

**ALVARADO
INDEPENDENT SCHOOL DISTRICT**

Annual Financial Report for the Year Ended

August 31, 2023

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CERTIFICATE OF BOARD

Alvarado Independent School District

Johnson

126-901

Name of School District

County

County – District Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and () approved () disapproved for the year ended August 31, 2023, at a meeting of the Board of School Trustees of such school district on the _____ day of _____, 2023.

Signature of Board Secretary

Signature of Board President

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

Independent Auditor's Report

Board of School Trustees
Alvarado Independent School District
Alvarado, Texas

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 School District's basic financial statements. The combining statements and required TEA schedules, as listed in the table of contents, and the schedule of expenditures of federal awards, as required Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

A restatement was necessary to correct prior year accounts payable. This resulted in a decrease to fund balance and net position in the amount of \$24,393. See "Prior Period Adjustment" footnote for additional information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2024, on our consideration of Alvarado Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alvarado Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vail + Park, P.C.

Vail & Park, P.C.
Frisco, Texas
January 6, 2024

ALVARADO INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2023

This section of the **Alvarado Independent School District** annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position (Exhibit A-1, page 10) and the Statement of Activities (Exhibit B-1, page 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting with Exhibit C-1, page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 20, following Exhibit E-2) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA (Texas Education Agency) and are contained in Exhibits H-1 and H-2, pages 58-65.

The sections labeled "Required T.E.A. Schedules" and "Federal Awards Section" contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

The District's total revenue increased by \$7.6M during the current fiscal year from the investment earning of bond proceeds and increasing of student activities.

REPORTING THE DISTRICT AS A WHOLE

Government-Wide Statements: The Statement of Net Position & the Statement of Activities

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position, Exhibit A-1, includes all of the government's assets and liabilities. The Statement of Activities, Exhibit B-1, accounts for all of the current period's revenues and expenses.

The two government-wide statements report the District's *Net Position* and how they have changed. Net Position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall financial health of the District, one should consider additional non-financial factors such as changes in the District's tax base.

Within the government-wide financial statements of the District, most of the District's basic services are included, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, grants and state revenues finance most of the activities.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2023

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

- Some funds are required by State law and bond covenants
- Other funds are established to control and manage money for particular purposes or to show that the District is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental Funds* – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances at the end of the fiscal year. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements. (See Exhibits C-2 and C-4, pages 14 and 17)
- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for money raised by student activities. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position, Exhibit E-1, on page 18, and Statement of Changes in Fiduciary Net Position, Exhibit E-2, on page 19.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1
The District's Net Position

Net Position. The District's combined Net Position was (\$3,411,426) on August 31, 2023.

	August 31, 2023	August 31, 2022	Percentage Change
Current Assets	150,966,654	\$ 116,885,819	29.16%
Capital Assets	68,333,097	69,352,386	-1.47%
Total Assets	219,299,751	186,238,205	17.75%
Deferred Outflows of Resources	15,076,910	10,890,303	38.44%
Current Liabilities	9,374,409	3,523,612	166.05%
Long-term Liabilities	214,598,137	188,248,439	14.00%
Total Liabilities	223,972,546	191,772,051	16.79%
Deferred Inflows of Resources	13,815,541	12,226,723	12.99%
Net Position:			
Net Invested in Capital Assets	(5,208,992)	(12,312,593)	-57.69%
Restricted	133,774,952	97,795,086	36.79%
Unrestricted	(131,977,386)	(92,352,759)	42.91%
Total Net Position	\$ (3,411,426)	\$ (6,870,266)	-50.35%

ALVARADO INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2023

Table A-2
Change in Net Position

	Fiscal Year 08/31/23	Fiscal Year 8/31/2022 as restated	Percentage Change
Revenues:			
Program Revenues			
Charges for Services	\$ 1,185,230	\$ 1,180,683	0.39%
Operating Grants & Contributions	7,225,247	6,742,625	7.16%
Total Program Revenues	8,410,477	7,923,308	6.15%
General Revenues			
Property Taxes	24,587,124	23,229,069	5.85%
Grants and Contributions not Restricted	20,499,603	19,783,698	3.62%
Investment Earnings	4,930,908	229,678	2046.88%
Other Local and Intermediate Revenue	382,789	400	95597.25%
Total General Revenue	50,400,424	43,242,845	16.55%
Total Revenues	58,810,901	51,166,153	14.94%
Expenses:			
Instruction	29,483,905	25,778,986	14.37%
Instruction Resources & Media Services	223,568	216,431	3.30%
Curriculum and Staff Development	501,686	454,795	10.31%
Instructional Leadership	700,537	561,704	24.72%
School Leadership	1,920,156	1,891,852	1.50%
Guidance, Counseling & Evaluation Services	1,129,320	1,215,197	-7.07%
Social Work Services	402,922	410,642	-1.88%
Health Services	344,728	449,144	-23.25%
Student Transportation	1,812,619	1,691,713	7.15%
Food Services	2,524,362	2,241,568	12.62%
Extracurricular Activities	1,876,231	1,759,640	6.63%
General Administration	1,670,543	1,580,860	5.67%
Facilities Maintenance & Operations	5,388,042	4,537,781	18.74%
Security and Monitoring Services	485,161	331,987	46.14%
Data Processing Services	1,283,678	1,159,037	10.75%
Community Services	463,335	281,344	64.69%
Debt Service - Interest on Long Term Debt	4,748,063	3,201,540	48.31%
Debt Service - Bond Issuance Cost and Fees	388,205	396,055	-1.98%
Payments Related to Shared Services Arrangements	5,000	5,000	-
Total Expenses	55,352,061	48,165,276	14.92%
Increase/(Decrease) in Net Position	3,458,840	3,000,877	
Beginning Net Position, as restated	(6,870,266)	(9,871,143)	
Ending Net Position	\$ (3,411,426)	\$ (6,870,266)	

ALVARADO INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2023

The property tax maintenance and operation was reduced to \$0.8546 as part of the State Legislature's HB3. This reduction in maintenance and operation tax rate was to help reduce taxes for property owners. The state increased the state aid funds to help offset the amount in which the District would no longer be receiving in local tax revenues. The school board voted to keep the Interest & Sinking tax rate to \$0.50 to help pay off existing debt at a faster rate.

Tax Rate History			
Year	M&O	I&S	Total
2011	1.0400	0.2760	1.3160
2012	1.0400	0.2760	1.3160
2013	1.0400	0.2760	1.3160
2014	1.0400	0.4210	1.4610
2015	1.0400	0.4210	1.4610
2016	1.0400	0.4210	1.4610
2017	1.0400	0.4210	1.4610
2018	1.0400	0.4210	1.4610
2019	1.0400	0.4210	1.4610
2020	0.9700	0.5000	1.4700
2021	0.8720	0.5000	1.3720
2022	0.8546	0.5000	1.3546

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit C-1, pages 12-13) reported a combined fund balance in the General Fund of \$13,196,696. The fund balance decreased the previous year due to increases in various costs from growth and from inflation.

The annual budget serves as the foundation for the District's financial planning and control. A major financial goal for the District is for the fund balance to be 25% of the expenditures and to improve budgetary controls to meet the current and future needs of the district.

General Fund Budgetary Highlights

During the course of the year, the District reviews and revises its budget on a monthly basis in accordance with TEA FARG standards. At fiscal year-end 2023, the ending fund balance of \$13,196,696 represents 34.0% of the 2022-2023 operating expenditures.

Year	ADA	Fund Balance	Change
2010-2011	3,270	13,407,285	632,545
2011-2012	3,148	15,018,593	1,611,308
2012-2013	3,218	15,274,390	255,797
2013-2014	3,272	14,920,814	(353,576)
2014-2015	3,330	16,136,190	1,215,376
2015-2016	3,385	14,555,816	(1,580,374)
2016-2017	3,480	14,231,143	(324,673)
2017-2018	3,491	15,249,329	1,018,186
2018-2019	3,420	15,768,281	518,952
2019-2020	3,333	14,822,540	(945,741)
2020-2021	3,321	15,118,537	295,997
2021-2022	3,357	15,099,092	(19,445)
2022-2023	3,445	16,216,310	1,117,218

ALVARADO INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

Year Ended August 31, 2023

CAPITAL ASSETS & DEBT ADMINISTRATION

At the end of fiscal year 2023, the District had invested \$148,188,083 in a broad range of capital assets, including land, equipment, and buildings. (See Table A-3) Additional information on capital assets is contained in the Notes to the Financial Statements.

