	\$ -	\$ -	\$ 10,898,754
Total capital assets, not being depreciated	10,898,754	-	-	-	10,898,754
Capital assets, being depreciated:					
Furniture and equipment	25,000	-	-	-	25,000
Total capital assets, being depreciated	25,000	-	-	-	25,000
Less accumulated depreciation for:					
Furniture and equipment	(833)	(833)	-	-	(1,666)
Total accumulated depreciation	(833)	(833)	-	-	(1,666)
Total capital assets, being depreciated, net	24,167	(833)	-	-	23,334
Component unit activities capital assets, net	\$ 10,922,921	\$ (833)	\$ -	\$ -	\$ 10,922,088

F. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, subscription liabilities, workers' compensation claims, and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The general fund has been used to liquidate any other long-term liability not accounted for in the debt service fund.

Barbers Hill Independent School District

Notes to the Financial Statements

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds, par	\$ 351,775,000	\$ 104,605,000	\$ (22,055,000)	\$ 434,325,000	\$ 22,705,000
Issuance premiums (CIB's)	42,530,263	8,861,325	(2,736,042)	48,655,546	-
Issuance discounts (CIB's)	(20,684)	-	3,072	(17,612)	-
Total bonds payable	394,284,579	113,466,325	(24,787,970)	482,962,934	22,705,000
Subscription liabilities*	164,530	180,913	(107,930)	237,513	118,718
Workers' compensation	387,175	47,816	(176,501)	258,490	258,490
Net pension liability	12,260,006	19,482,222	(2,313,135)	29,429,093	-
Net OPEB liability	22,539,457	1,821,217	(9,613,381)	14,747,293	-
Governmental activities long-term liabilities	\$ 429,635,747	\$ 134,998,493	\$ (36,998,917)	\$ 527,635,323	\$ 23,082,208

* Subscription liabilities have been adjusted to reflect a beginning balance upon adoption of GASB 96.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG and QSCB) and to refund general obligation bonds (REF).

General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2012 QSCB	3.880%	7,085,000	2029	\$ 7,085,000	\$ -	\$ -	\$ 7,085,000
2013 REF	2.0-3.0%	9,375,000	2029	7,370,000	-	(870,000)	6,500,000
2014 REF	2.0-5.0%	21,195,000	2030	11,355,000	-	(1,640,000)	9,715,000
2014A REF	2.0-5.0%	28,885,000	2027	13,775,000	-	(2,500,000)	11,275,000
2015 REF	2.0-4.0%	8,845,000	2032	8,740,000	-	-	8,740,000
2016	2.0-4.0%	13,860,000	2037	8,700,000	-	(390,000)	8,310,000
2017	2.0-5.0%	45,620,000	2042	43,680,000	-	(300,000)	43,380,000
2018	3.0-5.0%	50,665,000	2037	44,910,000	-	(2,390,000)	42,520,000
2018 REF	3.0-5.0%	26,075,000	2025	11,965,000	-	(4,250,000)	7,715,000
2019	5.000%	11,970,000	2028	11,095,000	-	(1,270,000)	9,825,000
2019 REF	4.00%	60,395,000	2028	44,015,000	-	(6,720,000)	37,295,000
2020	3.0-5.0%	139,515,000	2042	139,085,000	-	(1,725,000)	137,360,000
2022	4.0-5.0%	104,605,000	2042	-	104,605,000	-	104,605,000
Totals				\$ 351,775,000	\$ 104,605,000	\$ (22,055,000)	\$ 434,325,000

Barbers Hill Independent School District

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2024	\$ 22,705,000	\$ 18,417,498	\$ 41,122,498
2025	24,545,000	17,419,098	41,964,098
2026	23,085,000	16,356,173	39,441,173
2027	23,775,000	15,336,548	39,111,548
2028	24,830,000	14,326,198	39,156,198
2029	27,580,000	13,226,948	40,806,948
2030	21,295,000	11,988,850	33,283,850
2031	21,480,000	10,984,700	32,464,700
2032	21,625,000	10,027,700	31,652,700
2033	21,765,000	9,101,600	30,866,600
2034	21,900,000	8,166,800	30,066,800
2035	22,065,000	7,223,300	29,288,300
2036	22,245,000	6,269,750	28,514,750
2037	22,430,000	5,281,450	27,711,450
2038	22,525,000	4,328,100	26,853,100
2039	22,550,000	3,519,800	26,069,800
2040	22,560,000	2,704,800	25,264,800
2041	22,560,000	1,911,350	24,471,350
2042	22,805,000	1,008,950	23,813,950
Totals	\$ 434,325,000	\$ 177,599,613	\$ 611,924,613

As of June 30, 2023, the District has no authorized but unissued bonds from the May 2020 bond election or any other election.

Beginning February 2015, the 2012 Qualified School Construction Bond (QSCB) payments are deposited annually into an escrow account in the Debt Service Fund until maturity of the bonds on February 15, 2029. At which time, the accumulation of deposits will total \$7,085,000 and will pay off the outstanding QSCB debt.

In previous fiscal years, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2023, the District had no outstanding defeased bonds.

Subscription Based Information Technology Arrangements (SBITA)

The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make monthly or annual payments at its incremental borrowing rate.

