

PALACIOS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the year ended August 31, 2024

PALACIOS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the year ended August 31, 2024

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PALACIOS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

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CERTIFICATE OF BOARD

Palacios Independent School District
Name of School District

Matagorda
County

158-905
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) () approved () disapproved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2025.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Palacios Independent School District
Palacios, Texas 77465

Members of the Board:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palacios Independent School District (the "District") as of and for the year ended August 31, 2024, 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, 2024 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 ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability (TRS), the Schedule of the District Contributions for Pensions (TRS), the Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS), and the Schedule of the District Contributions for Other Post Employment Benefits (TRS) as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining nonmajor fund financial statements, the compliance schedules required by the Texas Education Agency, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the compliance schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

January 6, 2025

PALACIOS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended August 31, 2024

In this section of the Annual Financial Report, we, the managers of Palacios Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2024. Please read it in conjunction with the independent auditors' report on pages 2 through 4 and the District's basic financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the fiscal year ended August 31, 2024, by \$24,009,489. Of this amount, \$5,986,224 of unrestricted net position is available to meet the District's ongoing obligations to students and creditors.
- The District's total net position decreased by \$11,339,904 as a result of this year's operations.
- At August 31, 2024, the District's governmental funds reported combined ending fund balances of \$26,775,232, a net decrease of \$59,034,876 in comparison with prior year. The net decrease in fund balance was made up of a decrease of \$4,299,294 in the General Fund, an increase of \$203,437 in the Debt Service Fund, a decrease in the Major Capital Projects Fund fund balance of \$54,071,582, and a decrease of \$867,437 in the Nonmajor Governmental Funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,330,210, or 41 percent of total General Fund expenditures.
- The District's capital assets, net of depreciation, had a net increase of \$46,890,194 or 55 percent from the prior year balance primarily due to new campus construction.
- The District's total bonded debt had a net decrease of \$2,665,779 or two percent during the current fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14-15). 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 on page 16) 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. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee for the benefit of those outside of the District.

The notes to the financial statements (starting on page 27) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by the Texas Education Agency (TEA). The sections labeled Supplemental Schedules and Overall Compliance and Internal Control 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.

USING THIS ANNUAL REPORT - (Continued)

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District's financial condition improved or declined as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and deferred outflows and liabilities and deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we disclose the District's one type of activity:

Governmental activities - All of the District's basic services are reported here, including instruction, counseling, cocurricular/extracurricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds -not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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 that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary fund - The District reports the activities for which it charges users (whether outside customers or other units of the District) in a proprietary fund using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's Internal Service Fund reports activities that provide supplies and services for the District's other programs and activities - such as the District's self-insurance program.

USING THIS ANNUAL REPORT - (Continued)

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for alumni scholarship programs. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$35,349,393 to \$24,009,489. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$5,986,224 at August 31, 2024. This decrease in governmental net position was the result of two factors. One, the District's expenses exceeded the revenues by \$906,121 and two, the District recognized a loss on the disposition of capital assets in the amount of \$10,433,783 which is reported as a special item for fiscal year 2024.

Table I
Palacios Independent School District

NET POSITION			
	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2024</u>	<u>2023</u>	
Assets			
Current and other assets	\$ 33,813,901	\$ 98,162,836	-65.55%
Capital assets, net	131,470,301	84,580,107	55.44%
Total assets	<u>165,284,202</u>	<u>182,742,943</u>	
Deferred outflows of resources	<u>3,111,789</u>	<u>3,295,662</u>	-5.58%
Liabilities			
Long-term liabilities	132,366,025	132,437,036	-0.05%
Other liabilities	6,564,832	11,877,441	-44.73%
Total liabilities	<u>138,930,857</u>	<u>144,314,477</u>	
Deferred inflows of resources	<u>5,455,645</u>	<u>6,374,735</u>	-14.42%
Net position			
Net investment in capital assets	16,379,274	16,866,365	-2.89%
Restricted for state and federal programs	613,580	519,593	18.09%
Restricted for debt service	680,127	449,642	N/A
Restricted for campus activities	350,284	354,150	-1.09%
Unrestricted	<u>5,986,224</u>	<u>17,159,643</u>	-65.11%
Total net position	<u>\$ 24,009,489</u>	<u>\$ 35,349,393</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

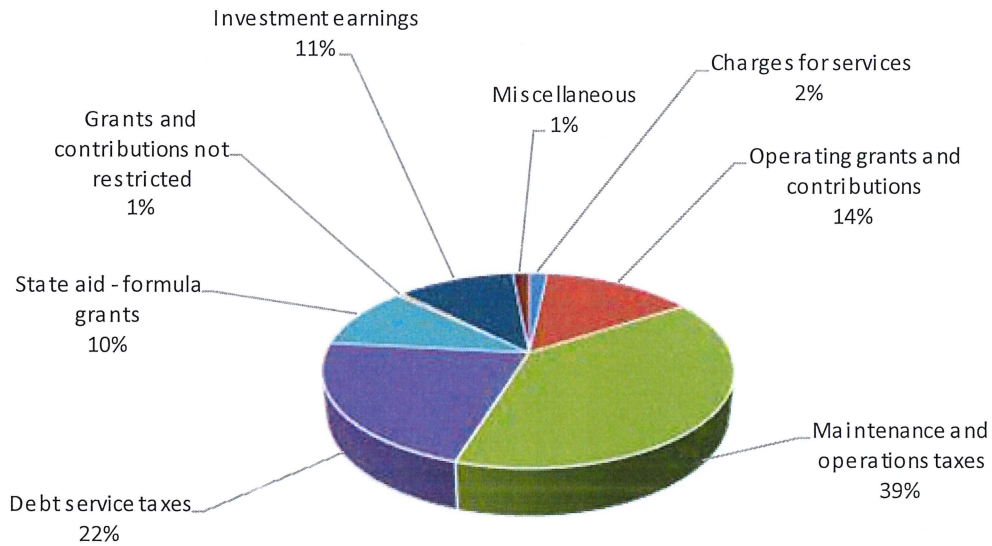
**Table II
Palacios Independent School District**

CHANGES IN NET POSITION

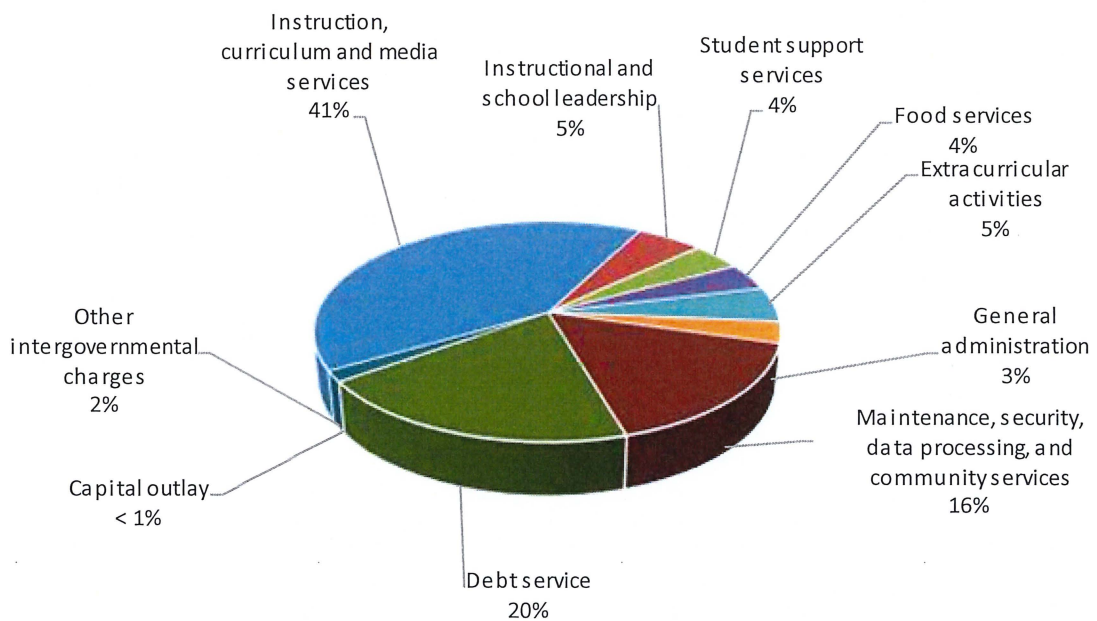
	Governmental Activities		Total % Change
	2024	2023	
Revenues			
Program revenues			
Charges for services	\$ 492,324	\$ 478,112	2.97%
Operating grants and contributions	4,040,301	3,819,269	5.79%
General revenues			
Maintenance and operations taxes	11,144,271	12,893,786	-13.57%
Debt service taxes	6,244,457	6,907,455	-9.60%
State aid - formula grants	2,947,928	1,139,112	158.79%
Grants and contributions not restricted	158,237	372,575	-57.53%
Unrestricted investment earnings	3,138,260	4,402,301	-28.71%
Miscellaneous	434,851	456,211	-4.68%
Total revenues	<u>28,600,629</u>	<u>30,468,821</u>	
Expenses			
Instruction, curriculum and media services	12,114,890	10,452,475	15.90%
Instructional and school leadership	1,586,993	1,466,995	8.18%
Student support services	1,214,163	1,252,192	-3.04%
Food services	1,183,359	1,257,353	-5.88%
Extracurricular activities	1,491,470	1,280,894	16.44%
General administration	945,207	1,008,275	-6.26%
Maintenance, security, data processing, and community services	4,688,587	4,135,146	13.38%
Debt service	5,802,309	3,835,802	51.27%
Capital outlay	7,423	-	N/A
Contracted instructional services between schools	-	33,103	-100.00%
Other intergovernmental charges	472,349	467,469	1.04%
Total expenses	<u>29,506,750</u>	<u>25,189,704</u>	
Excess (deficiency) before special item	(906,121)	5,279,117	
Special item - (use)	<u>(10,433,783)</u>	-	N/A
Change in net position	(11,339,904)	5,279,117	
Net position at beginning of year	<u>35,349,393</u>	<u>30,070,276</u>	
Net position at end of year	<u>\$ 24,009,489</u>	<u>\$ 35,349,393</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Revenues 2024



Expenses 2024



GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The District's total revenues for the year ended August 31, 2024 were \$28,600,629. This is a decrease of \$1,868,192 or six percent from the prior year. The net decrease was mainly due to the decrease in property taxes received during fiscal year 2024 compared to the prior year in the amount of \$2,412,513 or 12 percent as well as a decrease in investment earnings of \$1,264,041 or 29 percent.

The cost of all governmental activities was \$29,506,750 compared to \$25,189,704 last year. As shown in the Statement of Activities on pages 13 and 14, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$17,388,728 because some of the costs were paid by those who directly benefited from the programs \$12,118,022 or by other governments and organizations that subsidized certain programs with grants and contributions.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$26,775,232, which is less than last year's total of \$85,810,108. Included in this year's total change in fund balance, is a decrease of \$4,299,294 or 24 percent in the District's General Fund which was a result of the expenditures exceeding the revenues by the same amount. In addition, the Debt Service Fund fund balance increased \$203,437 and the Major Capital Projects Fund fund balance decreased \$54,071,582 which is a result of the spending of the proceeds from the 2022 Unlimited Tax School Building Bonds during fiscal year 2024.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2023). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$13,379,333 reported on page 19 differs from the General Fund's budgetary fund balance of \$9,111,272 reported in the budgetary comparison schedule on page 61. This is mainly due to the revenues coming in more than expected in the amount of \$1,135,643 and expenditures coming in \$3,132,418 less than the final budgeted expenditures for fiscal year 2024.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the 2023-2024 school year, the District's Board amended the General Fund expenditure budget to \$23,604,913. The difference between the General Fund's original expenditure budget and final amended expenditure budget was an increase of \$6,010,377. Of this increase, \$5,350,371 was a Board approved spending from fund balance for additional capital projects. The remaining increase in the budget was due to an increase in insurance costs, maintenance expenditures, and technology costs.

The revenue budget decreased by approximately \$1,756,994. The federal SHARS revenue decrease was not anticipated, totaling over \$270,000. State program revenues were amended at year end to adjust for actual state funding based on student counts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024 the District had \$131,470,301 net of depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$46,890,194 from last year.

This year's major additions included the completion of new school campuses, high school parking lot, fine arts building, and stadium, as well as the purchase of various vehicles and equipment.