Table A-3
District Capital Assets
Governmental Activities

	August 31, 2023	August 31, 2022	Percentage Change
Land	\$ 2,205,867	\$ 2,205,867	0.00%
Buildings & Improvements	133,336,225	132,045,254	0.98%
Furniture & Equipment	10,479,945	10,074,031	4.03%
Construction in Progress	3,166,046	1,470,393	115.32%
Total Historical Cost	149,188,083	145,795,545	2.33%
Total Accumulated Depreciation	(80,854,986)	(76,443,159)	-5.77%
Net Capital Assets	\$ 68,333,097	\$ 69,352,386	-1.47%

Table A-4
Long Term Debt
Governmental Activities

	August 31, 2023	August 31, 2022	Percentage Change
Bonds Payable	\$ 185,773,000	\$ 155,701,000	19.31%
Bond Premium	11,380,714	10,493,941	8.45%
Accreted Interest	7,471,340	8,339,098	-10.41%
Total Debt	\$ 204,625,054	\$ 174,534,039	17.24%

ECONOMIC FACTORS

Alvarado is located in Johnson County and over the years has been a farming and ranching area. During the period covering fiscal years 2002 through 2010, the District grew increasingly wealthy. However, property values decreased from 2011-2018 by 32.08%. A large part of the decrease was due to the Market Values for oil, gas, and minerals. The past five years, values have increased by a total of 53%. The District is located at the crossroads of Interstate Highway 35W and U.S. Highway 67, and recent economic development activity in the District has also been associated with the transportation Commercial corridor that runs through the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Office at (817) 783-6800.

BASIC FINANCIAL STATEMENTS

ALVARADO ISD
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT A-1

Data		Primary Government
Control		Governmental
Codes		Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 3,664,385
1120	Current Investments	141,102,990
1220	Property Taxes - Delinquent	1,722,507
1230	Allowance for Uncollectible Taxes	(172,284)
1240	Due from Other Governments	4,225,287
1290	Other Receivables, Net	10,565
1410	Prepayments	413,204
	Capital Assets:	
1510	Land	2,205,867
1520	Buildings, Net	61,779,976
1530	Furniture and Equipment, Net	1,181,208
1580	Construction in Progress	3,166,046
1000	Total Assets	219,299,751
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	4,456,678
1705	Deferred Outflow Related to TRS Pension	7,889,154
1706	Deferred Outflow Related to TRS OPEB	2,731,078
1700	Total Deferred Outflows of Resources	15,076,910
LIABILITIES		
2140	Interest Payable	217,555
2150	Payroll Deductions and Withholdings	300,488
2160	Accrued Wages Payable	1,579,479
2200	Accrued Expenses	387,697
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	6,889,190
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	197,735,864
2540	Net Pension Liability (District's Share)	10,975,483
2545	Net OPEB Liability (District's Share)	5,886,790
2000	Total Liabilities	223,972,546
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	4,170,354
2606	Deferred Inflow Related to TRS OPEB	9,645,187
2600	Total Deferred Inflows of Resources	13,815,541
NET POSITION		
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	(5,208,992)
	Restricted:	
3820	Restricted for Federal and State Programs	2,004,168
3850	Restricted for Debt Service	2,964,313
3860	Restricted for Capital Projects	128,806,471
3900	Unrestricted	(131,977,386)
3000	Total Net Position	\$ (3,411,426)

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

ALVARADO ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 29,483,905	\$ 228,385	\$ 4,855,838	\$ (24,399,682)
12 Instructional Resources and Media Services	223,568	-	-	(223,568)
13 Curriculum and Instructional Staff Development	501,686	-	-	(501,686)
21 Instructional Leadership	700,537	-	29,850	(670,687)
23 School Leadership	1,920,156	-	-	(1,920,156)
31 Guidance, Counseling, and Evaluation Services	1,129,320	-	82,243	(1,047,077)
32 Social Work Services	402,922	-	175,383	(227,539)
33 Health Services	344,728	-	9,684	(335,044)
34 Student (Pupil) Transportation	1,812,619	-	36,510	(1,776,109)
35 Food Services	2,524,362	584,967	1,924,253	(15,142)
36 Extracurricular Activities	1,876,231	363,533	10,672	(1,502,026)
41 General Administration	1,670,543	-	-	(1,670,543)
51 Facilities Maintenance and Operations	5,388,042	8,345	-	(5,379,697)
52 Security and Monitoring Services	485,161	-	89,972	(395,189)
53 Data Processing Services	1,283,678	-	10,842	(1,272,836)
61 Community Services	463,335	-	-	(463,335)
72 Debt Service - Interest on Long-Term Debt	4,748,063	-	-	(4,748,063)
73 Debt Service - Bond Issuance Cost and Fees	388,205	-	-	(388,205)
93 Payments Related to Shared Services Arrangements	5,000	-	-	(5,000)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 55,352,061	\$ 1,185,230	\$ 7,225,247	(46,941,584)
Data				
Control				
Codes				
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			15,547,019
DT	Property Taxes, Levied for Debt Service			9,040,105
GC	Grants and Contributions not Restricted			20,499,603
IE	Investment Earnings			4,930,908
MI	Miscellaneous Local and Intermediate Revenue			382,789
TR	Total General Revenues			50,400,424
CN	Change in Net Position			3,458,840
NB	Net Position - Beginning			(6,894,659)
PA	Prior Period Adjustment			24,393
NE	Net Position - Ending			\$ (3,411,426)

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

ALVARADO ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	10 General Fund	20 ESSER II Fund	20 ESSER III Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,227,040	\$ 896,942	\$ 31,139
1120 Investments - Current	7,564,975	-	-
1220 Property Taxes - Delinquent	1,156,230	-	-
1230 Allowance for Uncollectible Taxes	(115,656)	-	-
1240 Due from Other Governments	1,777,010	74,323	1,266,214
1260 Due from Other Funds	3,184,257	-	-
1290 Other Receivables	9,250	-	-
1410 Prepayments	413,204	-	-
1000 Total Assets	<u>\$ 16,216,310</u>	<u>\$ 971,265</u>	<u>\$ 1,297,353</u>
LIABILITIES			
2150 Payroll Deductions and Withholdings Payable	\$ 288,817	\$ -	\$ 2,169
2160 Accrued Wages Payable	1,437,922	-	76,143
2170 Due to Other Funds	750	971,265	1,219,041
2200 Accrued Expenditures	250,922	-	-
2000 Total Liabilities	<u>1,978,411</u>	<u>971,265</u>	<u>1,297,353</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,041,203	-	-
2600 Total Deferred Inflows of Resources	<u>1,041,203</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	413,204	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual	-	-	-
3480 Retirement of Long-Term Debt	-	-	-
3600 Unassigned Fund Balance	12,783,492	-	-
3000 Total Fund Balances	<u>13,196,696</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 16,216,310</u>	<u>\$ 971,265</u>	<u>\$ 1,297,353</u>

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

50 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
\$ 252,643	\$ 21,071	\$ 235,550	\$ 3,664,385
2,711,671	111,040,755	19,785,589	141,102,990
566,277	-	-	1,722,507
(56,628)	-	-	(172,284)
-	-	1,107,740	4,225,287
-	-	-	3,184,257
-	-	1,315	10,565
-	-	-	413,204
<u>\$ 3,473,963</u>	<u>\$ 111,061,826</u>	<u>\$ 21,130,194</u>	<u>\$ 154,150,911</u>
\$ -	\$ -	\$ 9,502	\$ 300,488
-	-	65,424	1,579,489
-	-	993,191	3,184,247
-	-	136,775	387,697
-	-	1,204,892	5,451,921
509,650	-	-	1,550,853
509,650	-	-	1,550,853
-	-	-	413,204
-	-	2,004,168	2,004,168
-	111,061,826	17,744,645	128,806,471
2,964,313	-	-	2,964,313
-	-	176,489	12,959,981
<u>2,964,313</u>	<u>111,061,826</u>	<u>19,925,302</u>	<u>147,148,137</u>
<u>\$ 3,473,963</u>	<u>\$ 111,061,826</u>	<u>\$ 21,130,194</u>	<u>\$ 154,150,911</u>

ALVARADO ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 147,148,137
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$145,795,545 and the accumulated depreciation was (\$76,443,159). In addition, long-term liabilities, including bonds payable of (\$155,701,000), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(86,348,614)
2 Current year capital outlays of \$3,392,538 and long-term debt principal payments of \$3,913,000 decreases fund balance and issuance of new debt of (\$33,985,000) decreases fund balance in the fund financial statements, but they should be shown as increases in capital assets and changes in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments and issuance is to decrease net position.	(26,679,462)
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$2,940,936 a Deferred Resource Inflow in the amount of \$5,300,622 and a net pension liability in the amount of \$4,686,687. The impact of this on Net Position is (7,256,683). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$210,310). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$7,256,683).	(7,256,683)
4 The District participates in the TRS-Care plan for retirees through TRS. The District's share of the TRS plan resulted in a net OPEB liability of \$5,526,790 a deferred outflow of \$2,731,078 and a deferred inflow of \$9,645,187. This resulted in a difference between the ending fund balance and the ending net position of (12,800,899).	(12,800,899)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(4,411,827)
6 Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is included on the government-wide financial statements. The effect of showing accrued interest payable is to decrease net position.	(217,555)
7 Accreted interest on capital appreciation bonds has not been included on the fund financial statements, but is included on the government-wide financial statements. The effect of including the accreted interest is to decrease net position.	(7,471,340)
8 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. The net effect of these reclassifications and recognitions is to increase net position.	(5,373,183)
19 Net Position of Governmental Activities	\$ (3,411,426)