Barbers Hill Independent School District

Notes to the Financial Statements

The SBITA rate, term and ending subscription liabilities are as follows:

Governmental activities	<u>Interest Rates</u>	<u>Liability at Commencement</u>	<u>SBITA Term in Years</u>	<u>Ending Balance</u>
Software subscriptions	2.02% - 2.56%	\$ 345,443	1.5 - 5	<u>\$ 237,513</u>
Total governmental activities				<u><u>\$ 237,513</u></u>

The future principal and interest SBITA payments as of fiscal year end are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 118,718	\$ 4,502	\$ 123,220
2025	38,392	2,762	41,154
2026	41,554	1,875	43,429
2027	38,849	915	39,764
Total governmental activities	<u>\$ 237,513</u>	<u>\$ 10,054</u>	<u>\$ 247,567</u>

The value of the right-to-use subscription assets as of the end of the current fiscal year was \$470,785 and had accumulated amortization of \$134,767.

G. Fund Balance

Other committed fund balance includes the following commitments of funds:

General fund:	
Potential property value decline	\$ 4,000,000
Future expansion	<u>4,000,000</u>
Total other committed fund balance	<u><u>\$ 8,000,000</u></u>

H. Revenues from Local and Intermediate Sources

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Totals</u>
Property taxes	\$ 78,797,170	\$ 46,400,411	\$ -	\$ -	\$ 125,197,581
Payments in lieu of taxes	17,715,139	-	-	-	17,715,139
Charges for services	1,148,506	-	-	4,411,601	5,560,107
County equalization	4,205,564	-	-	-	4,205,564
County available	486,244	-	-	-	486,244
Investment earnings(losses)	1,301,982	911,331	3,611,340	91	5,824,744
Other	3,724,719.00	-	-	789,835	4,514,554
Totals	<u>\$ 107,379,324</u>	<u>\$ 47,311,742</u>	<u>\$ 3,611,340</u>	<u>\$ 5,201,527</u>	<u>\$ 163,503,933</u>

Barbers Hill Independent School District

Notes to the Financial Statements

Note 4. Other Information

A. Risk Management

General

Like all public school districts, the District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2023, the District purchased commercial insurance or participated in risk pools in which the District transfers the risk for claims related to property and liability risks.

Health Care Coverage

During the year ended June 30, 2023, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$250 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

During the year ended June 30, 2023, the District met its statutory workers' compensation obligations 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 Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2022, the Fund carries a discounted reserve of \$50,647,775 for future development on reported claims and claims that have been incurred but not yet reported. For the fiscal year ended June 30, 2023, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The liability estimation requires the estimate of loss development over an extended period of time. During the self-insurance period of time, numerous internal and external factors will affect the ultimate settlement value of claims. Due to the inherent uncertainty with regard to the impact of these factors, there can be no guarantee that actual losses will not vary, perhaps significantly, from the estimates. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

Barbers Hill Independent School District

Notes to the Financial Statements

The following is a summary of the changes in the balances of claims liabilities for workers' compensation for the fiscal year ended June 30:

	Year Ended 6/30/2023	Year Ended 6/30/2022
Unpaid claims, beginning of fiscal year	\$ 387,175	\$ 143,948
Incurred claims (including IBNR's and changes in provisions)	47,816	506,613
Claim payments	(176,501)	(263,386)
Unpaid claims, end of fiscal year	\$ 258,490	\$ 387,175

The Fund engages the services of independent auditors 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 on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

B. Litigation and Contingencies

The District is a defendant in a legal claim arising principally in the normal course of operations. In the opinion of the District's management, the District does not expect a loss and such matter will not have a material effect on the District's financial position, results of operations or liquidity.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2023, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Barbers Hill Independent School District

Notes to the Financial Statements

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 where 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 previously noted in the Plan Description above.

Contributions

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

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

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2023	2022
Member	8.00%	8.00%
Non-employer contributing entity (State)	8.00%	7.75%
Employers (District)	8.00%	7.75%

The contribution amounts for the District's fiscal year 2023 are as follows:

District contributions	\$ 2,778,981
Member contributions	5,792,211
NECE on-behalf contributions (State)	3,935,488

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

Barbers Hill Independent School District

Notes to the Financial Statements

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during the fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source from non-educational and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

On June 30, 2023, the District reported a liability of \$29,429,093 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the collective net pension liability	\$ 29,429,093
State's proportionate share of the net pension liability associated with the District	<u>44,466,350</u>
Total	<u><u>\$ 73,895,443</u></u>

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

At the measurement date of August 31, 2022, the District's proportion of the collective net pension liability was 0.0495711% which was an increase of 0.0014293% from its proportion measured as of August 31, 2021.

For the fiscal year ended June 30, 2023, the District recognized pension expense of \$8,402,153 and revenue of \$4,250,479 for support provided by the State.

Barbers Hill Independent School District

Notes to the Financial Statements

On June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 426,719	\$ 641,610
Changes of assumptions	5,483,598	1,366,666
Difference between projected and actual earnings on pension plan investments	2,907,500	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	2,864,459	497,542
District contributions paid subsequent to the measurement date	2,372,471	-
Totals	\$ 14,054,747	\$ 2,505,818

\$2,372,471 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2024	\$ 2,561,803
2025	1,577,116
2026	637,464
2027	3,766,003
2028	634,072
Total	\$ 9,176,458

Barbers Hill Independent School District

Notes to the Financial Statements

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected rate of return	7.00%
Municipal bond rate as of August 2022	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"
Last year ending August 31 in projection period (100 years)	2121
Inflation	2.30%
Salary increases	2.95% to 8.95% including inflation
Ad hoc postemployment benefit changes	None
Active mortality rates	The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2021 and adopted in July 2022.