More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

Debt

At the end of 2024, the District had \$121,688,426 in general obligation bonds outstanding (including bond premiums) versus \$124,354,205 last year. This represents a net decrease in outstanding debt of two percent.

More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the 2025 budget and tax rates. The amount appropriated in the General Fund budget was \$20,138,788, which is a decrease from the amended 2024 budget of \$3,466,125. The decrease is due to the reduction in capital project expenditures. If those expenditures were removed from the picture, the remaining budget actually increased by \$1,884,246. The 2025 budget increase, exclusive of capital projects, can be shown to be caused by higher insurance costs, payment of recapture, and a small salary increase.

After several years of the District not paying recapture, this turn of events is caused by a major increase in property values assessed by the Central Appraisal District. Much of the increase in values was from the sale of the nuclear plant. However, these values are being contested and may come back to the District as a revenue change in the future.

In May of 2021, the District passed a bond election in the amount of \$125,000,000. All projects reached near final as of July 1, 2024, which allowed the students to move into the buildings for the 2024-2025 school year. Work and monitoring is still in progress to make sure all buildings are completed as required.

For the 2024-2025 school year, the District applied for and received the New Instructional Facilities Allotment totaling \$1,223,083. These funds were very helpful in getting the new schools up and running.

The ESSER funding is ending with the final ESSER III expenditures being spent in September of 2024. These funds have helped to keep District campuses healthy, safe and well equipped with technological equipment. Student support was provided when and where it was most needed.

The District's Board and staff are working diligently to keep fund balance intact and if fund balance reduction is required, to keep it at a minimum.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Palacios Independent School District, 1209 Twelfth Street, Palacios, Texas 77465.

BASIC FINANCIAL STATEMENTS

PALACIOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2024

EXHIBIT A-1

Data Control Codes		1 Primary Government
		Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 30,714,312
1120	Current investments	651,440
1220	Property taxes receivable (delinquent)	895,048
1230	Allowance for uncollectible taxes	(226,888)
1240	Due from other governments	650,846
1250	Accrued interest	37,500
1290	Other receivables, net	38,904
1300	Inventories	38,423
1410	Prepayments	1,014,316
	Capital assets	
1510	Land	926,631
1520	Buildings and improvements, net	128,304,204
1530	Furniture and equipment, net	2,239,466
1000	Total assets	<u>165,284,202</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflow related to TRS Pension	2,369,239
1706	Deferred outflow related to TRS OPEB	742,550
1700	Total outflows of resources	<u>3,111,789</u>
LIABILITIES		
2110	Accounts payable	5,251,023
2140	Accrued interest payable	174,259
2160	Accrued wages payable	1,031,890
2180	Due to other governments	774
2200	Accrued expenses	84,386
2300	Unearned revenue	22,500
	Noncurrent liabilities	
	Due within one year:	
2501	Bonds, notes, leases, etc.	2,190,000
	Due in more than one year:	
2502	Bonds, notes, leases, etc.	121,646,562
2540	Net pension liability (District's share)	5,916,761
2545	Net OPEB liability (District's share)	2,612,702
2000	Total liabilities	<u>138,930,857</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflow related to TRS Pension	574,866
2606	Deferred inflow related to TRS OPEB	4,880,779
2600	Total inflows of resources	<u>5,455,645</u>
NET POSITION		
3200	Net investment in capital assets	16,379,274
	Restricted for	
3820	State and federal programs	613,580
3850	Debt service	680,127
3870	Campus activities	350,284
3900	Unrestricted net position	5,986,224
3000	Total net position	<u>\$ 24,009,489</u>

The accompanying notes are an integral part of this statement.

PALACIOS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the year ended August 31, 2024

Data Control Codes		<u>Program Revenues</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
	Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
11	Instruction	\$ 11,492,417	\$ 40,252	\$ 2,113,526
12	Instructional resources and media services	281,226	-	83,003
13	Curriculum and instructional staff development	341,247	-	75,753
21	Instructional leadership	363,692	-	16,849
23	School leadership	1,223,301	-	68,973
31	Guidance, counseling and evaluation services	486,999	-	24,655
33	Health services	204,439	-	12,968
34	Student (pupil) transportation	522,725	-	30,408
35	Food services	1,183,359	58,550	1,248,846
36	Extracurricular activities	1,491,470	387,236	26,477
41	General administration	945,207	-	39,189
51	Facilities maintenance and operations	3,663,138	6,286	207,153
52	Security and monitoring services	374,975	-	50,797
53	Data processing services	623,518	-	40,171
61	Community services	26,956	-	1,533
72	Debt service - interest on long-term debt	5,801,084	-	-
73	Debt service - bond issuance cost and fees	1,225	-	-
81	Capital outlay	7,423	-	-
99	Other intergovernmental charges	472,349	-	-
	Total primary government	<u>\$ 29,506,750</u>	<u>\$ 492,324</u>	<u>\$ 4,040,301</u>

Data
Control
Codes

General revenues

Taxes

MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
SF	State aid-formula grants
GC	Grants and contributions not restricted
IE	Investment earnings
MI	Miscellaneous local and intermediate revenues
SI2	Special item - (use)
TR	Total general revenues and special item
CN	Change in net position
NB	Net position - beginning
NE	Net position - ending

The accompanying notes are an integral part of this statement.

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
4	5
Capital Grants and Contributions	Governmental Activities
\$ -	\$ (9,338,639)
-	(198,223)
-	(265,494)
-	(346,843)
-	(1,154,328)
-	(462,344)
-	(191,471)
-	(492,317)
-	124,037
-	(1,077,757)
-	(906,018)
-	(3,449,699)
-	(324,178)
-	(583,347)
-	(25,423)
-	(5,801,084)
-	(1,225)
-	(7,423)
-	(472,349)
<u>\$ -</u>	<u>(24,974,125)</u>

11,144,271
6,244,457
2,947,928
158,237
3,138,260
434,851
<u>(10,433,783)</u>
13,634,221
(11,339,904)
<u>35,349,393</u>
<u>\$ 24,009,489</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2024

Data Control Codes	10 <u>General Fund</u>	50 <u>Debt Service Fund</u>	60 <u>Capital Projects</u>
ASSETS			
1110 Cash and cash equivalents	\$ 13,390,794	\$ 56,879	\$ 15,423,380
1120 Investments - current	-	651,440	-
1220 Property taxes receivable (delinquent)	714,904	180,144	-
1230 Allowance for uncollectible taxes	(185,857)	(41,031)	-
1240 Due from other governments	269,287	6,954	-
1250 Accrued interest	-	-	37,500
1260 Due from other funds	201,781	-	-
1290 Other receivables	38,139	-	-
1300 Inventories	-	-	-
1410 Prepayments	1,014,316	-	-
1000 Total assets	<u>\$ 15,443,364</u>	<u>\$ 854,386</u>	<u>\$ 15,460,880</u>
LIABILITIES			
2110 Accounts payable	\$ 546,400	\$ -	\$ 4,703,672
2160 Accrued wages payable	938,188	-	-
2170 Due to other funds	8,137	-	-
2180 Due to other governments	-	-	-
2200 Accrued expenditures	19,759	-	-
2300 Unearned revenue	22,500	-	-
2000 Total liabilities	<u>1,534,984</u>	<u>-</u>	<u>4,703,672</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable revenue - property taxes	529,047	139,113	-
2600 Total deferred inflows of resources	<u>529,047</u>	<u>139,113</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
3410 Inventories	-	-	-
3430 Prepaid items	1,014,316	-	-
Restricted			
3450 Federal and state grant funds	-	-	-
3470 Capital acquisitions and contractual obligations	-	-	10,757,208
3480 Retirement of long-term debt	-	715,273	-
3490 Other	-	-	-
Committed			
3530 Capital expenditures for equipment	3,996,903	-	-
3545 Other	-	-	-
Assigned			
3590 Other	37,904	-	-
3600 Unassigned	8,330,210	-	-
3000 Total fund balances	<u>13,379,333</u>	<u>715,273</u>	<u>10,757,208</u>
4000 Total liabilities, deferred inflows and fund balances	<u>\$ 15,443,364</u>	<u>\$ 854,386</u>	<u>\$ 15,460,880</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,805,226	\$ 30,676,279
-	651,440
-	895,048
-	(226,888)
374,605	650,846
-	37,500
8,137	209,918
765	38,904
38,423	38,423
-	1,014,316
<u>\$ 2,227,156</u>	<u>\$ 33,985,786</u>
\$ 951	\$ 5,251,023
93,702	1,031,890
201,781	209,918
774	774
6,530	26,289
-	22,500
<u>303,738</u>	<u>6,542,394</u>
-	668,160
-	668,160
38,423	38,423
-	1,014,316
575,157	575,157
957,672	11,714,880
-	715,273
1,882	1,882
-	3,996,903
350,284	350,284
-	37,904
-	8,330,210
<u>1,923,418</u>	<u>26,775,232</u>
<u>\$ 2,227,156</u>	<u>\$ 33,985,786</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-1R**

*RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
August 31, 2024*

Total governmental fund balances		\$ 26,775,232
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
The internal service fund is used by the District to charge the costs of workers' compensation insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(20,064)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	\$ 138,277,233	
Accumulated depreciation of governmental capital assets	<u>(6,806,932)</u>	131,470,301
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		668,160
Items required by GASB 68 and 75 and included in governmental activities in the statement of net position:		
Net pension liability (District's proportionate share)	(5,916,761)	
Net OPEB liability (District's proportionate share)	(2,612,702)	
Deferred resource outflows related to TRS	3,111,789	
Deferred resource inflows related to TRS	<u>(5,455,645)</u>	(10,873,319)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	(106,640,000)	
Premium on bonds	(15,048,426)	
Arbitrage	(2,148,136)	
Accrued interest payable	<u>(174,259)</u>	<u>(124,010,821)</u>
Net position of governmental activities		<u>\$ 24,009,489</u>

The accompanying notes are an integral part of this statement.

PALACIOS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended August 31, 2024

Data Control Codes	10	50	60
	General Fund	Debt Service Fund	Capital Projects
REVENUES			
5700 Local and intermediate sources	\$ 12,498,349	\$ 6,334,626	\$ 2,106,233
5800 State program revenues	3,443,943	192,536	-
5900 Federal program revenues	230,909	-	-
5020 Total revenues	<u>16,173,201</u>	<u>6,527,162</u>	<u>2,106,233</u>
EXPENDITURES			
Current			
0011 Instruction	8,774,359	-	2,197,287
0012 Instructional resources and media services	183,801	-	-
0013 Curriculum and instructional staff development	259,246	-	-
0021 Instructional leadership	328,574	-	-
0023 School leadership	1,094,347	-	-
0031 Guidance, counseling and evaluation services	438,039	-	-
0033 Health services	182,570	-	-
0034 Student (pupil) transportation	461,066	-	-
0035 Food services	-	-	-
0036 Extracurricular activities	993,585	-	252,586
0041 General administration	847,207	-	24,958
0051 Facilities maintenance and operations	3,050,170	-	90,505
0052 Security and monitoring services	287,797	-	-
0053 Data processing services	545,286	-	680,942
0061 Community services	22,391	-	-
Debt service			
0071 Principal on long-term debt	-	2,095,000	-
0072 Interest on long-term debt	-	4,227,500	-
0073 Bond issuance cost and fees	-	1,225	-
Capital outlay			
0081 Facilities acquisition and construction	2,531,708	-	52,931,537
Intergovernmental charges			
0099 Other intergovernmental charges	472,349	-	-
6030 Total expenditures	<u>20,472,495</u>	<u>6,323,725</u>	<u>56,177,815</u>
1100 Excess (deficiency) of revenues over expenditures	(4,299,294)	203,437	(54,071,582)
OTHER FINANCING SOURCES (USES)			
1200 Net change in fund balances	(4,299,294)	203,437	(54,071,582)
0100 Fund balance - beginning	<u>17,678,627</u>	<u>511,836</u>	<u>64,828,790</u>
3000 Fund balance - ending	<u>\$ 13,379,333</u>	<u>\$ 715,273</u>	<u>\$ 10,757,208</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 484,932	\$ 21,424,140
367,687	4,004,166
<u>3,084,788</u>	<u>3,315,697</u>
<u>3,937,407</u>	<u>28,744,003</u>
1,777,398	12,749,044
76,732	260,533
62,355	321,601
4,598	333,172
22,935	1,117,282
7,867	445,906
4,598	187,168
416,388	877,454
1,219,628	1,219,628
438,559	1,684,730
13,772	885,937
639,297	3,779,972
61,702	349,499
57,482	1,283,710
1,533	23,924
-	2,095,000
-	4,227,500
-	1,225
-	55,463,245
-	<u>472,349</u>
<u>4,804,844</u>	<u>87,778,879</u>
(867,437)	(59,034,876)
-	-
(867,437)	(59,034,876)
<u>2,790,855</u>	<u>85,810,108</u>
<u>\$ 1,923,418</u>	<u>\$ 26,775,232</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-3**

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, 2024

Total net change in fund balances - governmental funds		\$ (59,034,876)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
The internal service fund is used by the District to charge the costs of workers' compensation insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(43,824)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Increase in capital assets	\$ 59,265,361	
Depreciation expense	<u>(1,941,384)</u>	57,323,977
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.		(10,433,783)
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:		
Bond principal retirement		2,095,000
Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are reported as "unavailable" in the governmental funds.		38,601
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in bond premiums	570,779	
Increase in arbitrage	(2,148,136)	
Decrease in accrued interest	3,773	
Net pension costs	(484,587)	
Net OPEB costs	<u>773,172</u>	<u>(1,284,999)</u>
Change in net position of governmental activities		\$ (11,339,904)

The accompanying notes are an integral part of this statement.