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

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ALVARADO ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	20 ESSER II Fund	20 ESSER III Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 17,111,940	\$ -	\$ -
5800 State Program Revenues	18,834,374	-	-
5900 Federal Program Revenues	1,348,987	736,743	1,891,585
5020 Total Revenues	37,295,301	736,743	1,891,585
EXPENDITURES:			
Current:			
0011 Instruction	21,707,321	736,188	1,569,748
0012 Instructional Resources and Media Services	139,885	-	-
0013 Curriculum and Instructional Staff Development	504,920	-	-
0021 Instructional Leadership	677,820	-	-
0023 School Leadership	1,929,293	-	-
0031 Guidance, Counseling, and Evaluation Services	1,056,494	-	-
0032 Social Work Services	227,338	-	175,383
0033 Health Services	337,050	-	9,684
0034 Student (Pupil) Transportation	1,832,597	-	36,510
0035 Food Services	3,070	-	-
0036 Extracurricular Activities	1,228,275	-	-
0041 General Administration	1,593,937	-	-
0051 Facilities Maintenance and Operations	5,146,983	-	-
0052 Security and Monitoring Services	390,054	-	89,973
0053 Data Processing Services	1,252,973	555	10,287
0061 Community Services	458,132	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	415,000	-	-
0072 Interest on Long-Term Liabilities	81,100	-	-
0073 Bond Issuance Cost and Fees	-	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	5,000	-	-
6030 Total Expenditures	38,987,242	736,743	1,891,585
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,691,941)	-	-
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	-	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-
8911 Transfers Out (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-
1200 Net Change in Fund Balances	(1,691,941)	-	-
0100 Fund Balance - September 1 (Beginning)	15,099,092	-	-
1300 Increase (Decrease) in Fund Balance	(210,455)	-	-
3000 Fund Balance - August 31 (Ending)	\$ 13,196,696	\$ -	\$ -

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

	50 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
\$	9,367,385	\$ 3,512,943	\$ 1,477,720	\$ 31,469,988
	316,241	-	363,918	19,514,533
	-	-	4,233,002	8,210,317
	9,683,626	3,512,943	6,074,640	59,194,838
	-	-	2,754,622	26,767,879
	-	-	12,358	152,243
	-	-	-	504,920
	-	-	29,850	707,670
	-	-	656	1,929,949
	-	-	82,243	1,138,737
	-	-	-	402,721
	-	-	-	346,734
	-	-	-	1,869,107
	-	-	2,257,985	2,261,055
	-	-	65,998	1,294,273
	-	-	18,758	1,612,695
	-	-	(144)	5,146,839
	-	-	1,900	481,927
	-	-	3,022	1,266,837
	-	-	5,322	463,454
	4,833,000	-	-	5,248,000
	5,404,817	-	-	5,485,917
	5,651	382,554	-	388,205
	-	2,362,735	744,056	3,106,791
	-	-	-	5,000
	10,243,468	2,745,289	5,976,626	60,580,953
	(559,842)	767,654	98,014	(1,386,115)
	-	33,985,000	-	33,985,000
	116,816	-	15,000,000	15,116,816
	-	1,423,512	-	1,423,512
	-	(15,116,816)	-	(15,116,816)
	116,816	20,291,696	15,000,000	35,408,512
	(443,026)	21,059,350	15,098,014	34,022,397
	3,407,339	90,002,476	4,592,440	113,101,347
	-	-	234,848	24,393
\$	2,964,313	\$ 111,061,826	\$ 19,925,302	\$ 147,148,137

ALVARADO ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 34,022,397
Current year capital outlays of \$3,392,538 and long-term debt principal payments of \$3,913,000 are expenditures and bond issuance of (\$33,985,000) is revenue in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.	(26,679,462)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(4,411,827)
Accrued interest payable on long-term debt is not shown on the fund financial statements, but is included on the government-wide financial statements. The net effect of showing the accrued interest payable is to decrease net position.	910,768
Accreted interest on capital appreciation bonds is not included on the fund financial statements, but is included on the government-wide financial statements. The net effect of including accreted interest is to increase net position.	867,758
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	(1,513,121)
Current year changes due to GASB 68 increased expenditures in the amount of \$210,310. The net effect on the change in the ending net position was a decrease in the amount of \$210,310.	(210,310)
Current year changes due to GASB 75 decreased expenditures in the amount of \$472,637. The net effect on the change in the ending net position was an increase in the amount of \$472,637.	472,637
Change in Net Position of Governmental Activities	<u>\$ 3,458,840</u>

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

ALVARADO ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

	Total Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 266,290
Total Assets	<u>266,290</u>
LIABILITIES	
Due to Student Groups	<u>3,512</u>
Total Liabilities	<u>3,512</u>
NET POSITION	
Unrestricted Net Position	<u>262,778</u>
Total Net Position	<u><u>\$ 262,778</u></u>

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

ALVARADO ISD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Total Custodial Funds
ADDITIONS:	
Cocurricular Services or Activities	\$ 276,777
Earnings from Temporary Deposits	5
Total Additions	<u>276,782</u>
DEDUCTIONS:	
Other Deductions	<u>274,631</u>
Total Deductions	<u>274,631</u>
Change in Fiduciary Net Position	2,151
Total Net Position September 1 (Beginning)	<u>260,627</u>
Total Net Position August 31 (Ending)	<u><u>\$ 262,778</u></u>

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

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Board is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as amended by Statements No. 39, "Determining Whether Certain Organizations are Component Units," and No. 61, "The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34." There are no component units within the reporting entity.

Government-Wide & Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the District. Taxes and intergovernmental revenues normally support governmental activities. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include: 1) charges for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not identifiable as program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting & Financial Statement Presentation

Government-Wide 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.

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

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation *(continued)*

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. Expenditures are generally recorded when a liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. Expenditures related to compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. 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. The District considers all revenues available if they are collectible within 60 days of year end.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The special revenue funds, except for the Child Nutrition Fund, include programs that are financed on a project grant basis. These projects have grant periods that range from less than twelve months to in excess of two years. Grant funds are considered to be earned to the extent expenditures are made under the provisions of the grant. When grant funds are received in advance of being earned, they are recorded as unearned revenue until earnings criteria are met. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Fiduciary Fund Financial Statements are accounted for on a flow of economic resources measurement focus. With this focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. Agency funds are custodial in nature and do not involve measurement of results or operations.

Fund Accounting

The District reports its financial activities through the use of “fund accounting”. The activities of the District are organized on the basis of funds. The operations of each fund are accounted for within a separate set of self-balancing accounts to reflect results of activities. Fund accounting segregates funds according to their intended purposes to assist management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District’s expendable financial resources and the related liabilities are accounted for through the governmental funds. The following are the District’s major governmental funds:

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses that are not paid through other funds are paid from the General Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the retirement of, long-term debt principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition, renovation or construction of major capital projects.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Accounting – Governmental Funds *(continued)*

Major Special Revenue Fund - The Major Special Revenue Fund consist of ESSER II fund that accounts for resources that are legally restricted or locally committed to expenditures for specified purposes.

Other non-major governmental funds consist of special revenue funds that account for resources that are legally restricted or locally committed to expenditures for specified purposes. Most Federal and some State financial assistance is accounted for in special revenue funds.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations, and/or other funds:

Custodial Funds - The Student Activity Fund accounts for the receipt and disbursement of monies from student activity organizations. These organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees. This accounting reflects the District's custodial relationship with the student activity organizations.

Assets, Liabilities & Deferred Inflows/Outflows

Cash & Cash Equivalents - The District's cash and cash equivalents include cash on hand, demand deposits, money markets, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – Investments, except for the investment pools, are recorded at fair value. Fair value is determined by the amount at which a financial instrument can be exchanged in a current transaction between willing parties. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. District management believes that the District adheres to the requirements of the State of Texas Public Funds Investment Act regarding investment practice, management reports and establishment of appropriate policies. Additionally, management believes that the investment practices of the District are in accordance with local policies for the current fiscal year.

Interfund Receivables & Payables - Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” All residual balances between governmental activities are eliminated in the government-wide statements.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements and expended in a subsequent period using the consumption method. All prepaid expenditures are offset at fiscal yearend by nonspendable fund balance in the fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20
Vehicles	10
Office Equipment	7
Computer Equipment	5

Right to Use Assets - Right to Use Assets grant the District economic benefit of the use of items for the duration of the term or contract. The asset is recognized along with the related liability. The District has entered agreements for these types of assets for leases and subscription-based technology arrangements. The District has determined that a right to use asset will result from a leasing agreement with an initial present value of the future minimum payments of \$5,000 or more and the leasing agreement exceeds one year and for a subscription-based technology arrangement with an initial present value of the future minimum payments of \$5,000 or more and a term that exceeds one year.

Vacation & Sick Leave - Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the *Statement of Net Position*. Bond premiums and discounts are reported as a liability or contra-liability, as appropriate, and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances and payments to bond refunding escrow agents are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources – In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In addition to deferred losses on debt refunding transactions, which are reported as deferred outflows of resources, the District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable tax revenue is reported as a deferred inflow of resources.