Discount Rate and Long-term Expected Rate of Return

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

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

Barbers Hill Independent School District

Notes to the Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation**	Long-term Expected Geometric Real Rate of Return***	Expected Contribution to Long-term Portfolio Returns
Global equity:			
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*	-	3.70%	-
Stable value hedge funds	5.00%	3.40%	0.18%
Real return:			
Real estate	15.00%	4.10%	0.94%
Energy, natural resources and infrastructure	6.00%	5.10%	0.37%
Commodities	-	3.60%	-
Risk parity:			
Risk parity	8.00%	4.60%	0.43%
Asset allocation leverage:			
Cash	2.00%	3.00%	0.01%
Asset allocation leverage cash	-6.00%	3.60%	-0.05%
Inflation expectation			2.70%
Volatility drag****			-0.91%
Total	100.00%		8.21%

* Absolute return includes credit sensitive investments.

** Target allocations are based on the FY 2022 policy model.

*** Capital market assumptions come from Aon Hewitt (as of 8/31/2022).

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

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 45,780,511	\$ 29,429,093	\$ 16,175,502

Barbers Hill Independent School District

Notes to the Financial Statements

Change of Assumptions Since the Prior Measurement Date

New assumptions were adopted in conjunction with an actuarial experience study since the prior measurement date that affected measurement of the total pension liability during the measurement period. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

Change of Benefit Terms Since the Prior Measurement Date

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

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. TRS-Care was established in 1986 by the Texas Legislature and is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees in accordance with the Texas Insurance Code, Chapter 1575. 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 the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafmr.aspx ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). The Board of Trustees of TRS 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 premium rates for retirees are reflected in the following table:

TRS-Care Monthly Premium Rates

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

Barbers Hill Independent School District

Notes to the Financial Statements

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 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 employer. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2023	2022
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District's fiscal year 2023 are as follows:

District contributions	\$	560,804
Member contributions		470,619
NECE on-behalf contributions (State)		892,502

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

The State of Texas also contributed \$375,485, \$200,688, and \$290,065 in 2023, 2022, and 2021, respectively, for on-behalf payments for Medicare Part D.

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

Barbers Hill Independent School District

Notes to the Financial Statements

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

On June 30, 2023, the District reported a liability of \$14,747,293 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided by 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 are as follows:

District's proportionate share of the net OPEB liability	\$ 14,747,293
State's proportionate share of the net OPEB liability associated with the District	<u>17,989,381</u>
Total	<u>\$ 32,736,674</u>

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

At the measurement date of August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.0615908% which was an increase of 0.0031598% from its proportion measured as of August 31, 2021.

For the fiscal year ended June 30, 2023, the District recognized net OPEB revenue of \$(3,498,820) due to recognition of deferred inflows in excess of deferred outflows and current year expense. OPEB revenue of \$(2,552,838) was recognized for support provided by the State.

On June 30, 2023, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 819,897	\$ 12,285,819
Changes of assumptions	2,246,305	10,245,542
Difference between projected and actual earnings on OPEB plan investments	43,928	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	6,162,410	-
District contributions paid subsequent to the measurement date	<u>475,020</u>	<u>-</u>
Totals	<u>\$ 9,747,560</u>	<u>\$ 22,531,361</u>

Barbers Hill Independent School District

Notes to the Financial Statements

\$475,020 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2024	\$ (2,620,603)
2025	(2,620,444)
2026	(1,995,063)
2027	(1,148,401)
2028	(1,585,709)
Thereafter	(3,288,601)
Total	\$ (13,258,821)

Actuarial Methods and Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Demographic Assumptions	Economic Assumptions
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	
Rates of disability	

See Note 4.C for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

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

Barbers Hill Independent School District

Notes to the Financial Statements

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
Single discount rate	3.91%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 62% participation prior to age 65 and 25% after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

Discount Rate

A single discount rate of 3.91% was used to measure the total OPEB liability at August 31, 2022. This was an increase of 1.96% in the discount rate since the August 31, 2021 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current plan members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2022.

Sensitivity Analysis of Rates

Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (3.91%) in measuring the net OPEB liability.

	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
District's proportionate share of the net OPEB liability	\$ 17,388,228	\$ 14,747,293	\$ 12,607,797

Barbers Hill Independent School District

Notes to the Financial Statements

Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability 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% lower or 1% higher than the assumed health-care cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 12,151,836	\$ 14,747,293	\$ 18,111,969

Change of Assumptions Since the Prior Measurement Date

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.
- Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the total OPEB liability.

Change of Benefit Terms Since the Prior Measurement Date

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

Note 5. Tax Abatements

The District entered into property tax abatement agreements with local businesses under Texas Tax Code, Title 3. Subtitle B. Chapter 313. Texas Economic Development Act (the Act) beginning December 14, 2009 through June 25, 2018. Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value of property in the District for the preceding tax year. Barbers Hill Independent School District is a Category II district, which limits the minimum amount per qualified investment to \$80 million. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatements, which are approved by the Texas Comptroller's office and the District's Board, are granted for the purpose of enhancing the local community; improving the public education system; creating high-paying jobs; and advancing economic development goals.

The agreements were for local businesses to invest a minimum capital investment totaling \$1,220,000,000 within the District's boundaries during a qualifying period and to create jobs. Such investments would be limited to taxable value of the lesser of qualified appraised value or the agreements that range individually from \$30,000,000 to \$80,000,000. The District's tax abatements expire in increments beginning in December 31, 2023 through December 31, 2031.