PALACIOS INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-1

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2024

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 38,033
Total assets	<u>38,033</u>
LIABILITIES	
Current liabilities	
Accrued expenses	<u>58,097</u>
Total liabilities	<u>58,097</u>
NET POSITION	
Unrestricted	<u>(20,064)</u>
Total net position	<u>\$ (20,064)</u>

The accompanying notes are an integral part of this statement.

PALACIOS INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the year ended August 31, 2024

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
OPERATING REVENUES	<u>\$ -</u>
OPERATING EXPENSES	
Insurance claims and expenses	<u>45,242</u>
Total operating expenses	<u>45,242</u>
Operating income (loss) before nonoperating revenues (expenses)	(45,242)
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>1,418</u>
Change in net position	(43,824)
Total net position - beginning	<u>23,760</u>
Total net position - ending	<u>\$ (20,064)</u>

The accompanying notes are an integral part of this statement.

PALACIOS INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-3

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended August 31, 2024

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments for insurance claims	\$ (53,872)
Net cash provided by (used for) operating activities	<u>(53,872)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>1,418</u>
Net cash provided by investing activities	<u>1,418</u>
Net increase (decrease) in cash and cash equivalents	(52,454)
Cash and cash equivalents - beginning	<u>90,487</u>
Cash and cash equivalents - ending	<u>\$ 38,033</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating income (loss)	\$ (45,242)
Effect of increases and decreases in current assets and liabilities	
Increase (decrease) in accrued expenses	<u>(8,630)</u>
Net cash provided by (used for) operating activities	<u>\$ (53,872)</u>

The accompanying notes are an integral part of this statement.

PALACIOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2024

EXHIBIT E-1

	Private Purpose Trust	Custodial Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 129,026	\$ 34,970
Investments	1,082,242	-
Interest receivable	8,824	-
Prepaid expenses	22,500	-
Noncurrent assets		
Long-term investments	1,277,043	-
Total assets	2,519,635	34,970
LIABILITIES		
Current liabilities		
Accounts payable	681	4,778
Scholarships payable	72,608	-
Total liabilities	73,289	4,778
NET POSITION		
Restricted for scholarships and benefits	2,446,346	-
Restricted for other purposes	-	30,192
Total net position	\$ 2,446,346	\$ 30,192

The accompanying notes are an integral part of this statement.

PALACIOS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended August 31, 2024

EXHIBIT E-2

	Private Purpose Trust	Custodial Fund
ADDITIONS		
Contributions, gifts and donations	\$ 256,618	\$ -
Investment income (loss)	184,721	946
Other	-	60,993
Total additions	<u>441,339</u>	<u>61,939</u>
DEDUCTIONS		
Scholarships and benefits paid	252,668	-
Miscellaneous	90,007	54,475
Total deductions	<u>342,675</u>	<u>54,475</u>
Change in fiduciary net position	98,664	7,464
Net position - beginning	<u>2,347,682</u>	<u>22,728</u>
Net position - ending	<u>\$ 2,446,346</u>	<u>\$ 30,192</u>

The accompanying notes are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Palacios Independent School District (the "District") is an independent school district governed by the Board of Trustees (the "Board"), composed of seven members, all of whom are elected officials. The District is the basic level of government that has responsibility and control over all activities related to public education in the City of Palacios, Texas and those areas which lie within the District's boundaries. The District is not included in any other governmental "reporting entity", as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. In evaluating how to define the government, for financial reporting purposes, the District's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the District), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the District's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units.

The component unit discussed in this note is included in the District's financial statements because of the significance of its financial relationship with the District. The financial data of the component unit is blended with the fiduciary funds of the District due to its fiduciary nature.

The Palacios ISD Education Foundation (the "Foundation") was created for the purpose of providing funds for educational programs and activities of the District which either have not been funded or have been under-funded by the District's normal operating budget. The Foundation was formed as a tax-exempt organization under Code Section 509(a)(3) of the Internal Revenue Code. The Foundation raises and holds economic resources for the direct benefit of the District. All powers of the Foundation are vested in the Board of Directors (the "Directors") consisting of a minimum of seven and maximum of fifteen Directors. The Foundation is reported as a fiduciary fund type and the amounts reported are as of August 31, 2024.

This component unit is blended in the financial statements. Complete financial statements of the individual component unit can be obtained from the District's Business Office, 1209 Twelfth Street, Palacios, Texas 77465.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

B. Government-wide and Fund Financial Statements Fund Accounting

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, state foundation funds and other intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ending August 31, 2024.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-wide and Fund Financial Statements Fund Accounting - (Continued)

The statement of activities demonstrates how other people or entities that participate in the programs in which the District operates have shared in the payment of the *direct expenses*. Direct expenses are those that are clearly identifiable with a specific function. *Program revenues* include: 1) charges to individuals who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Receipts from the Foundation School Program, property taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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 revenue 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Foundation School Program payments, property taxes and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when cash is received by the District. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the governing grant documents. Accordingly, when such funds are received, they are recorded as unearned revenues until earned.

The proprietary fund types and fiduciary funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Fund Accounting

The District reports the following major governmental funds:

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.

Debt Service Fund - accounts for all financial resources restricted, committed or assigned to expenditures for principal and interest.

Capital Projects Funds - are used to account for proceeds from sales of bonds and other revenues to be used for authorized construction projects. The District has two Capital Projects Funds, one of which is reported as a major fund at August 31, 2024.

Additionally, the District reports the following fund types:

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

In accordance with guidelines established by the Resource Guide, the District accounts for its food service operations in a special revenue fund because it has the following characteristics:

1. Students are charged for meals,
2. The District receives a National School Lunch Program (NSLP) reimbursement, and
3. The District's General Fund revenues subsidize the food service operations.

Proprietary Funds:

Internal Service Fund - revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in the internal service funds. The District's Internal Service Fund is the Workers' Compensation Insurance Fund.

Fiduciary Funds:

Private Purpose Trust Funds - account for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are the High School Scholarships Fund, the Trull Scholarship Fund, and the Palacios ISD Education Foundation.

Custodial Fund - accounts for resources held for others in a custodial capacity. These funds are used to account for assets held by the District as a custodian for student and other organizations. These funds were previously reported in an agency fund. This change resulted in reporting the detail of additions to and deductions from custodial funds causing a change in fund net position whereas these details were not reported in agency funds. This change is a result of the implementation of GASB 84. The District's Custodial Fund is the Student Activities Fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are classified as nonoperating.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies

Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Investments

Investments are recorded at fair value. Fair value is determined by the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

The District may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

The District has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the District are in compliance with the District's investment policies.

Receivables and Payables

Activity 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". Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the government-wide financial statements as "internal balances".

Property tax receivables are shown net of an allowance for uncollectibles. Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes. The allowance on the unpaid property taxes is equal to 10 percent of the outstanding property taxes and the allowance on the penalties and interest is equal to 60 percent of the assessed amount. The District's management and the management of the Foundation have evaluated the other receivables and believe they are all collectible. Therefore, the allowance for uncollectibles is \$0.

Inventories and Prepaid Items

Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. When received, these commodities are recorded as inventory and unearned revenue. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, vehicles, furniture and equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items) are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. These 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The District's capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Vehicles	10-20
Furniture and equipment	
Maintenance equipment	7-20
Video/office equipment	7-20
Furniture	7-20
Computer equipment	7-20

Compensated Absences

All full-time employees of the District are granted sick leave annually and some employees are granted vacation and comp time.

Each employee of the District earns state personal leave at the rate of one-half workday for each 18 workdays of employment, up to the statutory maximum of five workdays annually. State personal leave can be accumulated without limit and can be transferred among districts by the employees. District employees also earn an additional five equivalent workdays of local sick leave per school year, at a rate of one-half workday for each 18 workdays. Local sick leave can be accumulated up to 20 days and can be taken with no loss of pay. District employees retain any sick leave under former Section 13.904(a) of the Texas Education Code. Available leave days shall be used in the following order: local sick leave, state sick leave accumulated prior to the 1995-1996 school year, and state personal leave.

State personal leave and local sick leave do not vest under the District's policy and accordingly, employees can only utilize state personal and sick leave when sick or state personal leave for personal reasons when approved by their supervisor. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Losses on refunding are capitalized and amortized over the shorter of the life of the new issuance or the life of existing debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred amounts calculated in the actuarial pension study required by Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions*" (GASB 68) and the current year pension payments reported in the government-wide statement of net position. They also include the deferred amounts calculated in the actuarial pension study required by Governmental Accounting Standards Board (GASB) Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" (GASB 75) and the current year payments reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. One of the items arises only under a modified accrual basis of accounting and this item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and insurance proceeds. The second item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB 68. Finally, the third item is calculated in the actuarial study required by GASB 75. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Other Post-Employment Benefits

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

Use of Unrestricted and Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, management has chosen to use available restricted assets first, unless unrestricted assets will have to be returned because they were not used.

Net Position Flow Assumptions

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

Fund Equity

Fund balances of Governmental Funds classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Board through a resolution or by other formal action. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Superintendent or Director of Finance and do not require formal action by the Board.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Minimum Fund Balance Policy

It is the desire of the District to maintain an unassigned fund balance in General Fund of not less than 10 percent of the total budgeted operating expenditures. Due to the volatile nature of a majority of the District's revenues, the Board has not deemed it excessive for the District to maintain an unassigned General Fund fund balance greater than 50 percent of the total budgeted operating expenditures. The margin of safety is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Contributions

Contributions received by the Foundation are recorded as unrestricted, temporarily restricted, or permanently restricted net position depending on the absence or existence and nature of any donor restrictions.

Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

Data Control Codes

Data control codes refer to the account code structure prescribed by the Resource Guide. The Texas Education Agency (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 database for policy development and funding plans.

Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Accounting System

In accordance with the Resource Guide, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses the code structure as presented in the Accounting Code Section of the Resource Guide. Mandatory codes are utilized in the form provided in that section.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General Fund, Debt Service Fund, and the National School Breakfast and Lunch Program special revenue fund for the fiscal year beginning September 1. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The District annually adopts legally authorized appropriated budgets for the General Fund, Debt Service Fund, and National School Breakfast and Lunch Program special revenue fund. The General Fund budget schedule appears in Exhibit G-1 and the other schedules are in Exhibits J-2 and J-3.

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.
4. Budget data is filed with the TEA as a part of the District's annual fall submission to the TEA Public Education Information Management System (PEIMS).

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board. The function level is the legal level of budgetary control and the object level is the administrative level of control. Amendments are presented to the Board at its regular meetings. Each amendment crossing the function level must have Board approval. Such amendments made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year-end, as dictated by law. The District made several supplemental budgetary appropriations throughout the year, primarily in the General Fund. These revisions are further detailed in the notes to the required supplementary information. All budget appropriations lapse at year-end.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITYDeficit Fund Equity

As of August 31, 2024, the following fund had a deficit equity balance:

<u>Fund</u>	<u>Net Position</u>
Internal Service Fund	\$ <u>20,064</u>
Total	\$ <u>20,064</u>

Steps will be taken to eliminate this deficit in the upcoming fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

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

As of August 31, 2024, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Percent of Portfolio</u>
Public Funds Investment Pools			
TexPool	\$ 27,416	< 1	
Lone Star Investment Pool	<u>4,482,504</u>	< 1	
	4,509,920		87%
Certificates of Deposit	<u>651,440</u>	< 1	<u>13%</u>
Total investments	\$ <u>5,161,360</u>		<u>100%</u>

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost and Lone Star uses the fair value method to value portfolio assets. The pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pools is the State of Texas. The investment pools transact at a net asset value of \$1.00 per share and are classified as cash and cash equivalents for reporting purposes.

At August 31, 2024, the Foundation held investments in cash and sweep balances, certificates of deposit, annuities, unit investment trusts, corporate bonds, and mutual funds with a cost of \$2,253,512 and a fair value of \$2,359,285. The unrealized gain on the investments at year-end was \$105,773.

Interest Rate Risk

In accordance with the District's investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The TexPool investment pool's weighted average maturity cannot exceed 60 days and the Lone Star investment pools' weighted average maturity cannot exceed 120 days.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District's investments in the public funds investment pools include those with the TexPool Investment Pool and the Lone Star Investment Pool. The pools operate in full compliance with the Public Funds Investment Act. Both pools are rated AAAM by Standard and Poor's Global Ratings.

Concentration of Credit Risk

The District's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the District was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that deposits at financial institutions be insured by the FDIC and/or secured by eligible securities. During the fiscal year and at year-end, all deposits held in the depository bank were fully insured through an irrevocable letter of credit issued by a federal home loan bank.

The District had additional deposits managed through IntraFi Cash Service in the amount of \$7,548,319 as of August 31, 2024. These deposits are divided into demand deposit accounts at various banks. All deposit balances were insured by the FDIC during the fiscal year and at year-end.

As of August 31, 2024, the District had \$5,000,000 in State and Local Government Series (SLGS) securities, which are special purpose securities that the US Treasury issues to local governments to assist with compliance of federal tax laws and IRS regulations governing the investment of cash proceeds generated from a tax-exempt bond issuance. These funds are backed by the full faith and credit of the US government.

As of August 31, 2024, the Foundation had deposits in the bank in the amount of \$36,765. The Foundation was not exposed to custodial credit risk at August 31, 2024.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties were fully collateralized and held in the District's name. The investment pools have no custodial credit risk.

GASB Statement 72 regarding *Fair Value Measurement and Application* for financial reporting purposes categorizes financial instruments within three different levels of risk dependent upon the measure of their fair value and pricing. Because the investments are restricted by policy and state law to active secondary market, the *market approach* is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The exit or fair market prices used for these fair market valuations of the portfolio are all Level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date. As of August 31, 2024, there were no securities to be priced in the portfolio.

NOTE 4: PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll on January 1, 2023, upon which the levy for the 2023-2024 fiscal year was based, was \$1,771,799,477.

Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2024, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.70780 and \$0.28171 per \$100 valuation, respectively, for a total of \$0.98951 per \$100 valuation.

Current tax collections for the year ended August 31, 2024, were 98 percent of the year-end adjusted tax levy. Allowance for uncollectible taxes within the General Fund is based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2024, property taxes receivable (excluding assessed penalty and interest), net of estimated uncollectible taxes, totaled \$437,553, and \$120,700, for the General and Debt Service Fund, respectively.

NOTE 5: DUE FROM OTHER GOVERNMENTS AND OTHER RECEIVABLES

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 of Texas through the School Foundation and Per Capita Programs. Amounts due from federal, state, and local governments as of August 31, 2024, are summarized below:

<u>Fund</u>	<u>Federal Grants</u>	<u>State Grants and Entitlements</u>	<u>Local</u>	<u>Total</u>
General Fund	\$ -	\$ 237,181	\$ 32,106	\$ 269,287
Debt Service Fund	-	-	6,954	6,954
Nonmajor Governmental Funds	265,907	108,698	-	374,605
Total	<u>\$ 265,907</u>	<u>\$ 345,879</u>	<u>\$ 39,060</u>	<u>\$ 650,846</u>

Other receivables at August 31, 2024, were as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Reimbursements	\$ 25,014	\$ -	\$ 25,014
Other	13,125	765	13,890
Total	<u>\$ 38,139</u>	<u>\$ 765</u>	<u>\$ 38,904</u>

NOTE 6: CAPITAL ASSETS

Capital asset activity for the District for the year ended August 31, 2024, was as follows:

	Balance 8/31/23	Increases	Decreases	Balance 8/31/24
Governmental activities				
Capital assets not being depreciated				
Land	\$ 926,631	\$ -	\$ -	\$ 926,631
Construction in progress	<u>55,427,025</u>	<u>58,588,287</u>	<u>114,015,312</u>	<u>-</u>
Total capital assets not being depreciated	<u>56,353,656</u>	<u>58,588,287</u>	<u>114,015,312</u>	<u>926,631</u>
Capital assets being depreciated				
Buildings	49,397,542	114,015,312	30,578,634	132,834,220
Furniture and equipment	3,386,243	301,899	1,915,900	1,772,242
Vehicles	<u>2,368,965</u>	<u>375,175</u>	<u>-</u>	<u>2,744,140</u>
Total capital assets being depreciated	<u>55,152,750</u>	<u>114,692,386</u>	<u>32,494,534</u>	<u>137,350,602</u>
Less accumulated depreciation for				
Buildings	(23,702,029)	(1,553,224)	20,725,237	(4,530,016)
Furniture and equipment	(1,872,456)	(239,731)	1,335,514	(776,673)
Vehicles	<u>(1,351,814)</u>	<u>(148,429)</u>	<u>-</u>	<u>(1,500,243)</u>
Total accumulated depreciation	<u>(26,926,299)</u>	<u>(1,941,384)</u>	<u>22,060,751</u>	<u>(6,806,932)</u>
Total capital assets being depreciated, net	<u>28,226,451</u>	<u>112,751,002</u>	<u>10,433,783</u>	<u>130,543,670</u>
Governmental activities capital assets, net	<u>\$ 84,580,107</u>	<u>\$ 171,339,289</u>	<u>\$ 124,449,095</u>	<u>\$ 131,470,301</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,202,123
Instructional resources and media services	28,627
Curriculum and instructional staff development	26,989
Instructional leadership	40,604
School leadership	137,252
Guidance, counseling and evaluation services	53,484
Health services	22,405
Student (pupil) transportation	39,851
Food services	12,840
Extracurricular activities	80,146
General administration	78,934
Facilities maintenance and operations	155,650
Security and monitoring services	32,534
Data processing services	26,913
Community services	<u>3,032</u>
Total depreciation expense	<u>\$ 1,941,384</u>

The District disposed of buildings, furniture, and equipment during fiscal year 2024 in conjunction with the 2022 bond construction project. The total loss on disposition was \$10,433,783 and was reported as a special item on the government-wide financial statements. This occurrence was both a significant event that was within the control of management and was deemed infrequent in occurrence.

NOTE 7: DEFINED BENEFIT PENSION PLANSummary of Significant Accounting Policies

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

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report 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, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefit 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 exempt for members who are grandfathered, the three highest annual salaries are used. The normal service retirement age is at 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 under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefits changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code, Title 8, 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.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Contributions

Contribution requirements are established or amended pursuant to 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member’s annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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 Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025. Contribution rates can be found in the TRS 2023 ACFR, Note 11, on page 88.

The following table shows contribution rates by type of contributor for the fiscal years 2023 and 2024 and the contributions by type of contributions reported by TRS which were received by TRS during the measurement year (TRS FY 2023). These are included in the calculation of the District’s proportionate share of net pension liability.

Contribution Rates and Contribution Amounts

Year	Member		Non-Employer Contributing Entity (State)		Employer (District)	
	Rate	Amount	Rate	Amount	Rate	Amount
2024	8.00%	\$ 927,032	8.00%	\$ 607,218	8.00%	\$ 425,787
2023	8.00%	897,698	8.00%	560,515	8.00%	430,064

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Contributions - (Continued)

In addition to the employer contributions listed above, there is a surcharge and employer is subject to:

- All public schools, charter schools, and regional education service centers must contribute 1.8% of the member's salary beginning in fiscal year 2023, gradually increasing to 2.0% in fiscal year 2025. The surcharge amount is 1.9% for fiscal year 2023.
- 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.

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2023 are disclosed below: (From TRS Annual Comprehensive Financial Report 2023, p.89)

<u>Net Pension Liability</u>	<u>Total</u>
Total pension liability	\$ 255,860,886,500
Less: plan fiduciary net position	<u>(187,170,535,558)</u>
Net pension liability	<u>\$ 68,690,350,942</u>
Net position as a percentage of total pension liability	73.15%

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)Actuarial Assumptions

Roll Forward - The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2023 TRS ACFR Note 11, page 89.

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2022	4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
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, 2022. For a full description of these assumptions please see the TRS actuarial valuation report dated November 22, 2022.

Discount Rate

The single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity are made at the rates set by the legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 9.50 percent of payroll in fiscal year 2024 increasing to 9.56 percent in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired employees.

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.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

The long-term rate of return on pension plan investments is 7.00 percent. The long-term 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, 2023 (see page 56 of the 2023 TRS ACFR) are summarized below:

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.A.	18.00%	4.00%	1.00%
Non-U.S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity*	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return*	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
Real Return			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources, and Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	440.00%	0.00%
Risk Parity			
Risk Parity	8.00%	4.50%	0.40%
Asset Allocation Leverage			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	<u>-6.00%</u>	4.40%	-0.10%
Inflation Expectation			2.30%
Volatility Drag****			<u>-0.90%</u>
Expected Return	<u>100.00%</u>		<u>8.00%</u>

* Absolute Return Includes Credit Sensitive Investments.

** Target allocations are based on the FY 2023 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/23).

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

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Discount Rate Sensitivity Analysis

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

	1.0% Decrease in Discount Rate (6.00%)	Current Single Discount Rate (7.00%)	1.0% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$8,845,886	\$5,916,761	\$3,481,193

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

At August 31, 2024, the District reported a liability of \$5,916,761 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	\$ 5,916,761
State's proportionate share that is associated with the District	<u>8,114,411</u>
Total	<u>\$14,031,172</u>

The net pension liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 and 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 through August 31, 2023.

At August 31, 2023 the employer's proportion of the collective net pension liability was 0.000086137 which was an increase (decrease) of (0.000000867) from its proportion measured as of August 31, 2022.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Changes In Actuarial Assumptions Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

Changes In Benefits

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

For the year ended August 31, 2024, the District recognized pension expense of \$1,225,206 and revenue of \$1,225,206 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2024, 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. (The amounts shown below will be the cumulative layers from the current and prior years combined).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 210,816	\$ 71,646
Changes in actuarial assumptions	559,610	136,949
Net difference between projected and actual investment earnings	861,032	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	311,994	366,271
Contributions paid to TRS subsequent to the measurement date	425,787	-
Total	\$ 2,369,239	\$ 574,866

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2025	\$ 241,978
2026	116,051
2027	737,134
2028	256,208
2029	17,215
Thereafter	-

NOTE 8: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANSummary of Significant Accounting Policies

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

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan that has a special funding situation. The 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 the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

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

NOTE 8: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN - (Continued)

Benefits Provided - (Continued)

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

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

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based 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 the type of contributor which were reported for the District by TRS for the measurement year. The district and member contributions are included in the calculation of the District's proportionate share of the net TRS-Care liability for the measurement period.

<u>Contribution Rates</u>		
	<u>2023</u>	<u>2024</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%

NOTE 8: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN - (Continued)

Contributions - (Continued)

District's 2024 FY Employer Contributions	\$ 92,248
District's 2024 FY Member Contributions	72,657
Measurement Year NECE On-Behalf Contributions	123,534

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay 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 \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amount received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

Net OPEB Liability

Components of the net OPEB liability of the plan as of August 31, 2023 are disclosed below: (From TRS Annual Comprehensive Financial Report 2023, p. 79)

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 26,028,070,267
Less: plan fiduciary net position	<u>(3,889,765,203)</u>
Net OPEB liability	<u>\$ 22,138,305,064</u>
Net position as a percentage of total OPEB liability	14.94%

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2023. 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. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. 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, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023.