Fund Balances and Net Position

Net position on the government-wide Statement of Net Position includes the following:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that is directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by the bond covenants.

Restricted for Capital Projects is the component of net position that is restricted for construction of capital projects.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities and deferred inflows that is not invested in capital assets or restricted for specific purposes.

It is the District's policy to spend funds available from restricted sources prior to unrestricted sources.

Fund balances on the governmental funds' Balance Sheet include the following:

Nonspendable Fund Balance is the portion of the gross fund balance that is not expendable because it is either not in spendable form or it is legally or contractually required to be maintained intact.

Restricted Fund Balance includes amounts restricted for a specific purpose by the provider (such as a grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital Projects bond funds are restricted by the bondholders for the specific purpose of capital projects and capital outlays. Federal and State grant resources are restricted pursuant to the mandates of the granting agency.

Committed Fund Balance is that portion of fund balance that is committed to a specific purpose by the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the constraint by exercising the same type of action originally used to commit the funds.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fund Balances and Net Position** (continued)

Assigned Fund Balance is that portion of fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose. This intent can be expressed by an official to which the Board of Trustees delegates this authority.

Unassigned Fund Balance is the difference between the total fund balance and the total of the nonspendable, restricted, committed, and assigned fund balances and can be utilized for any legal purpose. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 413,204	\$ -	\$ -	\$ -	\$ 413,204
Restricted:					
Debt Service	-	2,964,313	-	-	2,964,313
Federal Grant	-	-	-	2,004,168	2,004,168
Capital Projects	-	-	111,061,826	17,744,645	128,806,471
Unassigned	12,783,492	-	-	176,489	12,959,981
Total Fund Balances	<u>\$ 13,196,696</u>	<u>\$ 2,964,313</u>	<u>\$ 111,061,826</u>	<u>\$ 19,925,302</u>	<u>\$ 147,148,137</u>

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 Resources Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows 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.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation. This methodology is employed in the governmental fund financial statements. Encumbrances are not liabilities and are therefore not recorded as expenditures until receipt of the material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next fiscal year. There were no outstanding encumbrances at year end.

Budgetary Data

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund, and Child Nutrition Special Revenue Fund on a basis consistent with accounting policies generally accepted in the United States of America. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The Budgetary Comparison Schedule for the General Fund appears in Exhibit E-1. The Budgetary Comparison Schedules for the Child Nutrition Fund and Debt Service Fund appear in Exhibits G-2 and G-3. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District’s Fiscal Year.

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

- Prior to August 20, the District prepares a budget for the next succeeding fiscal period beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
- Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the fund and function level. To do so requires the approval of a majority of the members of the Board of Trustees. Amendments are presented to the Board at its regular meetings. Such amendments are reflected in the official minutes of the Board. The budget was properly amended throughout the year by the Board of Trustees.

The Budget Coordinator controls each budget for revenues and expenditures at the fund, function, and object level. Management is able to transfer amounts within each function. Budgeted amounts are as amended by the Board of Trustees. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2023 Fund Balance

Appropriated budget funds - Child Nutrition Special Revenue Fund	\$ 2,004,168
Non-appropriated budget funds	50,560
All Special Revenue Funds	<u>\$ 2,054,728</u>

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS**Explanation of Certain Differences Between the Governmental Fund Balance Sheet & the Government-Wide Statement of Net Position**

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this (\$3,860,062) adjustment are as follows:

Long Term Debt:

Premium and Discount Costs on Debt	\$ (11,380,714)
Deferred Loss on Refunding Bonds	<u>4,456,678</u>
	(6,924,036)

Unavailable Revenue

To remove the current period uncollected tax and prior year collectible from unavailable revenue	<u>1,550,853</u>
	<u>1,550,853</u>

Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (5,373,183)</u>
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Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances & the Government – Wide Statement of Activities

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this (\$3,623,553) adjustment are as follows:

Long-Term Debt:

Current year changes in bond premium	\$ (886,773)
Current year deferred loss on refunding bonds	<u>(242,411)</u>
	(1,129,184)

Taxes:

To move the uncollected tax levy to revenue	<u>(383,937)</u>
	(383,937)

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes to net position of governmental activities	<u>\$ (1,513,121)</u>
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ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

CASH & INVESTMENTS

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

At August 31, 2023, the carrying amount of the District's deposits (cash) was \$3,664,485. The District's combined deposits at August 31, 2023 and during the year ended August 31, 2023 were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

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:

- Safety of principal and liquidity,
- Portfolio diversification,
- Allowable investments,
- Acceptable risk levels,
- Expected rates of return,
- Maximum allowable stated maturity of portfolio investments,
- Maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio,
- Investment staff quality and capabilities, and
- Bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities, repurchase agreements, and certain other investments. The investments owned at fiscal yearend are held by the District or its agent in the District's name.

All investment pools utilized by the District meet the requirements of the Texas Public Funds Investment Act (PFIA). The fair value of the positions in the pools is the same as the value of the pools. The District invests in the following investment pools:

- Texas Local Government Investment Pool (TexPool) - The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool.

In compliance with the PFIA, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Credit risk is the risk that a security issuer may default on an interest or principal payment. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by nationally recognized agencies such as Standard and Poor's (S&P) or Moody's Investors Service.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

CASH & INVESTMENTS *(continued)*

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The District's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the District. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. The District's policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the District to be held in a Safekeeping account in the District's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

Concentration of credit risk is the risk associated with holding investments that are not pools and full faith credit securities. These risks are controlled by limiting the percentages of these investments in the District's portfolio.

Interest rate risk is the risk that interest rates will rise and an investment in a fixed-income security will decrease in value. Interest rate risk is reduced by diversifying, investing in securities with different durations, and laddering maturity dates. The District manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.

Foreign currency risk is the potential for loss due to fluctuations in exchange rates. The District's policy does not allow for any direct foreign investments, and therefore the District is not exposed to foreign currency risk.

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 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 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.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

CASH & INVESTMENTS *(continued)*

The District has recurring fair value measurements as presented in the table below. The District's investment balances at August 31, 2023 are as follows:

<u>Description</u>	<u>Credit Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	AAAm	\$ 141,102,990	\$ 141,102,990

PROPERTY TAXES

The District's ad valorem property tax is levied on all real and business personal property located in the District. A lien exists on all property on January 1st of each year. Tax statements are mailed on October 1st each year or as soon thereafter as possible. Taxes are due upon receipt and become delinquent if not paid before February 1st of the following calendar year. The assessed value of the property tax roll on December 31, 2022, upon which the levy for the 2022-23 fiscal period was based, was \$ 1,891,702,452.

The tax rates levied for the fiscal year ended August 31, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.8546 and \$0.50 per \$100 valuation, respectively, for a total of \$1.3546 per \$100 valuation.

Current year tax collections for the period ended August 31, 2023, were 98% of the levy.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for general obligation bond retirement is provided by the debt service tax together with interest earned within the Debt Service Fund.

Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2023, the allowance for uncollectible taxes was approximately 10% of total delinquent property taxes receivable.

DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation Program and Available School Fund.

Receivables due from other governments as of August 31, 2023, for the District's individual major funds and Non-Major Governmental Funds are as follows:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	1,777,010	-	1,777,010
Special Revenue	-	2,448,277	2,448,277
Total	\$ 1,777,010	2,448,277	4,225,287

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

INTERFUND TRANSACTIONS

Interfund balances at August 31, 2023, consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Funds	\$ 993,191
General Fund	ESSER II Fund	\$ 971,265
General Fund	ESSER III Fund	\$ 1,219,041

All interfund transfers represent transactions between the General Fund and other funds. Special Revenue funds owed the General Fund for grant expenditures financed by General Fund cash prior to receiving reimbursements from federal or state agencies. There were no interfund transfers for the year ended August 31, 2023.

CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2023, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets not being depreciated:				
Land	\$ 2,205,867	-	-	2,205,867
Construction in Progress	1,470,393	2,979,550	(1,283,897)	3,166,046
	3,676,260	2,979,550	(1,283,897)	5,371,913
Capital Assets being depreciated:				
Buildings & Improvements	132,045,254	1,290,971	-	133,336,225
Furniture & Equipment	10,074,031	405,914	-	10,479,945
	142,119,285	1,696,885	-	143,816,170
Less: Accumulated depreciation for:				
Buildings & Improvements	(67,524,313)	(4,031,936)	-	(71,556,249)
Furniture & Equipment	(8,918,846)	(379,891)	-	(9,298,737)
	(76,443,159)	(4,411,827)	-	(80,854,986)
Total Capital Assets for Governmental Activities, net	<u>\$ 69,352,386</u>	<u>264,608</u>	<u>(1,283,897)</u>	<u>68,333,097</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ (2,951,071)
Instructional Resources & Media	(71,913)
Student Transportation	(195,444)
Food Services	(265,592)
Extracurricular Activities	(589,420)
General Administration	(62,207)
Plant Maintenance & Operations	(256,327)
Security & Monitoring	(3,529)
Data Processing Services	(16,324)
Total Depreciation Expense	<u>\$ (4,411,827)</u>

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

CAPITAL ASSETS (continued)

Construction Commitments

At August 31, 2023, the District was obligated under major contracts for construction of new facilities and renovations or repair of various existing facilities. A summary of the status of these projects and the related binding contracts with contractors is as follows:

	08/31/22	Additions	Retirements	08/31/23
AHS Theatre	\$ 181,770	8,922	(190,692)	-
AJH Addition and Security Renovation	1,093,206	-	(1,093,206)	-
Alvarado Elementary North 2024	195,418	1,277,758	-	1,473,176
Lillian Elementary School	-	982,066	-	982,066
New Baseball field for AHS	-	710,805	-	710,805
Total	\$ 1,470,393	2,979,550	(1,283,897)	3,166,047

LONG-TERM DEBT

A summary of changes in long-term debt for the year ended August 31, 2023, follows:

	Interest Rate Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>						
Bonded Indebtedness:						
1995 Refunding	6.05%	\$ 180,000	-	(65,000)	115,000	\$ 60,000
1998 School Building	6.15%	970,000	-	(145,000)	825,000	140,000
2011 Refunding	3.16%	1,755,000	-	(410,000)	1,345,000	435,000
2012 Refunding	2.80%	1,540,000	-	(365,000)	1,175,000	380,000
2014 School Building	4.37%	3,036,000	-	(433,000)	2,603,000	433,000
2015 Refunding	4.38%	8,030,000	-	(145,000)	7,885,000	145,000
2015A Refunding	3.76%	255,000	-	(80,000)	175,000	85,000
2016 Refunding	3.11%	8,570,000	-	(155,000)	8,415,000	165,000
2017 Refunding	2.72%	4,195,000	-	(25,000)	4,170,000	25,000
2020 School Building	4.70%	3,530,000	-	(795,000)	2,735,000	150,000
2020 Maintenance Note	2.75%	3,185,000	-	(415,000)	2,770,000	430,000
2020 Refunding Bonds	2.40%	33,480,000	-	(880,000)	32,600,000	925,000
2022 Adjustable Bond	4.0%-5.0%	20,000,000	-	-	20,000,000	-
2022 Fixed Bond	2.75%	66,975,000	-	-	66,975,000	435,000
2023 New Construction Bond	4.25%	-	33,985,000	-	33,985,000	-
Subtotal		155,701,000	33,985,000	(3,913,000)	185,773,000	3,808,000
Bond Premium		10,493,941	1,423,512	(536,739)	11,380,714	
Accreted Interest		8,339,098	1,850,236	(2,717,994)	7,471,340	3,081,190
Total Bonded Indebtedness		\$ 174,534,039	37,258,748	(7,167,733)	204,625,054	\$ 6,889,190

General obligation bonds consist of School Building and Refunding Bonds, as well as a Maintenance Tax Note bearing interest at 2.4% – 6.15% per annum. Interest expense for the year on all bonded indebtedness was \$4,748,063.

Changes in debt-related deferred outflows of resources for the year ended August 31, 2023, were:

	Beginning Balance	Issued/ Increases	Retired/ Refunded	Ending Balance
Deferred loss on refunding	\$ 4,699,089	-	(242,411)	\$ 4,456,678

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

LONG-TERM DEBT (continued)

Changes in Net Pension Liability and Net OPEB Liability for the year ended August 31, 2023, were:

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 4,686,687	7,151,472	(862,676)	\$ 10,975,483
Net OPEB Liability	\$ 9,597,713	521,401	(4,232,324)	\$ 5,886,790

Capital Appreciation Bonds

A capital appreciation bond (CAB) is a bond bearing no interest that is sold at a significant discount but matures at a stated value. Accreted interest is the obligation associated with CABs and reflects period increases in the obligation to reflect the bond at stated value at maturity. CAB premiums represent premium received on the issuance of these bonds which must also be paid back at maturity. Total accreted interest on CABs at August 31, 2023 is \$7,471,340, which is reported as long-term liabilities in the government-wide financial statements.

Future Debt service requirements for the general obligation bonds are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2024	3,808,000	6,668,513	10,476,513
2025	3,934,000	6,698,508	10,632,508
2026	3,639,000	6,829,907	10,468,907
2027	2,999,000	7,471,945	10,470,945
2028	3,044,000	7,411,432	10,455,432
2029-2033	22,934,000	33,495,762	56,429,762
2034-2038	32,290,000	25,188,298	57,478,298
2039-2043	37,940,000	19,541,975	57,481,975
2044-2048	38,140,000	11,958,900	50,098,900
2049-2052	37,045,000	3,037,900	40,082,900
	<u>185,773,000</u>	<u>128,303,140</u>	<u>314,076,140</u>

UNAVAILABLE REVENUE

Unavailable revenue at August 31, 2023, consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 1,444,191	490,299	1,934,490
Facility Rental	300	-	300
Total	<u>\$ 1,444,491</u>	<u>490,299</u>	<u>1,934,790</u>

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

REVENUES FROM LOCAL & INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property Taxes	15,538,437	9,084,072	-	-	24,622,509
Food Sales	-	-	-	584,967	584,967
Investment Income	524,083	186,116	3,512,943	707,766	4,930,908
Tax Related Income	251,355	97,198	-	-	348,553
Co-Curricular Student Activities	196,470	-	-	167,062	363,532
Other	601,595	-	-	17,925	619,520
Total	<u>\$ 17,111,940</u>	<u>9,367,386</u>	<u>3,512,943</u>	<u>1,477,720</u>	<u>31,469,989</u>

RISK MANAGEMENT

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

Health Care Coverage

For the year ended August 31, 2023, all employees of the District were offered health care coverage under the TRS ActiveCare insurance plan (the Plan), which is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed \$300 per month per enrolled employee to the Plan, and employees, at their option, authorized payroll withholdings to pay the additional cost of premiums for themselves and dependents.

Worker's Compensation Insurance

The District participates in the East Texas Educational Insurance Association (ETEIA), a public entity risk pool. The District pays premiums to ETEIA for its workers' compensation insurance. The ETEIA has obtained reinsurance from Safety National Casualty Corporation for claims exceeding \$225,000. At August 31, 2023, the District's unpaid claims total \$197,696, including incurred but not reported (IBNR) claims of \$60,094, estimated. The District has reported this as a liability in the General Fund.

Changes in the balances of claims liability amounts in fiscal years 2023 and 2022 are as follows:

	2023	2022
Unpaid Claims, Beginning of Period	\$ 179,867	\$ 210,472
Incurred Claims (including IBNR)	60,094	61,121
Claim Payments	(42,265)	(91,726)
Unpaid Claims, End of Period	<u>\$ 197,696</u>	<u>\$ 179,867</u>

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

RISK MANAGEMENT *(continued)*

Unemployment Compensation Pool

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31st. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statement 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.

Litigation & Contingencies

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

State & Federal Programs

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

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). TRS's defined benefit pension plan 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.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN *(continued)*

Employee Retirement Plan *(continued)*

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

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

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity of \$2,000, whichever was less.

Contributions

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

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

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN *(continued)***Employee Retirement Plan - Contributions** *(continued)*

	2022	2023
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	1.70%	1.80%
Current Year Employer Contributions		\$ 1,081,909
Current Year Member Contributions		\$ 2,265,001
2022 Measurement Year NECE On-Behalf Contributions		\$ 1,418,219

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. The District is required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- 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.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN *(continued)*

Employee Retirement Plan *(continued)*

Actuarial Assumptions

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

	August 31, 2021 rolled forward to
Valuation Date	August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91%
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2021.

Discount Rate

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 8.19%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 8.19 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 (see page 53 of the TRSACFR) are summarized below:

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN (continued)

Employee Retirement Plan – Discount Rate (continued)

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

Asset Class	Target Allocation (1) %	Long-Term Expected Arithmetic Real Rate of Return (2)	Expected Contribution to Long-term Portfolio Returns
Global Equity			
U.S.A.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	75.00%
Private Equity	14.00%	7.00%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.18%
Stable Value Hedge Funds	5.00%	3.40%	0.94%
Real Return			
Real Estate	15.00%	4.10%	94.00%
Energy, Natural Resources, and Infrastructure	6.00%	5.10%	37.00%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	43.00%
Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag (3)			-0.91%
Total	100.00%		8.19%

(1) Absolute Return includes Credit Sensitive Investments

(2) Target Allocation is based on the FY2021 policy model.

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

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

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's Proportionate Share of the Net Pension Liability:	\$ 17,073,691	\$ 10,975,483	\$ 6,032,600

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN *(continued)***Employee Retirement Plan – Discount Rate** *(continued)***Pension Liabilities, Pension Expense, Deferred Outflows of Resources & Deferred Inflows of Resources Related to Pensions**

At August 31, 2023, the District reported a liability of \$10,975,483 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 10,975,483
State's proportionate share that is associated with the District	18,043,439
Total	<u>\$ 29,018,922</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022; the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

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

For the year ended August 31, 2023, the District recognized pension expense of \$1,320,339.