For the fiscal year ended June 30, 2023, the District foregoes collecting property taxes totaling \$59,882,298 resulting from the M&O tax rate of \$0.8646 per \$100 of taxable value. The qualified property per the agreements had a taxable value of \$8,146,011,844 and was limited to a taxable value of \$1,220,000,000. However, in foregoing the property tax revenue, the District receives state funding through the Foundation School Program funding formula to offset the loss of property tax revenues. In addition, the local businesses receiving such property tax abatements have committed to compensate the District for the loss of M&O revenue, reimburse the District for all non-reimbursed costs for extraordinary education related expenses not funded by state aid, and compensate the District for the greater of \$100 per student per average daily attendance (ADA) or \$50,000 during the term of the agreement.

Barbers Hill Independent School District

Notes to the Financial Statements

Note 6. Nonmonetary Transactions

During fiscal year 2023, the District received goods purchased by the Texas Department of Agriculture (TDA) through the Food Distribution Program (commodities). These commodities have been recorded in the amount of \$151,441 in a special revenue fund as federal revenues, which represents the amount of consideration given by TDA.

Required Supplementary Information

Barbers Hill Independent School District

Exhibit G-1

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund For the Fiscal Year Ended June 30, 2023

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate revenues	\$ 88,635,863	\$ 108,619,123	\$ 107,379,324	\$ (1,239,799)
5800	State program revenues	20,195,067	20,116,085	18,002,797	(2,113,288)
5900	Federal program revenues	605,000	890,000	729,174	(160,826)
5020	Total revenues	109,435,930	129,625,208	126,111,295	(3,513,913)
EXPENDITURES					
Current:					
0011	Instruction	59,217,587	59,217,588	57,991,060	1,226,528
0012	Instructional resources and media services	812,542	812,542	807,633	4,909
0013	Curriculum and instructional staff development	2,156,582	2,156,582	2,119,544	37,038
0021	Instructional leadership	660,357	660,357	571,412	88,945
0023	School leadership	4,992,884	4,992,884	4,976,853	16,031
0031	Guidance, counseling, and evaluation services	4,050,195	4,050,195	3,931,294	118,901
0032	Social work services	577,332	577,532	577,466	66
0033	Health services	1,179,377	1,203,377	1,198,583	4,794
0034	Student transportation	4,050,007	4,050,007	3,776,093	273,914
0035	Food services	838	838	430	408
0036	Extracurricular activities	2,334,570	3,089,571	3,061,677	27,894
0041	General administration	3,694,538	4,256,538	4,128,698	127,840
0051	Plant maintenance and operations	10,972,213	10,972,213	10,416,696	555,517
0052	Security and monitoring services	1,359,192	1,387,192	1,358,692	28,500
0053	Data processing services	1,721,087	1,900,087	1,835,913	64,174
0061	Community services	93,300	10,187,300	10,164,804	22,496
Debt service:					
0071	Principal on long-term debt	-	349,506	107,930	241,576
0072	Interest on long-term debt	-	494	494	-
Capital outlay:					
0081	Facilities aquisition and construction	28	34,028	23,532	10,496
Intergovernmental:					
0091	Contracted instructional services between schools	7,800,000	21,800,000	21,584,132	215,868
0099	Other intergovernmental charges	861,000	944,000	943,452	548
6030	Total expenditures	106,533,629	132,642,831	129,576,388	3,066,443
1100	Excess (deficiency) of revenues over (under) expenditures	2,902,301	(3,017,623)	(3,465,093)	(447,470)
OTHER FINANCING SOURCES (USES)					
7913	Proceeds from leased subscription assets	-	350,000	180,913	(169,087)
7915	Transfers in	-	37,000	36,627	(373)
8911	Transfers out	-	(66,000)	(65,225)	775
8948	Tax refund pursuant to Texas Tax Code 313	(2,324,010)	(2,467,010)	(2,466,877)	133
7080	Total other financing sources (uses)	(2,324,010)	(2,146,010)	(2,314,562)	(168,552)
1200	Net change in fund balance	578,291	(5,163,633)	(5,779,655)	(616,022)
0100	Fund balance - beginning	42,991,977	42,991,977	42,991,977	-
3000	FUND BALANCE - ENDING	\$ 43,570,268	\$ 37,828,344	\$ 37,212,322	\$ (616,022)

The Notes to the Required Supplementary Information are an integral part of this schedule.

Barbers Hill Independent School District**Exhibit G-2**

Schedule of the District's Proportionate Share of the Net Pension Liability
of a Cost-Sharing Multiple-Employer Pension Plan
Teacher Retirement System of Texas
For the Last Nine Fiscal Years*

Year	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0495711%	\$ 29,429,093	\$ 44,466,350	\$ 73,895,443	\$ 65,167,369	45.16%	75.62%
2022	0.0481418%	12,260,006	18,428,556	30,688,562	59,123,645	20.74%	88.79%
2021	0.0433476%	23,216,093	36,152,796	59,368,889	53,181,037	43.65%	75.54%
2020	0.0455293%	23,667,533	32,406,900	56,074,433	48,637,212	48.66%	75.24%
2019	0.0422176%	23,237,589	33,097,397	56,334,986	44,041,414	52.76%	73.74%
2018	0.0384908%	12,307,296	20,767,188	33,074,484	42,876,104	28.70%	82.17%
2017	0.0377107%	14,250,308	23,482,791	37,733,099	39,867,733	35.74%	78.00%
2016	0.0379358%	13,409,800	21,228,484	34,638,284	36,566,914	36.67%	78.43%
2015	0.0289778%	7,740,371	17,284,882	25,025,253	34,374,026	22.52%	83.25%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

Barbers Hill Independent School District**Exhibit G-3**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas Pension Plan
For the Last Nine Fiscal Years*

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 2,778,981	\$ (2,778,981)	\$ -	\$ 72,403,471	3.84%
2022	2,246,153	(2,246,153)	-	63,957,498	3.51%
2021	2,008,700	(2,008,700)	-	58,022,986	3.46%
2020	1,769,857	(1,769,857)	-	52,414,801	3.38%
2019	1,562,159	(1,562,159)	-	47,867,176	3.26%
2018	1,427,277	(1,427,277)	-	44,684,592	3.19%
2017	1,011,809	(1,011,809)	-	41,232,770	2.45%
2016	1,185,438	(1,185,438)	-	39,298,947	3.02%
2015	1,062,115	(1,062,115)	-	36,325,507	2.92%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.
Ten years of data is not available.