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

NOTE 8: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN - (Continued)

Actuarial Assumptions - (Continued)

Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad hoc Post Employment Benefit Changes	None

(Actuarial Assumptions can be found in the 2023 TRS ACFR Note 9, page 79)

The initial medical trend rates were 8.50% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate

A single discount rate of 4.13% was used to measure the Total OPEB Liability. This was an increase of 0.22 percent in the discount rate since the previous year. The Discount Rate can be found in the 2023 TRS ACFR on page 80. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

NOTE 8: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN - (Continued)

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was one percentage point less than and one percentage point greater than the discount rate that was used (4.13%) in measuring the Net OPEB Liability.

	1.0% Decrease in Discount Rate (3.13%)	Current Single Discount Rate (4.13%)	1.0% Increase in Discount Rate (5.13%)
District's proportionate share of the Net OPEB Liability:	\$3,077,219	\$2,612,702	\$2,233,645

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the new OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the assumed healthcare cost trend rate.

	1.0% Decrease in Healthcare Trend Rate	Current Single Healthcare Cost Trend Rate	1.0% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	\$2,151,430	\$2,612,702	\$3,206,131

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

At August 31, 2024, the District reported a liability of \$2,612,702 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB Liability	\$ 2,612,702
State's proportionate share that is associated with the District	<u>3,152,627</u>
Total	<u>\$ 5,765,329</u>

The net OPEB liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 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 relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023 the employer's proportion of the collective net OPEB liability was 0.000118017, compared to 0.000121853 as of August 31, 2022.

NOTE 8: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN - (Continued)

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurements of the total OPEB liability (TOL) since the prior measurement period: These can be found in the 2023 TRS ACFR on page 80.

- The single discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

Change of Benefit Terms - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2024, the District recognized OPEB expense of \$(673,965) and revenue of \$(673,965) for support provided by the State.

At August 31, 2024, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 118,205	\$ 2,198,094
Changes in actuarial assumptions	356,615	1,599,827
Net Difference between projected and actual investment earnings	1,129	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	174,353	1,082,858
Contributions paid to TRS subsequent to the measurement date	92,248	-
Total	\$ 742,550	\$ 4,880,779

The net amounts of the employer’s balances of deferred outflows and inflows (not including the deferred contributions paid subsequent to the measurement date) of resources related to OPEBs will be recognized by the District in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2025	\$ (890,365)
2026	(770,534)
2027	(608,300)
2028	(652,155)
2029	(587,317)
Thereafter	(721,806)

NOTE 9: RETIREE MEDICARE PART D COVERAGE

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf of the District for the years ended August 31, 2024, 2023, and 2022 were \$60,450, \$59,607, and \$44,508, respectively.

NOTE 10: LONG-TERM DEBT

The following is a summary of transactions for the year ended August 31, 2024, involving general obligation bonds issued by the District:

	Balance 9/1/23	Transferred/ Issued	Transferred/ Retired	Balance 8/31/24	Due Within One Year
General obligation bonds	\$ 108,735,000	\$ -	\$ 2,095,000	\$ 106,640,000	\$ 2,190,000
Premium on bonds	15,619,205	-	570,779	15,048,426	-
Arbitrage	-	2,148,136	-	2,148,136	-
Total	<u>\$ 124,354,205</u>	<u>\$ 2,148,136</u>	<u>\$ 2,665,779</u>	<u>\$ 123,836,562</u>	<u>\$ 2,190,000</u>

General obligation bonds payable at August 31, 2024, is comprised of the following issues:

\$5,450,000 2016 Unlimited Tax School Building Bonds due in annual installments ranging from \$475,000 to \$500,000 through 2027; interest varying from 2.00% to 3.00%.	\$ 1,465,000
\$9,210,000 2021 Unlimited Tax School Building Bonds due in annual installments ranging from \$150,000 to \$295,000 through 2051; interest varying from 2.00% to 4.00%.	6,030,000
\$100,585,000 2022 Unlimited Tax School Building Bonds due in annual installments ranging from \$1,440,000 to \$5,905,000 through 2051; interest varying from 4.00% to 5.00%.	<u>99,145,000</u>

Total \$ 106,640,000

Year Ending August 31	<u>General Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,190,000	\$ 4,134,475	\$ 6,324,475
2026	2,290,000	4,036,375	6,326,375
2027	2,395,000	3,931,700	6,326,700
2028	2,510,000	3,815,475	6,325,475
2029	2,635,000	3,688,575	6,323,575
2030-2034	15,240,000	16,389,675	31,629,675
2035-2039	18,610,000	13,014,100	31,624,100
2040-2044	22,040,000	9,586,260	31,626,260
2045-2049	26,565,000	5,056,818	31,621,818
2050-2051	12,165,000	480,725	12,645,725
Total	<u>\$ 106,640,000</u>	<u>\$ 64,134,178</u>	<u>\$ 170,774,178</u>

NOTE 10: LONG-TERM DEBT - (Continued)

There is \$715,273 available in the Debt Service Fund to service the general obligation bonds at August 31, 2024.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of August 31, 2024, a long-term liability for rebate and yield restrictions is currently estimated at \$2,148,136 and has been recognized on the Statement of Net Position for amounts due more than a year after August 31, 2024.

NOTE 11: INTERFUND BALANCES AND TRANSFERS

Receivables and Payables

Individual interfund receivable and payable balances were as follows at August 31, 2024:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 201,781	\$ 8,137
Nonmajor Governmental Funds	<u>8,137</u>	<u>201,781</u>
Total	<u>\$ 209,918</u>	<u>\$ 209,918</u>

The interfund payables from the nonmajor governmental funds to the General Fund pertain primarily to amounts loaned to these funds to cover cash deficits at August 31, 2024, in the District's pooled cash account.

NOTE 12: 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; health care; and natural disasters. The District purchased commercial insurance to cover risks associated with potential claims during fiscal year 2024. 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.

Workers' Compensation Insurance

During fiscal year 2024, the District participated in a self-insured pool administered by Creative Risk Funding, Inc. The pool is comprised primarily of public school districts in the State of Texas. The District's maximum exposure per claim is \$17,103 and total maximum exposure is \$59,583.

Estimates of claims incurred and claims incurred but not reported (IBNR) at August 31, 2024, are reflected as accrued expenses on the balance sheet. Changes in the balance of claims liabilities during the past two years are as follows:

	<u>Fiscal Year Ending</u>	
	<u>8/31/24</u>	<u>8/31/23</u>
Unpaid claims, beginning of fiscal year	\$ 66,727	\$ 73,706
Incurred claims (including IBNR)	45,242	1,063
Claim payments	<u>(53,872)</u>	<u>(8,042)</u>
Unpaid claims, end of fiscal year	<u>\$ 58,097</u>	<u>\$ 66,727</u>

Unemployment Compensation Pool

During the year ended August 31, 2024, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Boards Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month 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, 2024, 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 plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the Fund's website and have been filed with the Texas Department of Insurance in Austin.

NOTE 12: RISK MANAGEMENT - (Continued)

Auto, Liability, and/or Property Programs

During the year ended August 31, 2024 the District participated in the following Texas Association of School Boards Risk Management Fund (the "Fund") programs: Auto liability, auto physical damage, legal liability, privacy & information security, and property. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its auto, liability, and property programs. The terms of the limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2024, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the Fund's website and have been filed with the Texas Department of Insurance in Austin.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Grant 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, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2024, 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 basic financial statements for such contingencies.

Litigation

The District is not currently involved in any litigation, which, in the opinion of the District's administration, would have a material effect on the financial statements.

NOTE 14: LOCAL, INTERMEDIATE, AND FEDERAL REVENUE SOURCES

Local and Intermediate Revenue Sources

During the current year, revenues reported in the fund financial statements from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Property taxes	\$ 11,130,433	\$ 6,226,297	\$ -	\$ -	\$ 17,356,730
Penalties, interest, and other tax-related income	107,847	31,946	-	-	139,793
Investment earnings	873,622	76,383	2,106,233	80,602	3,136,840
Food service fees	-	-	-	58,550	58,550
Athletic receipts	51,456	-	-	-	51,456
Enterprising activities	-	-	-	335,780	335,780
Chapter 313 agreement	135,085	-	-	-	135,085
Rent	6,286	-	-	-	6,286
Gifts and bequests	73,100	-	-	10,000	83,100
Daycare fees	41,475	-	-	-	41,475
Other	79,045	-	-	-	79,045
Total	\$ 12,498,349	\$ 6,334,626	\$ 2,106,233	\$ 484,932	\$ 21,424,140

General Fund Federal Revenue Sources

Most federal revenue received by the District relates to grant programs accounted for in various Special Revenue Funds. However, during the current fiscal year the General Fund did receive some funds from federal sources. These revenues were as follows:

Program or Source	Federal Assistance Listing No.	Amount	Total Grant Or Entitlement
Indirect cost reimbursements			
ESSER III ARP Act	84.425U	\$ 139,984	\$ 2,996,912
SHARS reimbursement	93.778	18,025	18,025
Erate reimbursement	N/A	72,900	72,900
Total for General Fund		\$ 230,909	\$ 3,087,837

NOTE 15: UNEARNED REVENUE

The District's governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue in the statement of net position and unearned revenue reported in the governmental funds are as follows:

General Fund	
Advanced reimbursement from Education Foundation	\$ 22,500
Total	<u>\$ 22,500</u>

NOTE 16: SIGNIFICANT TAXPAYER

The District's largest taxpayers accounted for approximately 90 percent of the total 2023 taxable appraised value. No delinquent amounts from this taxpayer existed as of August 31, 2024.

NOTE 17: COMMITTED FUND BALANCES

Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Board through a resolution or by other formal action. In order to modify or rescind commitments, the Board must take the same type of action as they did when the fund balance was committed. The following is a detail of the committed fund balances as of August 31, 2024:

	<u>Committed Fund Balances</u>
General Fund	
Capital expenditures for equipment	\$ 3,996,903
Nonmajor Governmental Funds	
Campus activity funds	<u>350,284</u>
Total	<u>\$ 4,347,187</u>

NOTE 18: TAX ABATEMENT

On May 3, 2017, the Palacios ISD Board of Trustees approved an Agreement with Formosa Plastics Corporation, Texas for a Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to Chapter 313 of the Texas Tax Code.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state’s goal to “encourage large scale capital investments in this state.” Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and Texas Priority projects. Formosa Plastics Corporation, Texas qualified for a tax limitation agreement under Texas Tax Code §313.024(b)(1), as a manufacturing project.

The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller’s website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1191.

Each applicant, including Formosa Plastics Corporation, Texas, has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application’s approval, it was determined by both the District’s Board of Trustees and the Texas Comptroller’s Office that the project would meet these standards. After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that Formosa Plastics Corporation, Texas terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recapture ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Project: Formosa Plastics Corporation, Texas (Application #1191)
First Year Value Limitation: 2021
Fiscal Year: 2024 Tax Year 2023

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Project Value 2023	Project’s Value Limitation Amount 2023	Amount of Applicant’s M&O Taxes Paid 2023	Amount of Applicant’s M&O Taxes Reduced 2023	Company Revenue Loss Payment to School District 2023	Company Supplemental Payment To School District 2023	Net Benefit (Loss) to the School District 2023 (C+E+F)
\$672,702,100	\$30,000,000	\$212,340	\$4,549,045	\$-0-	\$135,085	\$347,425

NOTE 20: IMPLEMENTATION OF NEW STANDARD

GASB Statement No. 100 (GASB 100), *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62* – was adopted for the fiscal year ended August 31, 2024. The primary objective of GASB 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. As of August 31, 2024, the District's financial statements were not affected by the implementation of GASB 100.

NOTE 21: SIGNIFICANT FORTHCOMING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2024, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* - The objective of the Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

NOTE 22: SUBSEQUENT EVENT

In August 2024, the District authorized the defeasance and calling for redemption of certain outstanding unlimited tax obligations prior to the end of the 2025 fiscal year. The District estimates that the aggregate principal amount of the defeased obligations will equal at least \$1,250,000 and up to \$2,000,000 but could possibly be greater. This amount will be known to the District after February 1, 2025, when current taxes become delinquent and the tax collections available for defeasance are ascertained.