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 159,144	\$ 239,286
Changes in actuarial assumptions	2,045,090	509,693
Differences between projected and actual investment earnings	4,264,416	3,180,073
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	338,595	241,302
Total as of August 31, 2022 measurement date	<u>\$ 6,807,245</u>	<u>\$ 4,170,354</u>
Contributions paid to TRS subsequent to the measurement date	1,081,909	-
Total as of Fiscal year end	<u>\$ 7,889,154</u>	<u>\$ 4,170,354</u>

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN (continued)**Employee Retirement Plan – Pension Liabilities, Pension Expense, Deferred Outflows of Resources & Deferred Inflows of Resources Related to Pensions** (continued)

\$1,081,909 reported as deferred outflow 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 ending August 31, 2023. The remaining net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 737,673
2024	396,942
2025	72,255
2026	1,252,545
2027	177,476
	<u>\$ 2,636,891</u>

Defined Other Post-Employment Benefit Plans**Plan Description**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position - Detailed information about the TRS-Care'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_publications.aspx ; by writing to TRS at 1000 Red River Street, Austin, TX 78701; or by calling (512) 542-6592.

Benefits Provided

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

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

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN (continued)**Defined Other Post-Employment Benefit Plans** (continued)

TRS-Care Montly for Retirees		
	Medicare	Non-Medicare
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and Family	1,020	999

Contributions

Contribution rates for the TRS-Care plan are established 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 public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2021</u>	<u>2022</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current Year Employer Contributions		\$ 227,301
Current Year Member Contributions		\$ 184,031
2022 Measurement Year NECE On-behalf Contributions		\$ 246,325

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$5.5 million in fiscal year 2023 to maintain premiums and benefit levels in the 2022-2023 biennium.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN *(continued)*

Defined Other Post-Employment Benefit Plans - Contributions *(continued)*

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

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

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN (continued)**Defined Other Post-Employment Benefit Plans – Actuarial Assumptions** (continued)**Discount Rate**

A single discount rate of 3.91 percent was used to measure the Total OPEB Liability. There was a decrease of .38 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2021 TRS ACFR on page 77.* Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.9%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
Proportionate share of the net OPEB liability:	\$ 6,940,992	\$ 5,886,790	\$ 5,032,751

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

At August 31, 2023, the District reported a liability of \$5,886,790 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction of State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 5,886,790
State's proportionate share that is associated with the District	7,180,959
Total	<u>\$ 13,067,749</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 of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

The following schedule shows the impact of the net OPEB Liability if the healthcare trend rate were calculated using a rate that is 1% less than and 1% greater than the assumed

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	\$ 4,850,741	\$ 5,886,790	\$ 7,229,893

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

DEFINED BENEFIT PENSION PLAN (continued)**Defined Other Post-Employment Benefit Plans** (continued)**Changes Since the Prior Actuarial Valuation**

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) 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, lowered the participation rates, and updated the healthcare trend rate assumption.

Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2023, the District recognized OPEB expense of \$605,249.

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 327,285	\$ 4,904,224
Changes in actuarial assumptions	896,675	4,089,791
Differences between projected and actual investment earnings	17,599	64
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,262,218	651,108
Total as of August 31, 2022 measurement date	\$ 2,503,777	\$ 9,645,187
Contributions paid to TRS subsequent to the measurement date	227,301	-
Total as of Fiscal year end	\$ 2,731,078	\$ 9,645,187

\$227,301 reported as deferred outflow 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 ending August 31, 2023. The remaining net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in pension expense as follows:

Fiscal Year ended August 31,	
2023	\$ (1,275,874)
2024	(1,275,813)
2025	(1,026,175)
2026	(688,205)
2027	(853,072)
Thereafter	(2,022,271)
	<u>\$ (7,141,410)</u>

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRSCare) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The funds allocated to the District are considered on-behalf payments and are recognized as equal revenues and expenditures in the General Fund. For the year ended August 31, 2023, the contribution made on behalf of the District was \$1,907,310.

ALVARADO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended August 31, 2023

ARBITRAGE COMPLIANCE

The District is monitoring its compliance with Federal arbitrage regulations. As of August 31, 2023, the District is in compliance with Federal regulations and the District has no liability for arbitrage rebates.

TAX ABATEMENTS

In compliance with GASB Statement #77, the District did not have any outstanding tax abatements for the year ended August 31, 2023.

Prior Period Adjustment

In fiscal year 2022, accounts payable were understated in General Fund and Special Revenue Fund by \$210,455 and \$89,737, respectively, and overstated in Capital Project Fund by \$324,585. The prior period adjustment was necessary to correct beginning accounts payable and beginning net assets. The net effect of the prior period adjustment was to increase the overall fund balance and net position by \$24,393.

EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 11, 2023, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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ALVARADO ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 18,134,724	\$ 18,286,471	\$ 17,111,940	\$ (1,174,531)
5800	State Program Revenues	18,932,603	18,932,603	18,834,374	(98,229)
5900	Federal Program Revenues	1,300,000	1,300,000	1,348,987	48,987
5020	Total Revenues	38,367,327	38,519,074	37,295,301	(1,223,773)
EXPENDITURES:					
Current:					
0011	Instruction	21,589,840	21,728,034	21,707,321	20,713
0012	Instructional Resources and Media Services	161,715	146,231	139,885	6,346
0013	Curriculum and Instructional Staff Development	482,323	477,129	504,920	(27,791)
0021	Instructional Leadership	504,605	556,390	677,820	(121,430)
0023	School Leadership	1,849,129	1,851,409	1,929,293	(77,884)
0031	Guidance, Counseling, and Evaluation Services	1,251,394	1,096,191	1,056,494	39,697
0032	Social Work Services	427,452	426,052	227,338	198,714
0033	Health Services	405,799	404,030	337,050	66,980
0034	Student (Pupil) Transportation	1,737,967	1,737,967	1,832,597	(94,630)
0035	Food Services	1,800	1,800	3,070	(1,270)
0036	Extracurricular Activities	1,179,957	1,173,819	1,228,275	(54,456)
0041	General Administration	1,453,035	1,496,278	1,593,937	(97,659)
0051	Facilities Maintenance and Operations	4,752,008	4,738,287	5,146,983	(408,696)
0052	Security and Monitoring Services	560,335	566,435	390,054	176,381
0053	Data Processing Services	1,158,181	1,228,407	1,252,973	(24,566)
0061	Community Services	253,487	391,734	458,132	(66,398)
Debt Service:					
0071	Principal on Long-Term Liabilities	390,000	390,000	415,000	(25,000)
0072	Interest on Long-Term Liabilities	108,300	108,300	81,100	27,200
Capital Outlay:					
0081	Facilities Acquisition and Construction	100,000	582	-	582
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	5,000	(5,000)
6030	Total Expenditures	38,367,327	38,519,075	38,987,242	(468,167)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1)	(1,691,941)	(1,691,940)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	869,879	869,879	-	(869,879)
8911	Transfers Out (Use)	(869,879)	(869,879)	-	869,879
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	-	(1)	(1,691,941)	(1,691,940)
0100	Fund Balance - September 1 (Beginning)	15,099,092	15,099,092	15,099,092	-
1300	Increase (Decrease) in Fund Balance	-	-	(210,455)	(210,455)
3000	Fund Balance - August 31 (Ending)	\$ 15,099,092	\$ 15,099,091	\$ 13,196,696	\$ (1,902,395)

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

	FY 2023 <u>Plan Year 2022</u>	FY 2022 <u>Plan Year 2021</u>	FY 2021 <u>Plan Year 2020</u>
District's Proportion of the Net Pension Liability (Asset)	0.024585652%	0.01840337%	0.0181422%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 10,975,483	\$ 4,686,687	\$ 9,716,617
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	18,043,439	7,420,484	16,487,609
Total	<u>\$ 29,018,922</u>	<u>\$ 12,107,171</u>	<u>\$ 26,204,226</u>
District's Covered Payroll	\$ 28,312,510	\$ 26,487,178	\$ 23,209,765
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	38.73%	17.69%	41.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

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

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

<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year</u>
0.0191816%	0.0180643%	0.0172916%	0.0173935%	0.018155%	\$ -
\$ 9,971,194	\$ 9,946,053	\$ 5,528,934	\$ 6,572,727	6,417,551	\$ 2,723,740
15,085,150	15,808,688	9,557,136	11,753,013	10,971,853	\$ 9,579,928
<u>\$ 25,056,344</u>	<u>\$ 25,754,741</u>	<u>\$ 15,086,070</u>	<u>\$ 18,325,740</u>	<u>\$ 17,389,404</u>	<u>\$ 12,303,668</u>
\$ 21,511,886	\$ 20,227,999	\$ 19,369,070	\$ 19,130,726	18,190,277	\$ 17,148,757
46.35%	49.15%	28.55%	34.36%	35.28%	\$ 16
75.24%	73.74%	82.17%	78.00%	78.43%	\$ 83