Barbers Hill Independent School District**Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB
 Liability of a Cost-Sharing Multiple-Employer OPEB Plan
 Teacher Retirement System of Texas
 For the Last Six Fiscal Years*

Year	District's Proportion of Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	State's Proportionate Share of the Net OPEB Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.0615908%	\$ 14,747,293	\$ 17,989,381	\$ 32,736,674	\$ 65,167,369	22.63%	11.52%
2022	0.0584310%	22,539,457	30,179,849	52,737,306	59,123,645	38.12%	6.18%
2021	0.0539220%	20,498,193	27,544,658	48,042,851	53,181,037	38.54%	4.99%
2020	0.0528847%	25,009,822	33,232,462	58,242,284	48,637,212	51.42%	2.66%
2019	0.0495648%	24,748,138	39,080,884	63,829,022	44,041,414	56.19%	1.57%
2018	0.0469035%	20,396,588	34,999,204	55,395,792	42,876,104	47.57%	0.91%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
 Ten years of data is not available.

Barbers Hill Independent School District**Exhibit G-5**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas OPEB Plan
For the Last Six Fiscal Years*

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 560,804	\$ (560,804)	\$ -	\$ 72,403,471	0.77%
2022	491,392	(491,392)	-	63,957,498	0.77%
2021	448,100	(448,100)	-	58,022,986	0.77%
2020	406,125	(406,125)	-	52,414,801	0.77%
2019	369,030	(369,030)	-	47,867,176	0.77%
2018	329,178	(329,178)	-	44,684,592	0.74%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.
Ten years of data is not available.

Barbers Hill Independent School District

Notes to the Required Supplementary Information

Note 1. Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared no later than June 19 and adopted by June 30 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

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

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

Note 2. Net Pension Liability and Net OPEB Liability

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

Changes in Actuarial Assumptions and Inputs

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2022	7.000%	7.000%	3.910%
2021	7.250%	7.250%	1.950%
2020	7.250%	7.250%	2.330%
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

Barbers Hill Independent School District

Notes to the Required Supplementary Information

Changes in Demographic and Economic Assumptions

For measurement date August 31, 2018 – Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Changes in Benefit Terms

For measurement date August 31, 2018 – Net OPEB Liability:

- Changes of benefit terms were made effective September 1, 2017 by the 85th Texas Legislature.

Other Changes

For measurement date August 31, 2022 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 65% to 62%. The participation rate for post-65 retirees was lowered from 40% to 25%.

For measurement date August 31, 2020 – Net OPEB Liability:

- The participation rate for post-65 retirees was lowered from 50% to 40%.
- The ultimate health care trend rate assumption decreased to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

For measurement date August 31, 2019 – Net Pension Liability:

- With the enactment of SB3 by the 2019 Texas Legislature, an assumption was made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

For measurement date August 31, 2019 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65.
- The trend rates were reset to better reflect the plan's anticipated experience.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%.

For measurement date August 31, 2018 – Net OPEB Liability:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.

Supplementary Information

Barbers Hill Independent School District

Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2023

		211	224	225
		ESSA Title I, Part A - Improving Basic Programs	IDEA-Part B Formula	IDEA-Part B Preschool
Data Control Codes				
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	107,466	173,858	3,689
1241	Due from component unit	-	-	-
1260	Due from other funds	11,286	10	-
1290	Other receivables	-	-	-
1000	TOTAL ASSETS	<u>\$ 118,752</u>	<u>\$ 173,868</u>	<u>\$ 3,689</u>
LIABILITIES				
2110	Accounts payable	\$ -	\$ 788	\$ -
2150	Payroll deductions and withholdings	1,547	1,761	41
2160	Accrued wages payable	80,850	55,917	1,895
2170	Due to other funds	36,355	115,402	1,753
2300	Unearned revenue	-	-	-
2000	Total liabilities	118,752	173,868	3,689
FUND BALANCES				
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 118,752</u>	<u>\$ 173,868</u>	<u>\$ 3,689</u>

Exhibit H-1
(Page 1 of 2)

226	240	244	255	263	280	283	284
IDEA - Part B, Discretionary	National School Breakfast/Lunch Program	Career and Technical Basic Grant	ESSA Title II, Part A,: Teacher & Principal Training & Recruiting	Title III, Part A English Language Acquisition and Enhancement	ARP Homeless II—Education for Homeless Children and Youth	ESSER Supplemental	IDEA - Part B, Formula - ARP
\$ -	\$ 1,694,470	\$ -	\$ -	\$ -	\$ -	\$ 518,095	\$ -
111,114	-	7,558	65,617	203	184	69,694	23,248
-	-	-	-	-	-	-	-
-	866	36	-	-	-	-	-
-	12,979	-	-	-	-	-	-
<u>\$ 111,114</u>	<u>\$ 1,708,315</u>	<u>\$ 7,594</u>	<u>\$ 65,617</u>	<u>\$ 203</u>	<u>\$ 184</u>	<u>\$ 587,789</u>	<u>\$ 23,248</u>
\$ -	\$ 886	\$ 3,204	\$ 15,314	\$ -	\$ 124	\$ 12,000	\$ 872
-	7,100	-	-	-	-	-	-
-	169,784	-	-	-	-	1,485	2,822
111,114	-	4,390	49,772	203	60	574,304	19,554
-	115,014	-	531	-	-	-	-
111,114	292,784	7,594	65,617	203	184	587,789	23,248
-	1,415,531	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,415,531	-	-	-	-	-	-
<u>\$ 111,114</u>	<u>\$ 1,708,315</u>	<u>\$ 7,594</u>	<u>\$ 65,617</u>	<u>\$ 203</u>	<u>\$ 184</u>	<u>\$ 587,789</u>	<u>\$ 23,248</u>