REQUIRED SUPPLEMENTARY INFORMATION

PALACIOS INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the year ended August 31, 2024*

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 12,510,139	\$ 12,308,145	\$ 12,498,349	\$ 190,204
5800	State program revenues	3,742,413	2,522,413	3,443,943	921,530
5900	Federal program revenues	542,000	207,000	230,909	23,909
5020	Total revenues	<u>16,794,552</u>	<u>15,037,558</u>	<u>16,173,201</u>	<u>1,135,643</u>
EXPENDITURES					
Current					
0011	Instruction	8,478,692	8,865,312	8,774,359	90,953
0012	Instructional resources and media services	187,884	183,884	183,801	83
0013	Curriculum and instr. staff development	283,821	263,821	259,246	4,575
0021	Instructional leadership	329,620	328,620	328,574	46
0023	School leadership	1,007,857	1,107,857	1,094,347	13,510
0031	Guidance, counseling and evaluation svcs.	537,049	442,049	438,039	4,010
0033	Health services	186,741	183,741	182,570	1,171
0034	Student (pupil) transportation	491,684	484,684	461,066	23,618
0036	Extracurricular activities	1,017,449	1,012,455	993,585	18,870
0041	General administration	962,731	873,111	847,207	25,904
0051	Facilities maintenance and operations	2,865,610	3,167,610	3,050,170	117,440
0052	Security and monitoring services	249,416	289,416	287,797	1,619
0053	Data processing services	442,393	556,393	545,286	11,107
0061	Community services	25,764	22,764	22,391	373
Capital outlay					
0081	Facilities acquisition and construction	-	5,350,371	2,531,708	2,818,663
Intergovernmental charges					
0099	Other intergovernmental charges	527,825	472,825	472,349	476
6030	Total expenditures	<u>17,594,536</u>	<u>23,604,913</u>	<u>20,472,495</u>	<u>3,132,418</u>
Excess (deficiency) of revenues over expenditures		(799,984)	(8,567,355)	(4,299,294)	4,268,061
OTHER FINANCING SOURCES (USES)					
		-	-	-	-
1200	Net change in fund balances	(799,984)	(8,567,355)	(4,299,294)	4,268,061
0100	Fund balance - beginning	<u>17,678,627</u>	<u>17,678,627</u>	<u>17,678,627</u>	-
3000	Fund balance - ending	<u>\$ 16,878,643</u>	<u>\$ 9,111,272</u>	<u>\$ 13,379,333</u>	<u>\$ 4,268,061</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

PALACIOS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS

For the year ended August 31, 2024

	<u>FY2015</u> <u>Plan Year 2014</u>	<u>FY2016</u> <u>Plan Year 2015</u>	<u>FY2017</u> <u>Plan Year 2016</u>
District's proportion of the Net Pension Liability (Asset)	0.000075408	0.000108754	0.000101710
District's proportionate share of the Net Pension Liability (Asset)	\$ 2,014,252	\$ 3,844,309	\$ 3,843,465
State's proportionate share of the Net Pension Liability (Asset) associated with the District	<u>5,851,632</u>	<u>6,570,575</u>	<u>6,514,876</u>
Total	<u>\$ 7,865,884</u>	<u>\$ 10,414,884</u>	<u>\$ 10,358,341</u>
District's covered payroll	\$ 10,878,429	\$ 10,806,128	\$ 10,638,543
District's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll	18.52%	35.58%	36.13%
Plan Fiduciary Net Position as a percentage of the total pension liability	83.25%	78.43%	78.00%

NOTES:

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, 2023 for year 2024, 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.

The accompanying notes to required supplementary information are an integral part of this schedule.

<u>FY2018</u> <u>Plan Year 2017</u>	<u>FY2019</u> <u>Plan Year 2018</u>	<u>FY2020</u> <u>Plan Year 2019</u>	<u>FY2021</u> <u>Plan Year 2020</u>	<u>FY2022</u> <u>Plan Year 2021</u>	<u>FY2023</u> <u>Plan Year 2022</u>	<u>FY2024</u> <u>Plan Year 2023</u>
0.000094954	0.000094027	0.000096660	0.000078321	0.000076731	0.000087004	0.000086137
\$ 3,036,119	\$ 5,175,455	\$ 5,024,694	\$ 4,194,731	\$ 1,954,079	\$ 5,165,178	\$ 5,916,761
<u>4,931,687</u>	<u>7,786,808</u>	<u>7,170,126</u>	<u>7,777,235</u>	<u>3,387,974</u>	<u>7,131,209</u>	<u>8,114,411</u>
<u>\$ 7,967,806</u>	<u>\$ 12,962,263</u>	<u>\$ 12,194,820</u>	<u>\$ 11,971,966</u>	<u>\$ 5,342,053</u>	<u>\$ 12,296,387</u>	<u>\$ 14,031,172</u>
\$ 10,008,162	\$ 9,840,132	\$ 10,261,487	\$ 10,424,731	\$ 10,026,069	\$ 10,582,295	\$ 11,221,211
30.34%	52.60%	48.97%	40.24%	19.49%	48.81%	52.73%
82.17%	73.74%	75.24%	75.54%	88.79%	75.62%	73.15%

PALACIOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
For fiscal year 2024

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 322,024	\$ 323,158	\$ 311,127
Contribution in relation to the contractually required contribution	<u>(322,024)</u>	<u>(323,158)</u>	<u>(311,127)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,806,128	\$ 10,638,543	\$ 10,008,162
Contributions as a percentage of covered payroll	2.98%	3.04%	3.11%

NOTES:

GASB 68, Paragraph 81 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 for the respective fiscal years.

The accompanying notes to required supplementary information are an integral part of this schedule.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 316,455	\$ 369,744	\$ 360,793	\$ 315,314	\$ 363,568	\$ 430,064	\$ 425,787
<u>(316,455)</u>	<u>(369,744)</u>	<u>(360,793)</u>	<u>(315,314)</u>	<u>(363,568)</u>	<u>(430,064)</u>	<u>(425,787)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,840,134	\$ 10,261,487	\$ 10,424,731	\$ 10,026,069	\$ 10,582,295	\$ 11,221,211	\$ 11,236,745
3.22%	3.60%	3.46%	3.14%	3.44%	3.83%	3.79%

PALACIOS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS

For the year ended August 31, 2024

	<u>FY2018</u> <u>Plan Year 2017</u>	<u>FY2019</u> <u>Plan Year 2018</u>
District's proportion of the net liability (asset) for other post employment benefits	0.000142119	0.000141132
District's proportionate share of the net post employment benefit liability (asset)	\$ 6,180,237	\$ 7,046,857
State's proportionate share of the net post employment benefit liability (asset) associated with the District	<u>7,826,218</u>	<u>8,336,720</u>
Total	<u>\$ 14,006,455</u>	<u>\$ 15,383,577</u>
District's covered payroll	\$ 10,008,162	\$ 9,840,134
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	61.75%	71.61%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	1.57%

NOTES:

GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2024 are for the measurement date August 31, 2023. The amounts for FY 2023 are for the measurement date August 31, 2022. The amounts for FY 2022 are for the measurement date August 31, 2021, the amounts for FY 2021 are based on the August 31, 2020 measurement date, the amounts for FY 2020 are based on the August 31, 2019 measurement date, the amounts for FY 2019 are based on the August 31, 2018 measurement date and the amounts for FY 2018 are based on the August 31, 2017 measurement

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.

The accompanying notes to required supplementary information are an integral part of this schedule.

<u>FY2020</u> <u>Plan Year 2019</u>	<u>FY2021</u> <u>Plan Year 2020</u>	<u>FY2022</u> <u>Plan Year 2021</u>	<u>FY2023</u> <u>Plan Year 2022</u>	<u>FY2024</u> <u>Plan Year 2023</u>
0.000142339	0.000126025	0.000118825	0.000121853	0.000118017
\$ 6,731,365	\$ 4,790,789	\$ 4,583,596	\$ 2,917,653	\$ 2,612,702
<u>8,944,480</u>	<u>6,437,672</u>	<u>6,140,997</u>	<u>3,559,079</u>	<u>3,152,627</u>
<u>\$ 15,675,845</u>	<u>\$ 11,228,461</u>	<u>\$ 10,724,593</u>	<u>\$ 6,476,732</u>	<u>\$ 5,765,329</u>
\$ 10,261,487	\$ 10,026,069	\$ 10,582,295	\$ 11,221,211	\$ 11,236,745
65.60%	47.78%	43.31%	26.00%	23.25%
2.66%	4.99%	6.18%	11.52%	14.94%

PALACIOS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS

TEACHER RETIREMENT SYSTEM OF TEXAS

For fiscal year 2024

	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 97,361	\$ 101,022
Contribution in relation to the contractually required contribution	<u>(97,361)</u>	<u>(101,022)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,840,134	\$ 10,261,487
Contributions as a percentage of covered payroll	0.99%	0.98%

NOTES:

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.

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.

The accompanying notes to required supplementary information are an integral part of this schedule.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 95,836	\$ 82,110	\$ 89,929	\$ 94,354	\$ 92,248
<u>(95,836)</u>	<u>(82,110)</u>	<u>(89,929)</u>	<u>(94,354)</u>	<u>(92,248)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,424,731	\$ 10,026,069	\$ 10,582,295	\$ 11,221,211	\$ 11,236,745
0.92%	0.82%	0.85%	0.84%	0.82%

NOTE 1: BUDGETARY INFORMATION

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General Fund, Debt Service Fund, and the National School Breakfast and Lunch Program special revenue fund for the fiscal year beginning September 1. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The District annually adopts legally authorized appropriated budgets for the General Fund, Debt Service Fund, and National School Breakfast and Lunch Program special revenue fund. The General Fund Budget schedule appears in Exhibit G-1 and the other schedules are in Exhibits J-2 and J-3. The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.
4. Budget data is filed with the Texas Education Agency (TEA) as a part of the District's annual fall submission to the TEA Public Education Information Management System.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board. The function level is the legal level of budgetary control and the object level is the administrative level of control. Amendments are presented to the Board at its regular meetings. Each amendment crossing the function level must have Board approval. Such amendments made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year-end, as dictated by law. During the year, several amendments were necessary. Such amendments resulted in \$6,010,377 net change in budgeted expenditures and transfers for the District's General Fund. All budget appropriations lapse at year-end.

NOTE 2: TEACHER RETIREMENT SYSTEM - PENSION PLAN

Changes of benefit terms - The Texas 2023 Legislature pass legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the Net Pension Liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

Changes of assumptions - There were no changes in assumptions.

NOTE 3: TEACHER RETIREMENT SYSTEM - OTHER POST-EMPLOYMENT BENEFIT PLAN

Changes of benefits - There were no changes of benefits.

Changes of assumptions - The single discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent as of August 31, 2023. This change decreased the total OPEB liability.

COMBINING STATEMENTS

PALACIOS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

August 31, 2024

	Special Revenue Funds			
	211 ESEA Title I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 471,426
Due from other governments	76,770	46,527	719	116,725
Due from other funds	-	-	-	-
Other receivables	-	-	-	765
Inventories	-	-	-	38,423
Total assets	<u>\$ 76,770</u>	<u>\$ 46,527</u>	<u>\$ 719</u>	<u>\$ 627,339</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 308
Accrued wages payable	30,192	27,636	643	33,878
Due to other funds	43,289	16,491	-	-
Due to other governments	-	-	-	-
Accrued expenditures	3,289	2,400	76	736
Total liabilities	<u>76,770</u>	<u>46,527</u>	<u>719</u>	<u>34,922</u>
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	38,423
Restricted				
Federal and state grant funds	-	-	-	553,994
Capital acquisitions and contractual obligations	-	-	-	-
Other	-	-	-	-
Committed				
Other	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>592,417</u>
Total liabilities and fund balances	<u>\$ 76,770</u>	<u>\$ 46,527</u>	<u>\$ 719</u>	<u>\$ 627,339</u>

Special Revenue Funds

244	255	263	270	280	282	289
Career and Technical - Basic Grant	ESEA Title II, A Training and Recruiting	ESEA Title III, A English Language Acquisition	ESEA Title V Part B Rural & Low Income	ESSER III Homeless Children	ESSER III ARP Act	Other Federal Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 774
3,283	3,732	4,392	5,478	6,227	2,054	-
-	-	-	-	-	8,137	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,283</u>	<u>\$ 3,732</u>	<u>\$ 4,392</u>	<u>\$ 5,478</u>	<u>\$ 6,227</u>	<u>\$ 10,191</u>	<u>\$ 774</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
3,283	3,732	4,392	5,478	6,227	10,191	-
-	-	-	-	-	-	774
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,283</u>	<u>3,732</u>	<u>4,392</u>	<u>5,478</u>	<u>6,227</u>	<u>10,191</u>	<u>774</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,283</u>	<u>\$ 3,732</u>	<u>\$ 4,392</u>	<u>\$ 5,478</u>	<u>\$ 6,227</u>	<u>\$ 10,191</u>	<u>\$ 774</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2024

	Special Revenue Funds			
	385	410	426	428
	State Supplemental Visually Impaired (SSVI)	State Textbook Fund	Other State Special Revenue Funds	Other State Special Revenue Funds
ASSETS				
Cash and cash equivalents	\$ 4,060	\$ 12,750	\$ -	\$ 4,996
Due from other governments	-	-	6,058	-
Due from other funds	-	-	-	-
Other receivables	-	-	-	-
Inventories	-	-	-	-
Total assets	<u>\$ 4,060</u>	<u>\$ 12,750</u>	<u>\$ 6,058</u>	<u>\$ 4,996</u>
LIABILITIES				
Accounts payable	\$ 643	\$ -	\$ -	\$ -
Accrued wages payable	-	-	-	-
Due to other funds	-	-	6,058	-
Due to other governments	-	-	-	-
Accrued expenditures	-	-	-	-
Total liabilities	<u>643</u>	<u>-</u>	<u>6,058</u>	<u>-</u>
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	-
Restricted				
Federal and state grant funds	3,417	12,750	-	4,996
Capital acquisitions and contractual obligations	-	-	-	-
Other	-	-	-	-
Committed				
Other	-	-	-	-
Total fund balances	<u>3,417</u>	<u>12,750</u>	<u>-</u>	<u>4,996</u>
Total liabilities and fund balances	<u>\$ 4,060</u>	<u>\$ 12,750</u>	<u>\$ 6,058</u>	<u>\$ 4,996</u>

<u>Special Revenue Funds</u>				<u>Capital Projects Fund</u>	
<u>429</u>	<u>461</u>	<u>499</u>		<u>690</u>	Total Nonmajor Governmental Funds (See C-1)
<u>Other State Special Revenue Funds</u>	<u>Campus Activity Funds</u>	<u>Other Local Special Revenue Funds</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>Capital Projects</u>	
\$ -	\$ 351,666	\$ 1,882	\$ 847,554	\$ 957,672	\$ 1,805,226
102,640	-	-	374,605	-	374,605
-	-	-	8,137	-	8,137
-	-	-	765	-	765
-	-	-	38,423	-	38,423
<u>\$ 102,640</u>	<u>\$ 351,666</u>	<u>\$ 1,882</u>	<u>\$ 1,269,484</u>	<u>\$ 957,672</u>	<u>\$ 2,227,156</u>
\$ -	\$ -	\$ -	\$ 951	\$ -	\$ 951
-	1,353	-	93,702	-	93,702
102,640	-	-	201,781	-	201,781
-	-	-	774	-	774
-	29	-	6,530	-	6,530
<u>102,640</u>	<u>1,382</u>	<u>-</u>	<u>303,738</u>	<u>-</u>	<u>303,738</u>
-	-	-	38,423	-	38,423
-	-	-	575,157	-	575,157
-	-	-	-	957,672	957,672
-	-	1,882	1,882	-	1,882
-	350,284	-	350,284	-	350,284
-	350,284	1,882	965,746	957,672	1,923,418
<u>\$ 102,640</u>	<u>\$ 351,666</u>	<u>\$ 1,882</u>	<u>\$ 1,269,484</u>	<u>\$ 957,672</u>	<u>\$ 2,227,156</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the year ended August 31, 2024

Special Revenue Funds

	211	224	225	226	240
	ESEA Title I, A Improving Basic Program	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Discretionary	National Breakfast and Lunch Program
REVENUES					
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ 58,511
State program revenues	-	-	-	-	7,558
Federal program revenues	<u>477,594</u>	<u>257,413</u>	<u>6,209</u>	<u>6,936</u>	<u>1,229,319</u>
Total revenues	<u>477,594</u>	<u>257,413</u>	<u>6,209</u>	<u>6,936</u>	<u>1,295,388</u>
EXPENDITURES					
Current					
Instruction	405,460	257,413	6,209	-	-
Instructional resources and media svcs.	72,134	-	-	-	-
Curriculum and instructional staff dev.	-	-	-	-	-
Instructional leadership	-	-	-	-	-
School leadership	-	-	-	-	-
Guidance, counseling and evaluation svcs.	-	-	-	-	-
Health services	-	-	-	-	-
Student (pupil) transportation	-	-	-	6,936	-
Food services	-	-	-	-	1,209,795
Extracurricular activities	-	-	-	-	-
General administration	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-
Security and monitoring services	-	-	-	-	-
Data processing services	-	-	-	-	-
Community services	-	-	-	-	-
Total expenditures	<u>477,594</u>	<u>257,413</u>	<u>6,209</u>	<u>6,936</u>	<u>1,209,795</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	85,593
OTHER FINANCING SOURCES (USES)					
Net change in fund balances	-	-	-	-	85,593
Fund balance - beginning	-	-	-	-	506,824
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,417</u>

Special Revenue Funds							
242	244	255	263	270	280	282	284
Summer Feeding Program	Career and Technical - Basic Grant	ESEA Title II, A Training and Recruiting	ESEA Title III, A English Language Acquisition	ESEA Title V Part B Rural & Low Income	ESSER III Homeless Children	ESSER III ARP Act	IDEA Part B Formula ARP Act
\$ 39	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
9,794	22,113	44,231	21,507	37,672	6,227	918,268	6,712
9,833	22,113	44,231	21,507	37,672	6,227	918,268	6,712
-	22,113	44,231	21,507	37,672	6,227	679,409	6,712
-	-	-	-	-	-	4,598	-
-	-	-	-	-	-	57,351	-
-	-	-	-	-	-	4,598	-
-	-	-	-	-	-	22,935	-
-	-	-	-	-	-	7,663	-
-	-	-	-	-	-	4,598	-
-	-	-	-	-	-	10,706	-
9,833	-	-	-	-	-	-	-
-	-	-	-	-	-	3,065	-
-	-	-	-	-	-	13,772	-
-	-	-	-	-	-	73,890	-
-	-	-	-	-	-	4,598	-
-	-	-	-	-	-	29,552	-
-	-	-	-	-	-	1,533	-
9,833	22,113	44,231	21,507	37,672	6,227	918,268	6,712
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PALACIOS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the year ended August 31, 2024

	Special Revenue Funds			
	289	385	397	410
	Other Federal Special Revenue Funds	State Supplemental Visually Impaired (SSVI)	Advanced Placement Incentives	State Textbook Fund
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	-	2,800	204	103,396
Federal program revenues	40,793	-	-	-
Total revenues	<u>40,793</u>	<u>2,800</u>	<u>204</u>	<u>103,396</u>
EXPENDITURES				
Current				
Instruction	40,793	3,003	-	99,795
Instructional resources and media svcs.	-	-	-	-
Curriculum and instructional staff dev.	-	-	-	-
Instructional leadership	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling and evaluation svcs.	-	-	204	-
Health services	-	-	-	-
Student (pupil) transportation	-	-	-	-
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Data processing services	-	-	-	-
Community services	-	-	-	-
Total expenditures	<u>40,793</u>	<u>3,003</u>	<u>204</u>	<u>99,795</u>
Excess (deficiency) of revenues over expenditures	-	(203)	-	3,601
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net change in fund balances	-	(203)	-	3,601
Fund balance - beginning	-	3,620	3,620	9,149
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,417</u>	<u>\$ 3,620</u>	<u>\$ 12,750</u>

Special Revenue Funds

426	428	429	461	499	Total Nonmajor Special Revenue Funds
Other State Special Revenue Funds	Other State Special Revenue Funds	Other State Special Revenue Funds	Campus Activity Funds	Other Local Special Revenue Funds	
\$ -	\$ -	\$ -	\$ 335,780	\$ 10,000	\$ 404,330
6,058	10,000	237,671	-	-	367,687
-	-	-	-	-	3,084,788
<u>6,058</u>	<u>10,000</u>	<u>237,671</u>	<u>335,780</u>	<u>10,000</u>	<u>3,856,805</u>
6,058	-	125,389	-	15,407	1,777,398
-	-	-	-	-	76,732
-	5,004	-	-	-	62,355
-	-	-	-	-	4,598
-	-	-	-	-	22,935
-	-	-	-	-	7,867
-	-	-	-	-	4,598
-	-	-	-	-	17,642
-	-	-	-	-	1,219,628
-	-	-	339,646	-	342,711
-	-	-	-	-	13,772
-	-	79,185	-	-	153,075
-	-	33,097	-	-	37,695
-	-	-	-	-	29,552
-	-	-	-	-	1,533
<u>6,058</u>	<u>5,004</u>	<u>237,671</u>	<u>339,646</u>	<u>15,407</u>	<u>3,772,091</u>
-	4,996	-	(3,866)	(5,407)	84,714
-	-	-	-	-	-
-	4,996	-	(3,866)	(5,407)	84,714
-	-	-	354,150	7,289	881,032
<u>\$ -</u>	<u>\$ 4,996</u>	<u>\$ -</u>	<u>\$ 350,284</u>	<u>\$ 1,882</u>	<u>\$ 965,746</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

NONMAJOR GOVERNMENTAL FUNDS

For the year ended August 31, 2024

EXHIBIT H-2

(concluded)

	Capital Projects Fund	
	690	Total Nonmajor Governmental Funds (See C-2)
	<u>Capital Projects</u>	<u>Funds (See C-2)</u>
REVENUES		
Local and intermediate sources	\$ 80,602	\$ 484,932
State program revenues	-	367,687
Federal program revenues	-	3,084,788
Total revenues	<u>80,602</u>	<u>3,937,407</u>
EXPENDITURES		
Current		
Instruction	-	1,777,398
Instructional resources and media svcs.	-	76,732
Curriculum and instructional staff dev.	-	62,355
Instructional leadership	-	4,598
School leadership	-	22,935
Guidance, counseling and evaluation svcs.	-	7,867
Health services	-	4,598
Student (pupil) transportation	398,746	416,388
Food services	-	1,219,628
Extracurricular activities	95,848	438,559
General administration	-	13,772
Facilities maintenance and operations	486,222	639,297
Security and monitoring services	24,007	61,702
Data processing services	27,930	57,482
Community services	-	1,533
Total expenditures	<u>1,032,753</u>	<u>4,804,844</u>
Excess (deficiency) of revenues over expenditures	(952,151)	(867,437)
OTHER FINANCING SOURCES (USES)		
	-	-
Net change in fund balances	(952,151)	(867,437)
Fund balance - beginning	<u>1,909,823</u>	<u>2,790,855</u>
Fund balance - ending	<u>\$ 957,672</u>	<u>\$ 1,923,418</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
August 31, 2024

EXHIBIT H-6

	810	811		Total Private Purpose Trust Funds (See E-1)
	High School Scholarships Fund	Trull Scholarship Fund	Palacios ISD Education Foundation	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 91,908	\$ 17,150	\$ 19,968	\$ 129,026
Investments	-	-	1,082,242	1,082,242
Interest receivable	-	-	8,824	8,824
Prepaid expenses	-	-	22,500	22,500
Noncurrent assets				
Long-term investments	-	-	1,277,043	1,277,043
Total assets	<u>91,908</u>	<u>17,150</u>	<u>2,410,577</u>	<u>2,519,635</u>
LIABILITIES				
Current liabilities				
Accounts payable	-	-	681	681
Scholarships payable	38,600	-	34,008	72,608
Total liabilities	<u>38,600</u>	<u>-</u>	<u>34,689</u>	<u>73,289</u>
NET POSITION				
Held in trust for scholarships and benefits	<u>\$ 53,308</u>	<u>\$ 17,150</u>	<u>\$ 2,375,888</u>	<u>\$ 2,446,346</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT**EXHIBIT H-7**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PRIVATE PURPOSE TRUST FUNDS

For the year ended August 31, 2024

	810	811		
	High School Scholarships Fund	Trull Scholarship Fund	Palacios ISD Education Foundation	Total Private Purpose Trust Funds (See E-2)
ADDITIONS				
Contributions, gifts and donations	\$ 130,775	\$ 30,000	\$ 95,843	\$ 256,618
Investment income (loss)	<u>1,350</u>	<u>445</u>	<u>182,926</u>	<u>184,721</u>
Total additions	<u>132,125</u>	<u>30,445</u>	<u>278,769</u>	<u>441,339</u>
DEDUCTIONS				
Scholarships and benefits paid	147,203	27,710	77,755	252,668
Other	<u>-</u>	<u>-</u>	<u>90,007</u>	<u>90,007</u>
Total deductions	<u>147,203</u>	<u>27,710</u>	<u>167,762</u>	<u>342,675</u>
Change in net position	(15,078)	2,735	111,007	98,664
Net position - beginning	<u>68,386</u>	<u>14,415</u>	<u>2,264,881</u>	<u>2,347,682</u>
Net position - ending	<u>\$ 53,308</u>	<u>\$ 17,150</u>	<u>\$ 2,375,888</u>	<u>\$ 2,446,346</u>

OTHER SUPPLEMENTARY INFORMATION

PALACIOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the year ended August 31, 2024

Last Ten Years Ended August 31	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	1 Maintenance	2 Debt Service	
2015 and prior years	Various	Various	Various
2016	\$ 1.0400	\$ 0.0950	\$ 1,270,009,997
2017	1.0400	0.0950	1,259,775,595
2018	1.0400	0.0950	1,250,635,283
2019	1.0400	0.0950	1,291,649,173
2020	0.9700	0.1650	1,197,704,232
2021	0.9664	0.1350	1,247,235,882
2022	0.9634	0.2108	1,429,554,420
2023	0.9441	0.3426	1,542,762,882
2024 (School year under audit)	0.7078	0.2817	1,771,799,477
1000 TOTALS			

8000 Total Taxes Refunded Under Section 26.1115 Tax Code

10	20	31	32	40	50	99
Beginning Balance 9/1/23	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/24	Taxes Refunded Under Section 26.1115c
\$ 39,068	\$ -	\$ 1,581	\$ 144	\$ (87)	\$ 37,256	
8,370	-	1,748	160	(15)	6,447	
17,652	-	2,772	254	(17)	14,609	
26,163	-	3,286	301	(17)	22,559	
29,393	-	4,693	428	(17)	24,255	
39,673	-	7,536	1,282	(17)	30,838	
59,419	-	12,756	1,782	(397)	44,484	
91,220	-	22,590	4,944	(3,831)	59,855	
278,131	-	98,319	35,664	(10,515)	133,633	
-	17,532,133	10,975,152	6,181,338	(129,298)	246,345	
<u>\$ 589,089</u>	<u>\$ 17,532,133</u>	<u>\$ 11,130,433</u>	<u>\$ 6,226,297</u>	<u>\$ (144,211)</u>	<u>\$ 620,281</u>	

\$ 1,427

Reconciliation of Ending Balance to Exhibit C-1:

Ending Balance at 8/31/24	\$ 620,281
Add: Penalties & Interest Accrued on Receivable Balance	<u>274,767</u>
Property Taxes Receivable (Delinquent) per Exhibit C-1	<u>\$ 895,048</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NONMAJOR FUND
CHILD NUTRITION PROGRAM FUND
For the year ended August 31, 2024

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 58,072	\$ 55,620	\$ 58,511	\$ 2,891
5800	State program revenues	18,050	10,225	7,558	(2,667)
5900	Federal program revenues	1,129,953	1,112,053	1,229,319	117,266
5020	Total revenues	<u>1,206,075</u>	<u>1,177,898</u>	<u>1,295,388</u>	<u>117,490</u>
EXPENDITURES					
Current					
0035	Food services	1,206,075	1,223,909	1,209,795	14,114
6030	Total expenditures	<u>1,206,075</u>	<u>1,223,909</u>	<u>1,209,795</u>	<u>14,114</u>
1100	Excess (deficiency) of revenues over expenditures	-	(46,011)	85,593	131,604
OTHER FINANCING SOURCES (USES)					
1200	Net change in fund balances	-	(46,011)	85,593	131,604
0100	Fund balance - beginning	<u>506,824</u>	<u>506,824</u>	<u>506,824</u>	-
3000	Fund balance - ending	<u>\$ 506,824</u>	<u>\$ 460,813</u>	<u>\$ 592,417</u>	<u>\$ 131,604</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - MAJOR FUND
DEBT SERVICE FUND
For the year ended August 31, 2023

EXHIBIT J-3

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 6,326,500	\$ 6,326,500	\$ 6,334,626	\$ 8,126
5800	State program revenues	1,000	1,000	192,536	191,536
5020	Total revenues	<u>6,327,500</u>	<u>6,327,500</u>	<u>6,527,162</u>	<u>199,662</u>
EXPENDITURES					
Debt service					
0071	Principal on long-term debt	2,095,000	2,095,000	2,095,000	-
0072	Interest on long-term debt	4,227,500	4,227,500	4,227,500	-
0073	Bond issuance cost and fees	5,000	5,000	1,225	3,775
6030	Total expenditures	<u>6,327,500</u>	<u>6,327,500</u>	<u>6,323,725</u>	<u>3,775</u>
1100	Excess (deficiency) of revenues over expenditures	-	-	203,437	203,437
OTHER FINANCING SOURCES (USES)					
1200	Net change in fund balances	-	-	203,437	203,437
0100	Fund balance - beginning	511,836	511,836	511,836	-
3000	Fund balance - ending	<u>\$ 511,836</u>	<u>\$ 511,836</u>	<u>\$ 715,273</u>	<u>\$ 203,437</u>

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	<u>Yes</u>
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	<u>Yes</u>
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	<u>\$ 1,439,057</u>
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24,26,28,29,30)	<u>\$ 3,019,286</u>

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	<u>Yes</u>
AP6	Does the LEA have written policies and procedures for its bilingual education program?	<u>Yes</u>
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	<u>\$ 138,807</u>
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	<u>\$ 123,444</u>

FEDERAL PROGRAMS SECTION



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

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

Board of Trustees
Palacios Independent School District
Palacios, Texas 77465

Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palacios Independent School District (the "District") as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2025.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or 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. 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

January 6, 2025



CERTIFIED PUBLIC ACCOUNTANTS
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VICTORIA, TEXAS 77901-8142

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

Board of Trustees
Palacios Independent School District
Palacios, Texas 77465

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Palacios Independent School District's (the "District") compliance with the types of 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, 2024. 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, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our 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 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 Responsibility 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 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.

Board of Trustees
Palacios Independent School District

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

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

Harrison, Waldrop & Uherek, LLP

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

January 6, 2025

PALACIOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended August 31, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	Other Award Number
FEDERAL EXPENDITURES		
U. S. Department of Education		
<i>Passed Through the Texas Education Agency</i>		
Title I Grants to Local Educational Agencies	84.010A	25610101158905
Title I Grants to Local Educational Agencies	84.010A	24610101158905
IDEA, Part B - Formula	84.027A	256610011589056600
IDEA, Part B - Formula	84.027A	246610011589056600
COVID 19 - IDEA, Part B - Formula ARP	84.027X	225350021589055350
IDEA, Part B - High Cost	84.027A	66002406
IDEA, Part B - Preschool	84.173A	256610011589056610
IDEA, Part B - Preschool	84.173A	246610011589056610
<i>Passed Through the Education Service Center Region 10</i>		
IDEA, Part B - SPED Capacity	84.027A	236600497110001
Total for Special Education Cluster		
<i>Passed Through the Texas Education Agency</i>		
Carl D. Perkins Basic Formula Grant	84.048A	24420006158905
Improving Teacher Quality State Grants	84.367A	24694501158905
English Language Acquisition State Grants	84.365A	24671001158905
Rural Education	84.358B	24696001158905
Rural Education	84.358B	23696001158905
ESSA Title IV, Part A, Subpart 1	84.424A	24680101158905
ESSA Title IV, Part A, Subpart 1	84.424A	23680101158905
LEP Summer School	84.369A	69552302
COVID 19 - ESSER III ARP School Emergency Relief	84.425U	21528001158905
<i>Passed Through the Education Service Center Region 3</i>		
COVID 19 - ESSER III ARP Homeless Children	84.425W	N/A
Total U.S. Department of Education		
U. S. Department of Agriculture		
<i>Passed Through the Texas Education Agency</i>		
School Breakfast Program - Cash	10.553	71402401
National School Lunch Program - Cash	10.555	71402401
Total Texas Education Agency		
<i>Passed Through the Texas Department of Agriculture</i>		
Supply Chain Assistance	10.555	NT4XL1YGLGC5
Summer Food Service Program for Children	10.559	NT4XL1YGLGC5
National School Lunch Program - Non-Cash	10.555	NT4XL1YGLGC5
Total for Child Nutrition Cluster		
Total Texas Department of Agriculture		
Total U.S. Department of Agriculture		

TOTAL FEDERAL EXPENDITURES

See accompanying notes to schedule of expenditures of federal awards.

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ 33,482	\$ -	\$ 33,482	\$ -		
444,112	-	444,112	-		
<u>477,594</u>	<u>-</u>	<u>477,594</u>	<u>-</u>		
30,036	-	30,036	-	Special Education Cluster	
227,377	-	227,377	-	Special Education Cluster	
6,712	-	6,712	-	Special Education Cluster	
6,936	-	6,936	-	Special Education Cluster	
<u>271,061</u>	<u>-</u>	<u>271,061</u>	<u>-</u>		
719	-	719	-	Special Education Cluster	
5,490	-	5,490	-	Special Education Cluster	
<u>6,209</u>	<u>-</u>	<u>6,209</u>	<u>-</u>		
8,323	-	8,323	-	Special Education Cluster	
<u>285,593</u>	<u>-</u>	<u>285,593</u>	<u>-</u>		
22,113	-	22,113	-		
44,231	-	44,231	-		
<u>21,507</u>	<u>-</u>	<u>21,507</u>	<u>-</u>		
37,319	-	37,319	-		
353	-	353	-		
<u>37,672</u>	<u>-</u>	<u>37,672</u>	<u>-</u>		
30,227	-	30,227	-		
774	-	774	-		
<u>31,001</u>	<u>-</u>	<u>31,001</u>	<u>-</u>		
1,469	-	1,469	-		
1,058,252	-	1,058,252	-		
6,227	-	6,227	-		
<u>1,064,479</u>	<u>-</u>	<u>1,064,479</u>	<u>-</u>		
<u>1,985,659</u>	<u>-</u>	<u>1,985,659</u>	<u>-</u>		
399,485	-	399,485	-	Child Nutrition Cluster	
717,136	-	717,136	-	Child Nutrition Cluster	
<u>1,116,621</u>	<u>-</u>	<u>1,116,621</u>	<u>-</u>		
58,143	-	58,143	-	Child Nutrition Cluster	
9,794	-	9,794	-	Child Nutrition Cluster	
54,555	-	54,555	-	Child Nutrition Cluster	4
<u>1,239,113</u>	<u>-</u>	<u>1,239,113</u>	<u>-</u>		
122,492	-	122,492	-		
<u>1,239,113</u>	<u>-</u>	<u>1,239,113</u>	<u>-</u>		
<u>\$ 3,224,772</u>	<u>\$ -</u>	<u>\$ 3,224,772</u>	<u>\$ -</u>		

PALACIOS INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended August 31, 2024

NOTE 1: BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable; except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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 unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

NOTE 2: PROGRAM COSTS

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: NONCASH AWARDS

The amount of commodities reported on the schedule is the value of the commodities received by the District during the fiscal year and priced as prescribed by the Department of Agriculture, Food and Nutrition Service.

NOTE 5: RECONCILIATION TO FEDERAL REVENUES REPORTED IN FINANCIAL STATEMENTS

Total expenditures of federal awards - Exhibit K-1	\$ 3,224,772
Plus: Other federal revenues	
Erate reimbursement	72,900
SHARS reimbursement	<u>18,025</u>
Total federal program revenues - Exhibit C-2	<u>\$ 3,315,697</u>

PALACIOS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended August 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes no

Identification of major programs:

Federal Assistance

<i>Listing No.(s)</i>	<i>Name of Federal Program or Cluster</i>
84.425	Education Stabilization Fund (ESF)

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

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

PALACIOS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
For the year ended August 31, 2024

None were reported.