ALVARADO ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 1,081,909	\$ 834,482	\$ 777,873
Contribution in Relation to the Contractually Required Contribution	(1,081,909)	(834,482)	(777,873)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 28,312,510	\$ 26,487,178	\$ 24,283,909
Contributions as a Percentage of Covered Payroll	3.82%	3.15%	3.20%

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

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

2020	2019	2018	2017	2016	2015
\$ 748,100	\$ 669,163	\$ 612,868	\$ 566,719	\$ 552,816	\$ 537,577
(748,100)	(669,163)	(612,868)	(566,719)	(552,816)	(537,577)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 23,209,765	\$ 21,511,886	\$ 20,227,999	\$ 19,369,070	\$ 19,130,726	\$ 18,190,277
3.22%	3.11%	3.03%	2.93%	2.89%	2.96%

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

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.024585652%	0.025814%	0.0252427%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 5,886,790	\$ 9,957,714	\$ 9,595,882
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	7,180,959	13,341,117	12,894,566
Total	<u>\$ 13,067,749</u>	<u>\$ 23,298,831</u>	<u>\$ 22,490,448</u>
District's Covered Payroll	\$ 28,312,510	\$ 26,487,178	\$ 23,209,765
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	20.79%	37.59%	41.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

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

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

FY 2019 Plan Year		FY 2019 Plan Year		FY 2018 Plan Year	
	0.0250337%		0.0231657%	\$	0.0222512%
\$	11,838,745	\$	11,566,830	\$	9,676,192
	15,731,044		17,459,931	\$	15,346,916
\$	27,569,789	\$	29,026,761	\$	25,023,108
\$	21,511,886	\$	20,227,999	\$	19,369,070
	55.03%		57.18%	\$	49.96%
	2.66%		1.57%	\$	0.91%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 227,301	\$ 201,843	\$ 201,668
Contribution in Relation to the Contractually Required Contribution	(227,301)	(201,843)	(201,668)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 28,312,510	\$ 26,487,178	\$ 24,283,909
Contributions as a Percentage of Covered Payroll	0.80%	0.76%	0.83%

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

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

2020	2019	2018	
\$ 190,892	\$ 178,248	\$ 161,023	
(190,892)	(178,248)	(161,023)	
\$ -	\$ -	\$ -	
\$ 23,209,765	\$ 21,511,886	\$ 20,227,999	
0.82%	0.83%	0.80%	

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COMBINING STATEMENTS

ALVARADO ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ 9,493	\$ -	\$ (8,161)	\$ 10,249
1120	Investments - Current	-	-	-	2,036,932
1240	Due from Other Governments	98,155	510,370	8,290	88,352
1290	Other Receivables	-	-	-	1,315
1000	Total Assets	<u>\$ 107,648</u>	<u>\$ 510,370</u>	<u>\$ 129</u>	<u>\$ 2,136,848</u>
LIABILITIES					
2150	Payroll Deductions and Withholdings Payable	\$ 2,118	\$ 5,981	\$ 130	\$ 191
2160	Accrued Wages Payable	12,593	44,403	-	-
2170	Due to Other Funds	92,937	459,986	-	-
2200	Accrued Expenditures	-	-	-	132,489
2000	Total Liabilities	<u>107,648</u>	<u>510,370</u>	<u>130</u>	<u>132,680</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	2,004,168
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,004,168</u>
4000	Total Liabilities and Fund Balances	<u>\$ 107,648</u>	<u>\$ 510,370</u>	<u>\$ 130</u>	<u>\$ 2,136,848</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER 1 - Emergency Sch Relief Fund	279 ESSER III TCLAS ARP Act	280 ESSER III Homeless Children	284 IDEA B Formula ARP Act	285 IDEA B Preschool ARP Act
\$ 2,952	\$ (5,297)	\$ 27,345	\$ 141,587	\$ 85,320	\$ (6,384)	\$ (159,876)	\$ (6,019)
-	-	-	-	-	-	-	-
-	17,785	34,003	-	127,374	6,384	164,619	6,019
-	-	-	-	-	-	-	-
<u>\$ 2,952</u>	<u>\$ 12,488</u>	<u>\$ 61,348</u>	<u>\$ 141,587</u>	<u>\$ 212,694</u>	<u>\$ -</u>	<u>\$ 4,743</u>	<u>\$ -</u>
\$ 219	\$ 471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	8,428	-	-	-	-	-	-
2,732	3,589	61,348	141,587	212,694	-	4,744	-
-	-	-	-	-	-	-	-
<u>2,951</u>	<u>12,488</u>	<u>61,348</u>	<u>141,587</u>	<u>212,694</u>	<u>-</u>	<u>4,744</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,951</u>	<u>\$ 12,488</u>	<u>\$ 61,348</u>	<u>\$ 141,587</u>	<u>\$ 212,694</u>	<u>\$ -</u>	<u>\$ 4,744</u>	<u>\$ -</u>

ALVARADO ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 18,459	\$ 66	\$ (43,002)	\$ (39,144)
1120	Investments - Current	-	-	-	-
1240	Due from Other Governments	7,639	-	-	38,750
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 26,098</u>	<u>\$ 66</u>	<u>\$ (43,002)</u>	<u>\$ (394)</u>
LIABILITIES					
2150	Payroll Deductions and Withholdings Payable	\$ 359	\$ -	\$ -	\$ 33
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	13,574	-	-	-
2200	Accrued Expenditures	-	-	-	-
2000	Total Liabilities	<u>13,933</u>	<u>-</u>	<u>-</u>	<u>33</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3600	Unassigned Fund Balance	12,165	66	(43,002)	(427)
3000	Total Fund Balances	<u>12,165</u>	<u>66</u>	<u>(43,002)</u>	<u>(427)</u>
4000	Total Liabilities and Fund Balances	<u>\$ 26,098</u>	<u>\$ 66</u>	<u>\$ (43,002)</u>	<u>\$ (394)</u>

461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	620 Capital Project Fund	622 Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 202,809	\$ 4,878	\$ 235,275	\$ (16,920)	\$ 17,195	\$ 275	\$ 235,550
-	-	2,036,932	2,976,629	14,772,028	17,748,657	19,785,589
-	-	1,107,740	-	-	-	1,107,740
-	-	1,315	-	-	-	1,315
<u>\$ 202,809</u>	<u>\$ 4,878</u>	<u>\$ 3,381,262</u>	<u>\$ 2,959,709</u>	<u>\$ 14,789,223</u>	<u>\$ 17,748,932</u>	<u>\$ 21,130,194</u>
\$ -	\$ -	\$ 9,502	\$ -	\$ -	\$ -	\$ 9,502
-	-	65,424	-	-	-	65,424
-	-	993,191	-	-	-	993,191
-	-	132,489	4,286	-	4,286	136,775
-	-	1,200,606	4,286	-	4,286	1,204,892
-	-	2,004,168	-	-	-	2,004,168
-	-	-	2,955,422	14,789,223	17,744,645	17,744,645
202,809	4,878	176,489	-	-	-	176,489
<u>202,809</u>	<u>4,878</u>	<u>2,180,657</u>	<u>2,955,422</u>	<u>14,789,223</u>	<u>17,744,645</u>	<u>19,925,302</u>
<u>\$ 202,809</u>	<u>\$ 4,878</u>	<u>\$ 3,381,263</u>	<u>\$ 2,959,708</u>	<u>\$ 14,789,223</u>	<u>\$ 17,748,931</u>	<u>\$ 21,130,194</u>

ALVARADO ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 666,329
5800	State Program Revenues	-	-	-	10,028
5900	Federal Program Revenues	797,054	848,197	15,196	1,914,225
5020	Total Revenues	797,054	848,197	15,196	2,590,582
EXPENDITURES:					
Current:					
0011	Instruction	748,682	818,347	15,196	-
0012	Instructional Resources and Media Services	-	-	-	-
0021	Instructional Leadership	-	29,850	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	48,372	-	-	-
0035	Food Services	-	-	-	2,257,985
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	797,054	848,197	15,196	2,257,985
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	332,597
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	332,597
0100	Fund Balance - September 1 (Beginning)	-	-	-	1,761,308
1300	Increase (Decrease) in Fund Balance	-	-	-	(89,737)
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 2,004,168

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER 1 - Emergency Sch Relief Fund	279 ESSER III TCLAS ARP Act	280 ESSER III Homelss Children	284 IDEA B Formula ARP Act	285 IDEA B Preschool ARP Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
41,220	121,421	85,896	10,672	148,488	6,384	159,876	6,019
41,220	121,421	85,896	10,672	148,488	6,384	159,876	6,019
7,349	121,421	85,896	-	148,488	6,384	159,876	6,019
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
33,871	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	10,672	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
41,220	121,421	85,896	10,672	148,488	6,384	159,876	6,019
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ALVARADO ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	229,789	124,101
5900 Federal Program Revenues	78,354	-	-	-
5020 Total Revenues	78,354	-	229,789	124,101
EXPENDITURES:				
Current:				
0011 Instruction	78,354	-	283,021	124,527
0012 Instructional Resources and Media Services	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	78,354	-	283,021	124,527
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(53,232)	(426)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	(53,232)	(426)
0100 Fund Balance - September 1 (Beginning)	12,165	66	10,230	-
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ 12,165	\$ 66	\$ (43,002)	\$ (426)