Barbers Hill Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds

Special Revenue Funds – Continued

June 30, 2023

		288	289	397
Data Control Codes		Summer School LEP	Federally Funded Special Revenue Funds	Advanced Placement Incentives
ASSETS				
1110	Cash and cash equivalents	\$ 2,918	\$ -	\$ 19,341
1240	Due from other governments	-	4,490	-
1241	Due from component unit	-	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	TOTAL ASSETS	\$ 2,918	\$ 4,490	\$ 19,341
LIABILITIES				
2110	Accounts payable	\$ -	\$ 3,120	\$ 13,775
2150	Payroll deductions and withholdings	-	-	-
2160	Accrued wages payable	-	-	-
2170	Due to other funds	2,918	1,088	-
2300	Unearned revenue	-	282	-
2000	Total liabilities	2,918	4,490	13,775
FUND BALANCES				
3450	Restricted - grants	-	-	5,566
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	5,566
TOTAL LIABILITIES AND FUND BALANCES		\$ 2,918	\$ 4,490	\$ 19,341

404	410	425	426	429	461	480	
Student Success Initiatives	State Textbook Fund	School Safety Standards Grant Fund	Silent Panic Alert Grant Fund	State Funded Special Revenue Funds	Campus Activity Funds	BHISD Education Foundation Grant	Total Nonmajor Funds (See Exhibit C-1)
\$ 81	\$ -	\$ -	\$ -	\$ -	\$ 690,277	\$ 70,897	\$ 2,996,079
-	48,527	102,410	-	3,360	-	-	721,418
-	-	-	-	-	-	448,647	448,647
-	-	-	17,142	-	13,208	-	42,548
-	-	-	-	-	-	-	12,979
<u>\$ 81</u>	<u>\$ 48,527</u>	<u>\$ 102,410</u>	<u>\$ 17,142</u>	<u>\$ 3,360</u>	<u>\$ 703,485</u>	<u>\$ 519,544</u>	<u>\$ 4,221,671</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,394	\$ 7,718	\$ 155,195
-	-	-	-	-	-	-	10,449
-	-	-	-	-	-	-	312,753
-	48,527	102,410	17,142	3,360	-	486,826	1,575,178
-	-	-	-	-	-	-	115,827
-	48,527	102,410	17,142	3,360	97,394	494,544	2,169,402
81	-	-	-	-	606,091	-	2,027,269
-	-	-	-	-	-	25,000	25,000
81	-	-	-	-	606,091	25,000	2,052,269
<u>\$ 81</u>	<u>\$ 48,527</u>	<u>\$ 102,410</u>	<u>\$ 17,142</u>	<u>\$ 3,360</u>	<u>\$ 703,485</u>	<u>\$ 519,544</u>	<u>\$ 4,221,671</u>

Barbers Hill Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Fiscal Year Ended June 30, 2023

		211	224	225
Data Control Codes		ESSA Title I, Part A - Improving Basic Programs	IDEA-Part B Formula	IDEA-Part B Preschool
REVENUES				
5700	Local and intermediate revenues	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	457,793	844,699	14,636
5020	Total revenues	457,793	844,699	14,636
EXPENDITURES				
Current:				
0011	Instruction	454,193	573,156	14,636
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	3,600	-	-
0031	Guidance, counseling, and evaluation services	-	271,543	-
0032	Social work services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
6030	Total expenditures	457,793	844,699	14,636
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ -

226	240	244	255	263	280	283	284
IDEA - Part B, Discretionary	National School Breakfast/Lunch Program	Career and Technical Basic Grant	ESSA Title II, Part A,; Teacher & Principal Training & Recruiting	Title III, Part A English Language Acquisition and Enhancement	ARP Homeless II—Education for Homeless Children and Youth	ESSER Supplemental	IDEA - Part B, Formula - ARP
\$ -	\$ 3,326,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	102,411	-	-	-	-	-	-
111,114	1,089,352	48,240	121,821	18,723	4,508	866,061	80,208
111,114	4,517,833	48,240	121,821	18,723	4,508	866,061	80,208
111,114	-	48,240	27,746	15,813	-	732,940	60,479
-	-	-	-	-	-	-	-
-	-	-	94,075	2,910	-	133,121	19,729
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,325,087	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4,508	-	-
111,114	4,325,087	48,240	121,821	18,723	4,508	866,061	80,208
-	192,746	-	-	-	-	-	-
-	38,445	-	-	-	-	-	-
-	38,445	-	-	-	-	-	-
-	231,191	-	-	-	-	-	-
-	1,184,340	-	-	-	-	-	-
\$ -	\$ 1,415,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Barbers Hill Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds – Continued
For the Fiscal Year Ended June 30, 2023

		288	289	397
Data Control Codes		Summer School LEP	Federally Funded Special Revenue Funds	Advanced Placement Incentives
REVENUES				
5700	Local and intermediate revenues	\$ -	\$ -	\$ -
5800	State program revenues	-	-	4,510
5900	Federal program revenues	2,918	37,636	-
5020	Total revenues	2,918	37,636	4,510
EXPENDITURES				
Current:				
0011	Instruction	2,918	26,843	-
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	3,520	15,511
0031	Guidance, counseling, and evaluation services	-	-	-
0032	Social work services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	3,710	-
0051	Plant maintenance and operations	-	3,563	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
6030	Total expenditures	2,918	37,636	15,511
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	(11,001)
OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	-	(11,001)
0100	Fund balances - beginning	-	-	16,567
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ 5,566

404	410	425	426	429	461	480	
Student Success Initiatives	State Textbook Fund	School Safety Standards Grant Fund	Silent Panic Alert Grant Fund	State Funded Special Revenue Funds	Campus Activity Funds	BHISD Education Foundation Grant	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,112,952	\$ 762,505	\$ 5,201,527
-	100,571	307,945	17,142	7,225	-	-	539,804
-	-	-	-	-	-	-	3,697,709
-	100,571	307,945	17,142	7,225	1,112,952	762,505	9,439,040
-	100,571	-	17,142	-	276,967	679,879	3,142,637
-	-	-	-	-	62,526	-	62,526
-	-	-	-	7,225	-	-	279,691
-	-	-	-	-	-	44,583	316,126
-	-	-	-	-	4,753	-	4,753
-	-	-	-	-	-	-	4,325,087
-	-	-	-	-	741,798	12,020	757,528
-	-	-	-	-	-	14,589	18,152
-	-	307,945	-	-	8,784	2,873	319,602
-	-	-	-	-	19,355	-	19,355
-	-	-	-	-	-	-	4,508
-	100,571	307,945	17,142	7,225	1,114,183	753,944	9,249,965
-	-	-	-	-	(1,231)	8,561	189,075
-	-	-	-	-	26,780	-	65,225
-	-	-	-	-	26,780	-	65,225
-	-	-	-	-	25,549	8,561	254,300
81	-	-	-	-	580,542	16,439	1,797,969
\$ 81	\$ -	\$ -	\$ -	\$ -	\$ 606,091	\$ 25,000	\$ 2,052,269

Barbers Hill Independent School District

Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended June 30, 2023

Year Ended June 30,	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2014 and prior years	\$	Various	\$	Various	\$	Various
2015		1.0600		0.2698		4,805,775,079
2016		1.0600		0.2698		5,586,723,191
2017		1.0600		0.2698		4,874,789,592
2018		1.0600		0.2698		5,336,109,490
2019		1.0600		0.2698		5,774,458,189
2020		0.9900		0.2698		11,588,056,182
2021		0.8847		0.2698		13,786,154,278
2022		0.8847		0.2698		14,028,968,519
2023		0.8646		0.2899		16,110,367,317

1000 TOTALS

8000 - Taxes refunded under section 26.1115, tax code, for owners who received an exemption as provided by section 11.42(f), tax code

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

Exhibit J-1

10 Beginning Balance 7/1/22	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/23
\$ 312,591	\$ -	\$ 14,742	\$ 2,903	\$ (16,173)	\$ 278,773
21,693	-	2,737	697	-	18,259
24,876	-	2,911	741	(92)	21,132
22,639	-	3,529	898	(94)	18,118
30,798	-	4,048	1,031	(152)	25,567
34,190	-	7,010	1,784	788	26,184
48,207	-	45,432	12,384	36,518	26,909
107,923	-	77,828	23,734	62,186	68,547
707,551	-	355,785	108,504	(56,395)	186,867
-	125,658,598	77,957,044	46,217,471	(732,407)	751,676
<u>\$ 1,310,468</u>	<u>\$ 125,658,598</u>	<u>\$ 78,471,066</u>	<u>\$ 46,370,147</u>	<u>\$ (705,821)</u>	<u>\$ 1,422,032</u>
		\$ 22,623	\$ -		
		\$ -	\$ -		

Barbers Hill Independent School District**Exhibit J-2**

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
National School Breakfast and Lunch Program
For the Fiscal Year Ended June 30, 2023

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate revenues	\$ 2,991,000	\$ 3,490,000	\$ 3,326,070	\$ (163,930)
5800	State program revenues	6,000	103,000	102,411	(589)
5900	Federal program revenues	596,000	852,000	1,089,352	237,352
5020	Total revenues	3,593,000	4,445,000	4,517,833	72,833
EXPENDITURES					
	Current:				
0035	Food services	4,241,782	4,325,781	4,325,087	694
6030	Total expenditures	4,241,782	4,325,781	4,325,087	694
1100	Excess (deficiency) of revenues over (under) expenditures	(648,782)	119,219	192,746	73,527
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	38,445	38,445
7080	Total other financing sources (uses)	-	-	38,445	38,445
1200	Net change in fund balance	(648,782)	119,219	231,191	111,972
0100	Fund balance - beginning	1,184,340	1,184,340	1,184,340	-
3000	FUND BALANCE - ENDING	\$ 535,558	\$ 1,303,559	\$ 1,415,531	\$ 111,972