461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	620 Capital Project Fund	622 Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 184,987	\$ -	\$ 851,316	\$ 126,376	\$ 500,028	\$ 626,404	\$ 1,477,720
-	-	363,918	-	-	-	363,918
-	-	4,233,002	-	-	-	4,233,002
184,987	-	5,448,236	126,376	500,028	626,404	6,074,640
151,062	-	2,754,622	-	-	-	2,754,622
12,358	-	12,358	-	-	-	12,358
-	-	29,850	-	-	-	29,850
656	-	656	-	-	-	656
-	-	82,243	-	-	-	82,243
-	-	2,257,985	-	-	-	2,257,985
55,326	-	65,998	-	-	-	65,998
18,758	-	18,758	-	-	-	18,758
(144)	-	(144)	-	-	-	(144)
1,900	-	1,900	-	-	-	1,900
3,022	-	3,022	-	-	-	3,022
2,200	3,122	5,322	-	-	-	5,322
-	-	-	33,251	710,805	744,056	744,056
245,138	3,122	5,232,570	33,251	710,805	744,056	5,976,626
(60,151)	(3,122)	215,666	93,125	(210,777)	(117,652)	98,014
-	-	-	-	15,000,000	15,000,000	15,000,000
(60,151)	(3,122)	215,666	93,125	14,789,223	14,882,348	15,098,014
262,959	8,000	2,054,728	2,537,712	-	2,537,712	4,592,440
-	-	(89,737)	324,585	-	324,585	234,848
\$ 202,808	\$ 4,878	\$ 2,180,657	\$ 2,955,422	\$ 14,789,223	\$ 17,744,645	\$ 19,925,302

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REQUIRED T.E.A SCHEDULES

ALVARADO ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ 11,618,738,420
2015	1.040000	0.42100	1,455,158,554
2016	1.040000	0.42100	1,436,276,906
2017	1.040000	0.42100	1,279,754,327
2018	1.040000	0.42100	1,215,157,455
2019	1.040000	0.42100	1,342,474,548
2020	0.970000	0.50000	1,453,385,046
2021	0.872000	0.50000	1,458,241,556
2022	0.872000	0.50000	1,710,843,505
2023 (School year under audit)	0.854600	0.50000	1,891,702,452
1000 TOTALS			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
\$ 913,807	\$ -	\$ 15,466	\$ 4,472	\$ (470,438)	\$ 423,431
89,470	-	2,841	1,150	(1,878)	83,601
78,957	-	3,087	1,249	666	75,287
92,168	-	2,859	1,157	38	88,190
69,678	-	3,347	1,354	(2,106)	62,871
85,201	-	9,507	3,848	578	72,424
129,987	-	25,324	13,053	5,594	97,204
301,208	-	25,546	13,218	(148,256)	114,188
432,194	-	135,453	81,987	3,942	218,696
-	25,009,562	15,470,545	9,051,338	(519)	487,160
<u>\$ 2,192,670</u>	<u>\$ 25,009,562</u>	<u>\$ 15,693,975</u>	<u>\$ 9,172,826</u>	<u>\$ (612,379)</u>	<u>\$ 1,723,052</u>

ALVARADO ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,119,241	\$ 1,119,241	\$ 666,329	\$ (452,912)
5800 State Program Revenues	10,550	10,550	10,028	(522)
5900 Federal Program Revenues	1,707,704	1,707,704	1,914,225	206,521
5020 Total Revenues	2,837,495	2,837,495	2,590,582	(246,913)
EXPENDITURES:				
Current:				
0035 Food Services	2,837,495	2,837,495	2,257,985	579,510
6030 Total Expenditures	2,837,495	2,837,495	2,257,985	579,510
1200 Net Change in Fund Balances	-	-	332,597	332,597
0100 Fund Balance - September 1 (Beginning)	-	1,761,308	1,761,308	-
1300 Increase (Decrease) in Fund Balance	-	-	(89,737)	(89,737)
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 1,761,308	\$ 2,004,168	\$ 242,860

ALVARADO ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 10,131,002	\$ 10,131,002	\$ 9,367,385	\$ (763,617)
5800	State Program Revenues	-	-	316,241	316,241
5020	Total Revenues	10,131,002	10,131,002	9,683,626	(447,376)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Liabilities	4,833,000	4,833,000	4,833,000	-
0072	Interest on Long-Term Liabilities	5,288,002	5,288,002	5,404,817	(116,815)
0073	Bond Issuance Cost and Fees	10,000	10,000	5,651	4,349
6030	Total Expenditures	10,131,002	10,131,002	10,243,468	(112,466)
1100	Excess (Deficiency) of Revenues Over Expenditures	-	-	(559,842)	(559,842)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	116,816	116,816
1200	Net Change in Fund Balances	-	-	(443,026)	(443,026)
0100	Fund Balance - September 1 (Beginning)	-	3,407,339	3,407,339	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 3,407,339	\$ 2,964,313	\$ (443,026)

ALVARADO ISD
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	3,813,869
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	1,499,467

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.	581,787
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	434,963

FEDERAL AWARDS SECTION

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

Board of Trustees
Alvarado Independent School District
Alvarado, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alvarado Independent School, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Alvarado Independent School's basic financial statements and have issued our report thereon dated December 11, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Frisco, Texas

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

Board of School Trustees
Alvarado Independent School District

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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



Frisco, Texas

January 6, 2024

ALAVARADO INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2023

Summary of Auditor's Results:

Financial Statements

- An unmodified opinion was issued on the financial statements.
- Internal control over financial reporting:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified that are not considered a material weakness? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted. ☐ Yes ☒ No

Major Federal Programs

- Internal control over major federal programs:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified that are not considered a material weakness? ☐ Yes ☒ None reported
- An unmodified opinion was issued on compliance for major federal programs.
- Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No
- Identification of major federal programs:
 - Education Stabilization Funds 84.425D, 84.425W, & 84.425U
 - Title I, Part A - Improving Basic Programs 84.010A
 - Special Education Cluster 84.027
- The dollar threshold used to distinguish between Type A and Type B programs. \$750,000
- Auditee qualified as a low-risk auditee. ☐ Yes ☒ No

ALAVARADO INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings For the Year Ended August 31, 2023

Status of Prior Year's

Program

Finding/Noncompliance

-NONE-

ALAVARADO INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan
For the Year Ended August 31, 2023

Program

Corrective Action Plan

-NONE-

Contact Person: Mr. Rodney Toon
Chief Financial Officer

ALVARADO ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
Title I, Part A - Improving Basic Programs	84.010	5010A200043	\$ 797,054
Career and Technical - Basic Grant	84.048	V048A200043	41,220
*IDEA - Part B, Preschool	84.173	H173A210004	15,196
*COVID 19 - IDEA, Part B, Preschool- (ARP)	84.173X	H173X210004	6,019
Total Assistance Listing Number 84.173			21,215
*COVID 19 - IDEA, Part B, Formula - (ARP)	84.027X	H027X210008	159,876
*IDEA - Part B, Formula	84.027	H027A210008	848,197
Total Assistance Listing Number 84.027			1,008,073
Total Special Education Cluster (IDEA)			1,029,288
ESEA, Title II, Part A, Supporting Effective Instruction	84.367	S367A2000041	121,421
Title III, Part A - English Language Acquisition	84.365	S365A2000043	85,896
Title IV, Part A - Student Support and Academic Enrichment	84.424A	S424A210045	68,120
COVID 19 - ESSER I - School Emergency Relief Fd	84.425D	S425D210042	10,672
COVID 19 - ESSER II - School Emergency Relief	84.425D	S425D210042	736,743
COVID 19 - ARP Education for Homeless Children	84.425W	S425W210045	6,384
COVID 19 - ESSER II - School Emergency Relief	84.425D	S425D210042	1,891,585
COVID 19 - School Emergency Relief Fund - ARP ESSER III	84.425U	S425U210042	148,488
Total Assistance Listing Number 84.425			2,793,872
LEP Summer School	84.369A	S369A200045	10,234
Total Passed Through Texas Education Agency			4,947,105
TOTAL U.S. DEPARTMENT OF EDUCATION			4,947,105
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health and Human Services Commission</u>			
*Medical Assistance Program (Medicaid; Title XIX)	93.778	HHS001114100001	34,324
Total Medicaid Cluster			34,324
Total Passed Through Texas Health and Human Services Commission			34,324
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			34,324
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	202323N109946	352,883
*National School Lunch Program - Cash Assistance	10.555	202323N109946	1,382,552
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	178,790
Total Assistance Listing Number 10.555			1,561,342
Total Child Nutrition Cluster			1,914,225
Total Passed Through the Texas Department of Agriculture			1,914,225
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,914,225
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,895,654

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ALAVARADO INDEPENDENT SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2023

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's "Financial Accountability System Resource Guide". Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred expenditures until earned.

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

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