Barbers Hill Independent School District**Exhibit J-3**

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2023

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate revenues	\$ 41,552,390	\$ 47,725,390	\$ 47,311,742	\$ (413,648)
5800	State program revenues	-	336,000	287,348	(48,652)
5020	Total revenues	41,552,390	48,061,390	47,599,090	(462,300)
EXPENDITURES					
	Current:				
0041	General administration	-	150	125	25
	Debt service:				
0071	Principal on long-term debt	24,257,551	24,257,551	22,055,000	2,202,551
0072	Interest on long-term debt	15,642,781	15,642,781	17,566,064	(1,923,283)
0073	Issuance costs and fees	20,000	20,000	8,750	11,250
6030	Total expenditures	39,920,332	39,920,482	39,629,939	290,543
1200	Net change in fund balance	1,632,058	8,140,908	7,969,151	(171,757)
0100	Fund balance - beginning	20,573,340	20,573,340	20,573,340	-
3000	FUND BALANCE - ENDING	\$ 22,205,398	\$ 28,714,248	\$ 28,542,491	\$ (171,757)

Barbers Hill Independent School District
 Use of Funds Report – Select State Allotment
 June 30, 2023

Exhibit J-4

Data Codes		Responses
Section A: Compensatory Education Programs		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 3,018,709
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 1,598,739
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 201,474
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 305,184

Overall Compliance, Internal Control Section and Federal Awards

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**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Board of Trustees of
Barbers Hill Independent School District

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Barbers Hill Independent School District (the District) as of and for the year ended June 30, 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 October 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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*.

The Board of Trustees of
Barbers Hill Independent School District

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 13, 2023

**Independent Auditor's Report on Compliance for Each Major Federal
Program and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance**

To the Board of Trustees of
Barbers Hill Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Barbers Hill 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 June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

The Board of Trustees of
Barbers Hill Independent School District

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 13, 2023

Barbers Hill Independent School District

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

Section 1. Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal Control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? | No |
| 7. Identification of major programs | |
| COVID 19 – ARP Homeless | 84.425W |
| COVID 19 – ESSER Supplemental | 84.425U |
| Child Nutrition Cluster | 10.555/10.553 |
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

Barbers Hill Independent School District

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2023

Prior Year Findings

None reported

Barbers Hill Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Exhibit K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	22610101036902	\$ 30,557
ESEA Title I Part A - Improving Basic Programs	84.010A	23610101036902	427,236
Total Assistance Listing Number 84.010A			457,793
Special Education Cluster (IDEA):			
IDEA - Part B Formula	84.027A	226600010369026000	57,243
IDEA - Part B Formula	84.027A	236600010369026000	787,456
High Cost Fund	84.027A	66002306	111,114
COVID 19 - IDEA-Part B Formula ARP Carryover	84.027X	225350020369025000	59,541
COVID 19 - IDEA- Part B Formula ARP	84.027X	225350010369025000	20,667
Total Assistance Listing Number 84.027A			1,036,021
IDEA - Part B Preschool	84.173A	226610010369026000	566
IDEA - Part B Preschool	84.173A	236610010369026000	14,070
COVID 19 - IDEA - Part B Preschool ARP	84.173X	225360020369025000	456
COVID 19 - IDEA - Part B Preschool ARP	84.173X	225360010369025000	2,722
Total Assistance Listing Number 84.173A			17,814
Total Special Education Cluster (IDEA)			1,053,835
Title III Part A English Language Acquisition and Language Enhancement	84.365A	22671001036902	3,500
Title III Part A English Language Acquisition and Language Enhancement	84.365A	23671001036902	15,223
Total Assistance Listing Number 84.365A			18,723
Carl Perkins	84.048A	22420006036902	7,185
22-23 PERKINS V: Strengthening CTE for 21st Century	84.048A	23420006036902	41,055
Total Assistance Listing Number 84.048A			48,240
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	22694501036902	7,561
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	23694501036902	114,260
Total Assistance Listing Number 84.367A			121,821
Title VI, Part A, Summer School LEP	84.369A	69552102	2,918
Title IV, Part A, Subpart 1	84.424A	22680101036902	376
Title IV, Part A, Subpart 1	84.424A	23680101036902	30,519
Total Assistance Listing Number 84.424A			30,895
COVID 19 - ARP Homeless	84.425W	21533002036902	4,508
COVID 19 - ESSER Supplemental	84.425U	21528043036902	866,061
Total Assistance Listing Number 84.425			870,569

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Barbers Hill Independent School District**Exhibit K-1**Schedule of Expenditures of Federal Awards - Continued
For the Fiscal Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
EIA Hurricane Recovery	84.938C	S938C180013	(104,613)
TOTAL U.S. DEPARTMENT OF EDUCATION			2,500,181
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education: School Health Grant	93.323	HHS001114100001	3,563
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			3,563
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non Cash Assistance: National School Lunch Program	10.555	00174	151,441
Passed Through State Department of Agriculture: Supply Chain Grant	10.555	00174	151,355
National School Lunch Program	10.555	71302301	6,432
Passed Through State Department of Education: National School Lunch Program	10.555	71302301	580,523
Total Assistance Listing Number 10.555			889,751
Passed Through State Department of Education: School Breakfast Program	10.553	71402001	198,973
Total Child Nutrition Cluster			1,088,724
Passed Through State Department of Agriculture: COVID-19 - Pandemic EBT Food Benefits	10.542	00174	628
Total Assistance Listing Number 10.542			628
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,089,352
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,593,096

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Barbers Hill Independent School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2. De Minimis Cost Rate

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

Note 3. Reconciliation to Basic Financial Statements

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$	3,593,096
General fund - federal revenue:		
Interest subsidy on QSCB		259,229
SHARS		574,558
		<hr/>
Total federal revenues per Exhibit C-2	\$	<u>4,426,883</u>

Barbers Hill Independent School District
Schedule of Required Responses to Selected
School FIRST Indicators (Unaudited)
For the Fiscal Year Ended June 30, 2023

Exhibit L-1

Data 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 school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)	Yes
	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.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school 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 school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -