

**SWEET HOME
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2024**

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Introductory Section



Sweet Home Independent School District

7508 FM 531, Sweet Home, Texas 77987

Ph: (361) 293-3221

Fax: (361) 741-2499

CERTIFICATE OF BOARD

Sweet Home Independent School District
Name of School District

Lavaca
County

143-905
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 9 day of December 2024

Amy Richa
Signature of Board Secretary

Ray Pangel
Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section



Roloff, Hnatek & Co., L.L.P.

Certified Public Accountants
Financial Consultants
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Independent Auditors' Report

Board of Trustees
Sweet Home Independent School District
7508 FM 531
Sweet Home, Texas 77987

Members of the Board of Trustees:

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 Sweet Home Independent School 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 Sweet Home Independent School 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 Sweet Home Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance, but it 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 Sweet Home Independent School 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 Sweet Home Independent School 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, on pages 9 through 15, the budgetary comparison information on page 48, the information related to the District's pension plan on pages 49 through 52, and the information related to the District's other post-employment benefits on pages 53 through 56, 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 Sweet Home Independent School District's basic financial statements. The accompanying supplementary information on pages 59 through 62 is presented for purposes of additional analysis and is 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 information 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 November 27, 2024, on our consideration of Sweet Home Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sweet Home Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sweet Home Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.

November 27, 2024

Management's Discussion and Analysis (Unaudited)

SWEET HOME INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

As management of Sweet Home Independent School District (“District”), we offer readers as an introduction to the District’s financial statements, this narrative overview and analysis of the District’s activities and financial performance for the year ended August 31, 2024. This discussion and analysis is designed to assist readers in concentrating on the significant financial issues and activities and to identify any significant changes in financial position. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The net position of the District at August 31, 2024 was \$732,046. Of this amount, \$96,634 is unrestricted.
- The District’s total net position increased by \$321,998, or 79%, from the prior year.
- The general fund had a fund balance of \$676,679 at August 31, 2024, an increase of \$209,008, or 45%, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report of the District consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how the general government services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund statements*, if any, offer *short-term* and *long-term* financial information about the activities the government operates like businesses.
- *Fiduciary fund statements*, if any, provide information about the financial relationships in which the District acts solely as a *trustee* or *custodian* for the benefit of others, to whom the resources in question belong.

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

The table on the following page summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Major Features of the District's Government-wide and Fund Financial Statements

Features	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or custodian for someone else's resources
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets plus deferred outflow of resources and liabilities plus deferred inflows of resources, and is one way to measure the District's financial health or position.

- Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services are included here, such as instruction, curriculum, staff development, general administration, extracurricular activities and health services. Property taxes and grants finance most of these activities.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants, if any.
- The Board of Trustees establishes other funds to control and manage money for particular purposes, or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

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

Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain *other supplementary information* on property taxes, indirect costs, fund balance, budgetary information and other reports required by Texas Education Agency and/or *Government Auditing Standards*.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One fundamental question that is most asked of an entity is, as a whole "Are you better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the District's activities in a way that should help answer this question. These two statements report the net position of the District and changes therein. The District's net position (the difference between assets and liabilities) can be thought of as a way to measure the financial health of the District. Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating. However, you will need to consider other information that is non-financial in nature, such as changes in economic conditions, demographic information, mandated state and federal regulations, and new or changed government legislation.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Statement of Net Position

The statement of net position serves as a useful indicator over time of the District's financial position. It distinguishes assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as to their expected use for current operations and capital investment. The District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of fiscal year 2024 by \$732,046. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2024 and 2023.

	Governmental Activities		\$ Change	% Change
	2024	2023	2024 - 2023	2024 - 2023
Assets:				
Current Assets	\$ 903,913	\$ 735,904	\$ 168,009	23%
Capital Assets	659,968	580,752	79,216	14%
Total Assets	1,563,881	1,316,656	247,225	19%
Deferred Outflows of Resources	371,022	398,766	(27,744)	(7%)
Liabilities:				
Current Liabilities	177,085	227,982	(50,897)	(22%)
Noncurrent Liabilities	601,850	606,302	(4,452)	(1%)
Total Liabilities	778,935	834,284	(55,349)	(7%)
Deferred Inflows of Resources	423,922	471,090	(47,168)	(10%)
Net Position:				
Net Investment in Capital Assets	635,412	549,352	86,060	16%
Unrestricted	96,634	(139,304)	235,938	(169%)
Total Net Position	\$ 732,046	\$ 410,048	\$ 321,998	79%

A portion of the District's net position (\$635,412) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment, and right-to-use assets) less the remaining balance of the related debt, if any, used to acquire those assets. The District uses these capital assets to provide services to its students and, consequently, these assets are not available for future spending. The remaining balance of unrestricted (\$96,634) may be used to meet the District's ongoing obligations to employees and vendors.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Statement of Activities

The statement of activities serves as a measure to determine how successful the District was during the past year in recovering its costs through property taxes, state and federal grants, charges for services and other revenues. The following condensed statement of activities summarizes the operations of the District for the years ended August 31, 2024 and 2023.

	Governmental Activities		\$ Change	% Change
	2024	2023	2024 - 2023	2024 - 2023
Program Revenues:				
Charges for Services	\$ 48,123	\$ 41,476	\$ 6,647	16%
Operating Grants and Contributions	357,116	219,560	137,556	63%
General Revenues:				
Property Taxes	602,108	783,487	(181,379)	(23%)
State Aid-Formula	1,206,872	905,249	301,623	33%
Investment Earnings	1,694	1,640	54	3%
Misc. Local and Intermediate Revenue	61,995	55,411	6,584	12%
Total Revenues	<u>2,277,908</u>	<u>2,006,823</u>	<u>271,085</u>	14%
Expenses:				
Instruction	950,497	835,996	114,501	14%
Instructional Resources and Media Services	696	11,066	(10,370)	(94%)
Curriculum and Instructional Staff Dvlpmt.	9,061	9,190	(129)	(1%)
School Leadership	126,659	98,394	28,265	29%
Guidance, Counseling, and Eval. Services	24,796	27,397	(2,601)	(9%)
Health Services	19,511	733	18,778	2,562%
Student (Pupil) Transportation	40,395	49,272	(8,877)	(18%)
Food Services	136,680	121,073	15,607	13%
Extracurricular Activities	12,936	44,365	(31,429)	(71%)
General Administration	165,080	116,246	48,834	42%
Facilities Maintenance and Operations	92,348	108,161	(15,813)	(15%)
Security and Monitoring Services	26,715	12,490	14,225	114%
Data Processing Services	71,183	76,451	(5,268)	(7%)
Debt Service-Interest on Long-Term Debt	956	1,076	(120)	(11%)
Payments Related to Shared Services				
Arrangements	67,111	59,708	7,403	12%
Other Intergovernmental Charges	<u>211,286</u>	<u>258,492</u>	<u>(47,206)</u>	(18%)
Total Expenses	<u>1,955,910</u>	<u>1,830,110</u>	<u>125,800</u>	7%
Increase (Decrease) in Net Position	<u>\$ 321,998</u>	<u>\$ 176,713</u>	<u>\$ 145,285</u>	

The District's total revenues and expenses increased by 14% and 7%, respectively. There were significant increases in revenues from operating grants and contributions and state aid-formula grants, while there was a significant decrease in property taxes. There were significant increases in expenses in the functional categories of instruction, school leadership, and general administration, while there were significant decreases in extracurricular activities and other intergovernmental charges. The fiscal year operations resulted in an increase in net position of \$321,998.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$2,255,510, an increase of approximately 12% from the preceding year. Local revenues decreased by approximately 21% while the state and federal revenues increased in total by approximately 38%. There was a significant increase in revenues from state program revenues, while there were significant decreases in total local and intermediate sources and federal program revenues. Expenditures from governmental fund types totaled \$2,058,799, an increase of approximately 9% from the preceding year. There were significant increases in expenditures in the functional categories of instruction, school leadership, general administration, and security and monitoring services, while there were significant decreases in extracurricular activities and other intergovernmental charges.

General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. The budgeted revenues were not significantly changed as a result of budget amendments. The following budgeted expenditures were significantly changed by budget amendments to accommodate unanticipated increases and decreases in expenditures subsequent to the adoption of the original budget.

- Function 99 (Other Intergovernmental Charges)

Total actual revenues were \$102,210 more than the final budgeted amount due primarily to state program revenues being significantly more than anticipated, while total local and intermediate sources were significantly less than anticipated. Total actual expenditures were \$108,375 below final budget amounts due primarily to a significant favorable variance in function 11 (Instruction) combined with other insignificant favorable variances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of August 31, 2024 was \$659,968 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, vehicles, furniture and equipment, and right-to-use assets. This amount represents a net increase (including additions, deletions, depreciation and amortization expense) of \$79,216 from fiscal year 2023. Additional information regarding the District's capital assets can be found in Note C to the financial statements. The following table summarizes the District's capital assets (net of accumulated depreciation and amortization) as of August 31, 2024 and 2023.

	Governmental Activities		\$ Change	% Change
	2024	2023	2024 - 2023	2024 - 2023
Land	\$ 261,133	\$ 261,133	\$ -	0%
Construction in Progress	5,250	-	5,250	N/A
Buildings and Improvements	1,105,854	1,004,970	100,884	10%
Vehicles, Furniture and Equipment	415,630	449,053	(33,423)	(7%)
Right-to-Use Leased Assets	37,474	37,474	-	0%
Totals at Historical Cost	1,825,341	1,752,630	72,711	4%
Total Accumulated Depr. & Amort.	(1,165,373)	(1,171,878)	6,505	(1%)
Net Capital Assets	\$ 659,968	\$ 580,752	\$ 79,216	14%

SWEET HOME INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Long-term Obligations

As of August 31, 2024, the District had long-term debt outstanding of \$24,556. This amount is comprised entirely of a lease liability. Additional information regarding the District's long-term obligations can be found in Note E to the financial statements. The following table summarizes the District's long-term obligations outstanding at August 31, 2024 and 2023.

	Governmental Activities		\$ Change	% Change
	2024	2023	2024 - 2023	2024 - 2023
Lease Liability	\$ 24,556	\$ 31,400	\$ (6,844)	(22%)

ECONOMIC OUTLOOK

The District has adopted a property tax rate of 1.1133% for fiscal year ending 2025 based on its approved budget and total assessed taxable property values. Of this total tax rate, \$0.6758 per \$100 valuation is for the purpose of maintenance and operations and \$0.4375 per valuation is for the payment of principal and its interest on debt. The total assessed property tax value used for the fiscal year 2025 budget increased by approximately 3% from that of 2024. The District's average daily attendance is expected to be approximately 114 for the fiscal year 2025. These factors were taken into consideration when adopting the general fund budget for fiscal year 2025. Based on this budget, the District does not expect a significant change in fund balance.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

SWEET HOME INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 539,539
1220 Property Taxes - Delinquent	84,518
1230 Allowance for Uncollectible Taxes	(34,368)
1240 Due from Other Governments	314,224
Capital Assets:	
1510 Land	261,133
1520 Buildings, Net	226,995
1530 Furniture and Equipment, Net	142,797
1550 Right-to-Use Leased Assets, Net	23,793
1580 Construction in Progress	5,250
1000 Total Assets	<u>1,563,881</u>
DEFERRED OUTFLOWS OF RESOURCES	
1702 Deferred Outflow - State Foundation Program	96,745
1705 Deferred Outflow Related to TRS Pension	150,086
1706 Deferred Outflow Related to TRS OPEB	124,191
1700 Total Deferred Outflows of Resources	<u>371,022</u>
LIABILITIES	
2110 Accounts Payable	40,665
2150 Payroll Deductions and Withholdings	9,760
2160 Accrued Wages Payable	123,664
2200 Accrued Expenses	2,996
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	7,079
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	17,477
2540 Net Pension Liability (District's Share)	371,549
2545 Net OPEB Liability (District's Share)	205,745
2000 Total Liabilities	<u>778,935</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	25,341
2606 Deferred Inflow Related to TRS OPEB	398,581
2600 Total Deferred Inflows of Resources	<u>423,922</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	635,412
3900 Unrestricted	96,634
3000 Total Net Position	<u><u>\$ 732,046</u></u>

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 950,497	\$ -	\$ 139,748	\$ (810,749)
12 Instructional Resources and Media Services	696	-	-	(696)
13 Curriculum and Instructional Staff Development	9,061	-	-	(9,061)
23 School Leadership	126,659	-	10,281	(116,378)
31 Guidance, Counseling, and Evaluation Services	24,796	-	24,217	(579)
33 Health Services	19,511	-	12,000	(7,511)
34 Student (Pupil) Transportation	40,395	-	942	(39,453)
35 Food Services	136,680	48,123	33,636	(54,921)
36 Extracurricular Activities	12,936	-	653	(12,283)
41 General Administration	165,080	-	8,438	(156,642)
51 Facilities Maintenance and Operations	92,348	-	2,408	(89,940)
52 Security and Monitoring Services	26,715	-	111,344	84,629
53 Data Processing Services	71,183	-	13,449	(57,734)
72 Debt Service - Interest on Long-Term Debt	956	-	-	(956)
93 Payments Related to Shared Services Arrangements	67,111	-	-	(67,111)
99 Other Intergovernmental Charges	211,286	-	-	(211,286)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 1,955,910	\$ 48,123	\$ 357,116	(1,550,671)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			602,108
SF	State Aid - Formula Grants			1,206,872
IE	Investment Earnings			1,694
MI	Miscellaneous Local and Intermediate Revenue			61,995
TR	Total General Revenues			1,872,669
CN	Change in Net Position			321,998
NB	Net Position - Beginning			410,048
NE	Net Position - Ending			\$ 732,046

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data Control Codes	10 General Fund	School Safety Standards	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 530,863	\$ -	\$ 8,676	\$ 539,539
1220 Property Taxes - Delinquent	84,518	-	-	84,518
1230 Allowance for Uncollectible Taxes	(34,368)	-	-	(34,368)
1240 Due from Other Governments	155,327	111,344	47,553	314,224
1260 Due from Other Funds	139,005	-	-	139,005
1000 Total Assets	<u>\$ 875,345</u>	<u>\$ 111,344</u>	<u>\$ 56,229</u>	<u>\$ 1,042,918</u>
LIABILITIES				
2110 Accounts Payable	\$ 29,398	\$ -	\$ 11,267	\$ 40,665
2150 Payroll Deductions and Withholdings Payable	9,760	-	-	9,760
2160 Accrued Wages Payable	107,111	-	16,553	123,664
2170 Due to Other Funds	-	111,344	27,661	139,005
2200 Accrued Expenditures	2,248	-	748	2,996
2000 Total Liabilities	<u>148,517</u>	<u>111,344</u>	<u>56,229</u>	<u>316,090</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	50,149	-	-	50,149
2600 Total Deferred Inflows of Resources	<u>50,149</u>	<u>-</u>	<u>-</u>	<u>50,149</u>
FUND BALANCES				
3600 Unassigned Fund Balance	676,679	-	-	676,679
3000 Total Fund Balances	<u>676,679</u>	<u>-</u>	<u>-</u>	<u>676,679</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 875,345</u>	<u>\$ 111,344</u>	<u>\$ 56,229</u>	<u>\$ 1,042,918</u>

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 676,679
1 Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	659,968
2 Long-term obligations are not due and payable in the current period, therefore, are not reported as liabilities in the governmental funds. Long-term obligations at year-end consist of a lease liability of \$24,556.	(24,556)
3 Property taxes are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.	50,149
4 State Foundation Program revenues receivable, but not yet available, are not financial resources and, therefore, are not reported in the governmental funds.	96,745
5 The District's proportionate share of the net pension liability of \$371,549, deferred inflows of resources of \$25,341, and deferred outflows of resources of \$150,086 related to the net pension liability do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.	(246,804)
6 The District's proportionate share of the net OPEB liability of \$205,745, deferred inflows of resource of \$398,581, and deferred outflows of resources of \$124,191 related to the net OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.	(480,135)
29 Net Position of Governmental Activities	\$ 732,046

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

SWEET HOME 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 General Fund	School Safety Standards	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 643,602	\$ -	\$ 48,123	\$ 691,725
5800 State Program Revenues	1,283,670	111,344	36,656	1,431,670
5900 Federal Program Revenues	-	-	132,115	132,115
5020 Total Revenues	1,927,272	111,344	216,894	2,255,510
EXPENDITURES:				
Current:				
0011 Instruction	853,481	-	78,537	932,018
0012 Instructional Resources and Media Services	696	-	-	696
0013 Curriculum and Instructional Staff Development	9,061	-	-	9,061
0023 School Leadership	126,223	-	2,089	128,312
0031 Guidance, Counseling, and Evaluation Services	758	-	24,217	24,975
0033 Health Services	7,530	-	12,000	19,530
0034 Student (Pupil) Transportation	29,618	-	-	29,618
0035 Food Services	-	-	137,955	137,955
0036 Extracurricular Activities	13,069	-	-	13,069
0041 General Administration	162,260	-	3,816	166,076
0051 Facilities Maintenance and Operations	106,244	-	1,016	107,260
0052 Security and Monitoring Services	16,255	111,344	-	127,599
0053 Data Processing Services	57,735	-	13,448	71,183
Debt Service:				
0071 Principal on Long-Term Liabilities	6,844	-	-	6,844
0072 Interest on Long-Term Liabilities	956	-	-	956
Capital Outlay:				
0081 Facilities Acquisition and Construction	5,250	-	-	5,250
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	67,111	-	-	67,111
0099 Other Intergovernmental Charges	211,286	-	-	211,286
6030 Total Expenditures	1,674,377	111,344	273,078	2,058,799
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	252,895	-	(56,184)	196,711
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	56,184	56,184
7949 Other Resources	12,297	-	-	12,297
8911 Transfers Out (Use)	(56,184)	-	-	(56,184)
7080 Total Other Financing Sources (Uses)	(43,887)	-	56,184	12,297
1200 Net Change in Fund Balances	209,008	-	-	209,008
0100 Fund Balance - September 1 (Beginning)	467,671	-	-	467,671
3000 Fund Balance - August 31 (Ending)	\$ 676,679	\$ -	\$ -	\$ 676,679

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 209,008
Governmental funds report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. Current year capital outlay, depreciation expense, and amortization expense totaled \$125,941, \$39,587, and \$7,138, respectively, for a net effect of \$79,216.	79,216
The change in deferred tax revenue is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	9,898
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but is reported as a reduction to the long-term liabilities in the Statement of Net Position.	6,844
The change in State Foundation Program revenues receivable, but not yet available, is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	2,588
The net change in the net pension liability, deferred inflows of resources and deferred outflows of resources related to the net pension liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net pension liability increased by \$48,290, deferred inflows of resources decreased by \$15,190, and deferred outflows of resources increased by \$661, for a net effect of \$32,439.	(32,439)
The net change in the net OPEB liability, deferred inflows of resources and deferred outflows of resources related to the net OPEB liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net OPEB liability decreased by \$45,898, deferred inflows of resources decreased by \$31,978, and deferred outflows of resources decreased by \$30,993, for a net effect of \$46,883.	46,883
Change in Net Position of Governmental Activities	\$ 321,998

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2024

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 13,290
Total Assets	<u>13,290</u>
LIABILITIES	
Accounts Payable	<u>104</u>
Total Liabilities	<u>104</u>
NET POSITION	
Restricted for Other Purposes	<u>13,186</u>
Total Net Position	<u><u>\$ 13,186</u></u>

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Custodial Fund
ADDITIONS:	
Cocurricular Services or Activities	\$ 29,422
Total Additions	<u>29,422</u>
DEDUCTIONS:	
Supplies and Materials	<u>19,330</u>
Total Deductions	<u>19,330</u>
Change in Fiduciary Net Position	10,092
Total Net Position - September 1 (Beginning)	<u>3,094</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 13,186</u></u>

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies

The basic financial statements of Sweet Home Independent School District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units in conjunction with the Texas Education Agency’s Financial Accountability System Resource Guide (“Resource Guide”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Board of School Trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District’s funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

General Fund: This is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

School Safety Standards Grant: This fund is used to account for revenues and expenditures related to this grant.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following non-major fund types:

Special Revenue Funds: These funds are used to account for resources restricted, committed, or assigned for specific purposes by a grantor or Board. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the programs.

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

- **Custodial Funds** - The District accounts for resources held for students and other organizations in a custodial capacity in the custodial funds.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant 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 other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The allowance for uncollectible tax receivable within the General Fund is based upon historical experience in collecting property 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. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of August 31, 2024.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Continued)

Capital assets, including right-to-use assets, are being depreciated and amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Furniture and Equipment	5-15
Vehicles	10

d. Right-to-Use Assets and Lease Liabilities

Right-to-use assets, reported with capital assets, are recognized at the lease commencement date and represent the District's right to use an underlying asset for the term of the lease. Right-to-use assets are measured at the initial value of the lease liability plus any payments made to the lessor prior to the commencement of the lease term, less any incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method.

Lease liabilities, reported with long-term obligations, represent the District's obligation to make lease payments arising from lease agreements. Lease liabilities are recognized at the related lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on the District's estimated incremental borrowing rate.

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

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Continued)

g. Use of Estimates

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

h. Data Control codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Fund Balance Policy

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), the District reports fund balances for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or “must be maintained in tact” and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

Committed fund balance includes amounts that can only be used for specific purposes, and is reported pursuant to resolutions passed by the Board of Trustees, the District’s highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by Board of Trustees.

Assigned fund balance includes amounts that the District intends to use for specific purposes, but that do not meet the definition of restricted or committed fund balance. Under the District’s adopted policy, amounts may be assigned by the Superintendent.

Unassigned fund balance includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District’s policy to use restricted resources first, then unrestricted resources. When the District incurs an expenditure or expense for which committed, assigned, or unassigned may be used, it is the District’s policy to use committed, then assigned, and then unassigned.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Concluded)

The District has also adopted a policy to strive to maintain a minimum fund balance in the General Fund equal to 25% of operating expenditures, with an unassigned fund balance of at least 20% of operating expenditures.

B. Deposits and Investments

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

Cash Deposits

At August 31, 2024, the carrying amount of the District's deposits was \$552,829 and the bank balance was \$664,068. The District's cash deposits at August 31, 2024 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

Fair Value Measurements

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities as follows:

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

B. Deposits and Investments (Continued)

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority,
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and
- Level 3 inputs which consist of other unobservable inputs and have the lowest priority.

The District uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 inputs are not available.

The District held no investments as of August 31, 2024.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally rating agencies are designed to give an indication of credit risk. At year-end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the district was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

B. Deposits and Investments (Concluded)

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 261,133	\$ -	\$ -	\$ 261,133
Construction in Progress	-	5,250	-	5,250
Capital Assets Being Depreciated				
Building and Improvements	1,004,970	100,884	-	1,105,854
Vehicles, Furniture and Equipment	449,053	19,807	53,230	415,630
Right-to-Use Leased Assets	37,474	-	-	37,474
Total Capital Assets at Historical Cost	<u>1,752,630</u>	<u>125,941</u>	<u>53,230</u>	<u>1,825,341</u>
Less Accumulated Depreciation and Amortization for:				
Buildings and Improvements	856,175	22,684	-	878,859
Vehicles, Furniture and Equipment	309,160	16,903	53,230	272,833
Right-to-Use Leased Assets	6,543	7,138	-	13,681
Total Accumulated Depr. & Amort.	<u>1,171,878</u>	<u>46,725</u>	<u>53,230</u>	<u>1,165,373</u>
Governmental Activities Capital Assets, Net	<u>\$ 580,752</u>	<u>\$ 79,216</u>	<u>\$ -</u>	<u>\$ 659,968</u>

Depreciation and amortization expense was charged to governmental functions as follows:

Instruction	\$ 30,119
Student (Pupil) Transportation	10,899
Food Services	618
Facilities Maintenance and Operations	5,089
Total	<u>\$ 46,725</u>

SWEET HOME INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2024

D. Interfund Balances and Activities

Due to and From Other Funds

Balances due to and due from other funds at August 31, 2024, consisted of the following:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Funds	\$ 27,661	Short-term Loans
General Fund	Special Revenue Funds	111,344	Short-term Loans
		<u>\$ 139,005</u>	

All amounts are scheduled to be repaid within one year.

Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2024, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Funds	<u>\$ 56,184</u>	Supplement Other Funds

E. Long-Term Obligations

Leases

During the year ended August 31, 2023, the District entered into a sixty-three month lease as lessee for the use of multiple copy machines. An initial lease liability was recorded in the amount of \$37,474. As of August 31, 2024, the value of the lease liability is \$24,556. In accordance with the lease agreement, the District is required to make monthly fixed payments of \$650. The District used a 3.38% discount rate for this arrangement based on the estimated incremental borrowing rate. The value of the right-to-use assets as of August 31, 2024, was \$37,474 with accumulated amortization of \$13,681.

Long Term Debt Activity

Changes in long-term obligations for the year ended August 31, 2024, are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease Liability	<u>\$ 31,400</u>	<u>\$ -</u>	<u>\$ 6,844</u>	<u>\$ 24,556</u>	<u>\$ 7,079</u>

Debt service requirements on long-term debt at August 31, 2024, are as follows:

<u>Year Ending August 31,</u>	<u>Lease Liability</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 7,079	\$ 721	\$ 7,800
2026	7,322	478	7,800
2027	7,573	227	7,800
2028	2,582	18	2,600
Total	<u>\$ 24,556</u>	<u>\$ 1,444</u>	<u>\$ 26,000</u>

Interest expense was \$956 for the year ended August 31, 2024.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
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F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Pension Plan

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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five-highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit.

There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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G. Pension Plan (Continued)

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 through 2025.

	Contribution Rates	
	2023	2024
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Current Fiscal Year Employer Contributions		\$ 29,884
Current Fiscal Year Member Contributions		\$ 77,599
Measurement Year NECE On-Behalf Contributions		\$ 62,195

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers 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.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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G. Pension Plan (Continued)

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.8% of the member's salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after-retirement surcharge.

Actuarial Assumptions

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

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 Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2023	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 are 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 actuarial valuation report dated November 22, 2022.

Discount Rate

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

G. Pension Plan (Continued)

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

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2023 are summarized below:

Asset Class	Target Allocation Percentage**	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 & Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity	8.00%	4.50%	0.40%
Asset Allocation Leverage:			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	(6.00%)	4.40%	(0.10%)
Inflation Expectation			2.30%
Volatility Drag****	0.00%		(0.90%)
	<u>100.00%</u>		<u>8.00%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2023 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023).

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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G. Pension Plan (Continued)

Discount Rate Sensitivity Analysis

The following table presents the 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 was 1% less (6.00%) or 1% greater (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate Share of the Net Pension Liability	\$ 555,487	\$ 371,549	\$ 218,605

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

At August 31, 2024, the District reported a liability of \$371,549 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	\$ 371,549
State's Proportionate Share that is Associated with the District	<u>831,122</u>
Total	<u>\$ 1,202,671</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 proportionate share of the collective net pension liability was 0.0005409045%, which was a decrease of 0.0000036009% from its proportionate share measured as of August 31, 2022.

Changes 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.

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 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.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
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G. Pension Plan (Concluded)

For the year ended August 31, 2024, the District recognized pension expense of \$187,815 and revenue of \$125,492 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 pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experiences	\$ 13,238	\$ 4,499
Changes in Actuarial Assumptions	35,141	8,600
Difference Between Projected and Actual Investment Earnings	54,070	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	17,753	12,242
Contributions Paid to TRS Subsequent to the Measurement Date	29,884	-
Total	<u>\$ 150,086</u>	<u>\$ 25,341</u>

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

Year ended August 31:	Pension Expense Amount
2025	\$ 22,507
2026	\$ 14,917
2027	\$ 44,724
2028	\$ 11,532
2029	\$ 1,181
Thereafter	-

For the year ended August 31, 2024, the changes to the TRS net pension liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	<u>\$ 323,259</u>	<u>\$ 48,290</u>	<u>\$ -</u>	<u>\$ 371,549</u>

H. Defined Other Post-Employment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined benefit other post-employment benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
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H. Defined Other Post-Employment Benefit Plan (Continued)

The Teacher Retirement System of Texas (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 benefit changes; including automatic COLA's.

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

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

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 participating employers based on active employee compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
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H. Defined Other Post-Employment Benefit Plan (Continued)

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% and not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2023	2024
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%
Current Fiscal Year Employer Contributions		\$ 8,009
Current Fiscal Year Member Contributions		\$ 6,114
Measurement Year NECE On-Behalf Contributions		\$ 9,728

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

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 amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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 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 developed in 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 retirement, rates of termination, rates of disability, general inflation, and 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.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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H. Defined Other Post-Employment Benefit Plan (Continued)

Additional Actuarial Methods and Assumptions:

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 claim costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability. There was an increase of 0.22% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, 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.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District’s Proportionate Share of the Net OPEB Liability	\$ 242,325	\$ 205,745	\$ 175,895

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

At August 31, 2024, the District reported a liability of \$205,745 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	\$ 205,745
State's Proportionate Share that is Associated with the District	248,264
Total	<u>\$ 454,009</u>

SWEET HOME INDEPENDENT SCHOOL DISTRICT
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H. Defined Other Post-Employment Benefit Plan (Continued)

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 proportionate share of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023, the employer's proportion of the net OPEB liability was 0.0009293642%, which was a decrease of 0.0001216002% from its proportion measured as of August 31, 2022.

Healthcare Cost Trend Rates Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Proportionate Share of the Net OPEB Liability	<u>\$ 169,421</u>	<u>\$ 205,745</u>	<u>\$ 252,477</u>

Changes Since the Prior Actuarial Valuation

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

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

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

For the year ended August 31, 2024, the District recognized OPEB expense of (\$91,948) and revenue of (\$53,074) 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 Experiences	\$ 9,308	\$ 173,096
Changes in Actuarial Assumptions	28,083	125,983
Difference Between Projected and Actual Investment Earnings	89	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	78,702	99,502
Contributions Paid to TRS Subsequent to the Measurement Date	8,009	-
Total	<u>\$ 124,191</u>	<u>\$ 398,581</u>

SWEET HOME INDEPENDENT SCHOOL DISTRICT
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H. Defined Other Post-Employment Benefit Plan (Concluded)

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

Year ended August 31:	OPEB Expense Amount
2025	\$ (55,932)
2026	\$ (46,496)
2027	\$ (33,720)
2028	\$ (37,001)
2029	\$ (34,001)
Thereafter	\$ (75,249)

For the year ended August 31, 2024, the changes to the TRS net OPEB liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 251,643	\$ -	\$ 45,898	\$ 205,745

I. Health Care Coverage – Retirees and Active Employees

Retiree Health Care Coverage

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who have retired under the Teacher Retirement System of Texas.

The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. The report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The contribution rate for the active employees was 0.65% for the years ended August 31, 2024, 2023, and 2022. The contribution rate for the State was 1.25% for the years ended August 31, 2024, 2023, and 2022. The contribution rate for the District was 0.75% for the years ended August 31, 2024, 2023, and 2022. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

I. Health Care Coverage – Retirees and Active Employees (Concluded)

Contributions

Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the Member's and District's required contributions for the years ended August 31, 2024, 2023, and 2022 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2024	0.65%	\$ 6,109	1.25%	\$ 10,498	0.75%	\$ 7,049
2023	0.65%	\$ 6,178	1.25%	\$ 11,315	0.75%	\$ 7,129
2022	0.65%	\$ 6,776	1.25%	\$ 12,316	0.75%	\$ 7,819

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on behalf of the District were \$4,949, \$5,221, and \$4,549, respectively.

Active Employee Health Care Coverage

Plan Description

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium based plan. Payments are made on a monthly basis for all covered employees.

J. Commitments and Contingencies

Contingencies

The District participates in 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 collectability of any related receivable 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.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

K. Shared Services Arrangements

The District participates in a shared services arrangement (“SSA”) with several other school districts for special education services. The District does not account for revenues or expenditures in this program and does not disclose them in its financial statements. The District has neither a joint ownership interest in capital assets purchased by the fiscal agent, Yoakum I.S.D., nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. In accordance with the Resource Guide, the payments to the fiscal agent are recorded as expenditures in Function 93, “Payments Related to Shared Services Arrangements.” Latest financial statements for the SSA are available for year ended August 31, 2023, from the fiscal agent.

L. Local and Intermediate Revenue

During the year ended August 31, 2024, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General Fund	\$ 592,210
Interest Income from Temporary Investments	General Fund	1,694
Tuition and Fees	General Fund	49,175
Other Miscellaneous Revenues	General Fund	523
Total General Fund		<u>643,602</u>
 Revenues From Meals Served	 Special Revenue Fund	 <u>48,123</u>
Total Governmental Funds		<u>691,725</u>
 Revenues From Enterprising Services	 Custodial Funds	 <u>29,422</u>
Total Local and Intermediate Revenues		<u>\$ 721,147</u>

M. Subsequent Event

On September 26, 2024, the District issued Unlimited Tax School Building Bonds, Series 2024, with a total par value of \$5,790,000 and a premium of \$347,704 to be used for the construction and improvement of school facilities. The bonds require annual debt service payments for fiscal years ending August 31, 2025 through 2039.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 672,728	\$ 672,728	\$ 643,602	\$ (29,126)
5800 State Program Revenues	1,152,334	1,152,334	1,283,670	131,336
5020 Total Revenues	1,825,062	1,825,062	1,927,272	102,210
EXPENDITURES:				
Current:				
0011 Instruction	887,298	887,298	853,481	33,817
0012 Instructional Resources and Media Services	2,000	2,000	696	1,304
0013 Curriculum and Instructional Staff Development	16,460	16,460	9,061	7,399
0023 School Leadership	118,947	133,947	126,223	7,724
0031 Guidance, Counseling, and Evaluation Services	1,500	2,500	758	1,742
0033 Health Services	1,500	11,500	7,530	3,970
0034 Student (Pupil) Transportation	26,744	36,744	29,618	7,126
0036 Extracurricular Activities	18,240	18,240	13,069	5,171
0041 General Administration	154,272	169,272	162,260	7,012
0051 Facilities Maintenance and Operations	136,415	116,415	106,244	10,171
0052 Security and Monitoring Services	16,605	17,605	16,255	1,350
0053 Data Processing Services	49,279	60,779	57,735	3,044
Debt Service:				
0071 Principal on Long-Term Liabilities	6,844	6,844	6,844	-
0072 Interest on Long-Term Liabilities	956	956	956	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	25,246	15,246	5,250	9,996
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	62,800	67,800	67,111	689
0099 Other Intergovernmental Charges	259,146	219,146	211,286	7,860
6030 Total Expenditures	1,784,252	1,782,752	1,674,377	108,375
1100 Excess of Revenues Over Expenditures	40,810	42,310	252,895	210,585
OTHER FINANCING SOURCES (USES):				
7949 Other Resources	-	-	12,297	12,297
8911 Transfers Out (Use)	-	(62,810)	(56,184)	6,626
7080 Total Other Financing Sources (Uses)	-	(62,810)	(43,887)	18,923
1200 Net Change in Fund Balances	40,810	(20,500)	209,008	229,508
0100 Fund Balance - September 1 (Beginning)	467,671	467,671	467,671	-
3000 Fund Balance - August 31 (Ending)	\$ 508,481	\$ 447,171	\$ 676,679	\$ 229,508

SWEET HOME 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

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Pension Liability (Asset)	0.000540904%	0.000544505%	0.000579616%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 371,549	\$ 323,259	\$ 147,608
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	831,122	901,884	353,543
Total	<u>\$ 1,202,671</u>	<u>\$ 1,225,143</u>	<u>\$ 501,151</u>
District's Covered Payroll	\$ 975,555	\$ 1,042,521	\$ 1,005,667
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	38.09%	31.01%	14.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.15%	75.62%	88.79%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 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.

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.0005612%	0.0004928%	0.0004637%	0.0004927%	0.0005793%	0.0005282%	0.0001903%
\$ 300,590	\$ 256,194	\$ 255,250	\$ 157,550	\$ 218,923	\$ 205,871	\$ 49,276
945,128	778,622	830,633	515,652	590,714	599,900	532,689
\$ 1,245,718	\$ 1,034,816	\$ 1,085,883	\$ 673,202	\$ 809,637	\$ 805,771	\$ 581,965
\$ 963,639	\$ 867,943	\$ 831,710	\$ 836,639	\$ 819,362	\$ 820,192	\$ 806,194
31.19%	29.52%	30.69%	18.83%	26.72%	25.10%	6.11%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 29,884	\$ 26,982	\$ 26,237
Contribution in Relation to the Contractually Required Contribution	(29,884)	(26,982)	(26,237)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 940,768	\$ 975,555	\$ 1,042,521
Contributions as a Percentage of Covered Payroll	3.18%	2.77%	2.52%

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

2021	2020	2019	2018	2017	2016	2015
\$ 24,152	\$ 22,600	\$ 17,432	\$ 16,019	\$ 16,149	\$ 15,826	\$ 17,245
(24,152)	(22,600)	(17,432)	(16,019)	(16,149)	(15,826)	(17,245)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,005,667	\$ 963,639	\$ 867,943	\$ 831,710	\$ 836,639	\$ 819,362	\$ 820,192
2.40%	2.35%	2.01%	1.93%	1.93%	1.93%	2.10%

SWEET HOME 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

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000929364%	0.001050964%	0.001028766%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 205,745	\$ 251,643	\$ 396,841
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	248,264	306,965	531,679
Total	<u>\$ 454,009</u>	<u>\$ 558,608</u>	<u>\$ 928,520</u>
District's Covered Payroll	\$ 975,555	\$ 1,042,521	\$ 1,005,667
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	21.09%	24.14%	39.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.94%	11.52%	6.18%

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

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

FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.0011187%		0.000957%		0.0009158%		0.0009261%	
\$	425,273	\$	452,573	\$	457,288	\$	402,743
571,465		601,369		730,114		678,225	
\$	996,738	\$	1,053,942	\$	1,187,402	\$	1,080,968
\$	963,639	\$	867,943	\$	831,710	\$	836,639
44.13%		52.14%		54.98%		48.14%	
4.99%		2.66%		1.57%		91.00%	

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 8,009	\$ 7,997	\$ 8,624
Contribution in Relation to the Contractually Required Contribution	(8,009)	(7,997)	(8,624)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 940,768	\$ 975,555	\$ 1,042,521
Contributions as a Percentage of Covered Payroll	0.85%	0.82%	0.83%

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

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

2021	2020	2019	2018	
\$ 8,058	\$ 8,377	\$ 6,694	\$ 6,435	
(8,058)	(8,377)	(6,694)	(6,435)	
\$ -	\$ -	\$ -	\$ -	
\$ 1,005,667	\$ 963,639	\$ 867,943	\$ 831,710	
0.80%	0.87%	0.77%	0.77%	

SWEET HOME INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2024

Budgetary Data

The official budget was prepared for adoption for the General Fund and the Food Service Fund, which is included within the Special Revenue Funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. 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.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution of the Board.

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. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made during the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended as necessary within all material respects, except for the item discussed in the accompanying schedule of findings and responses on page 65.

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

TRS Pension Plan

Changes of Benefit Terms

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 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.

TRS OPEB Plan

Changes of Benefit Terms

There were no changes in benefit terms.

Changes of Assumptions

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2024

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2015 and prior years	Various	Various	\$ Various
2016	1.040000	0.000000	64,301,358
2017	1.040000	0.000000	64,474,474
2018	1.040000	0.000000	64,328,353
2019	1.040000	0.000000	67,843,739
2020	0.970000	0.000000	67,808,922
2021	0.966400	0.000000	68,119,065
2022	0.963400	0.000000	81,144,061
2023	0.914400	0.000000	87,130,339
2024 (School year under audit)	0.682800	0.000000	86,787,034
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 9/1/2023	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2024	(99) Taxes Refunded Under Section 26.1115c
\$ 17,914	\$ -	\$ 3	\$ -	\$ -	\$ 17,911	
367	-	146	-	-	221	
381	-	151	-	-	230	
380	-	150	-	-	230	
378	-	-	-	-	378	
517	-	202	-	-	315	
6,575	-	1,288	-	-	5,287	
4,394	-	2,254	-	(465)	1,675	
14,842	-	10,220	-	(618)	4,004	
-	592,582	568,967	-	(11,554)	12,061	
<u>\$ 45,748</u>	<u>\$ 592,582</u>	<u>\$ 583,381</u>	<u>\$ -</u>	<u>\$ (12,637)</u>	<u>\$ 42,312</u>	

\$ 832

Reconciliation of Ending Balance per Exhibit J-1 to Balance per Exhibits A-1 and C-1:

Ending Balance per Exhibit J-1	\$ 42,312
Accrued Penalties and Interest on Delinquent Property Taxes Receivable	42,206
Property Taxes - Delinquent per Exhibits A-1 and C-1	<u>\$ 84,518</u>

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 45,000	\$ 45,000	\$ 48,123	\$ 3,123
5800 State Program Revenues	5,024	5,024	755	(4,269)
5900 Federal Program Revenues	30,000	30,000	30,820	820
5020 Total Revenues	80,024	80,024	79,698	(326)
EXPENDITURES:				
Current:				
0035 Food Services	120,234	120,234	135,882	(15,648)
6030 Total Expenditures	120,234	120,234	135,882	(15,648)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,210)	(40,210)	(56,184)	(15,974)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	62,210	56,184	(6,026)
1200 Net Change in Fund Balances	(40,210)	22,000	-	(22,000)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ (40,210)	\$ 22,000	\$ -	\$ (22,000)

SWEET HOME INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2024

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$41,118
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	\$100,868

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	No
AP6	Does the district have written policies and procedures for its bilingual education program?	No
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$-
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	\$-



Roloff, Hnatek & Co., L.L.P.

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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
Sweet Home Independent School District
7508 FM 531
Sweet Home, Texas 77987

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweet Home Independent School District as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Sweet Home Independent School District's basic financial statements, and have issued our report thereon dated November 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sweet Home Independent School 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 Sweet Home Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sweet Home Independent School District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sweet Home Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Reference Number 2024-001.

Sweet Home Independent School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Sweet Home Independent School District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Sweet Home Independent School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.
November 27, 2024

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2024

Reference Number 2024-001:

Condition: There was one instance in which the District did not properly amend its budget in its Food Service Fund resulting in a significant over-expenditure as presented in the supplementary schedule on page 61.

Criteria: Section 44.006 of the Texas Education Code requires the District to adopt and amend its budget for the expenditures of public funds as necessary throughout the year.

Perspective Information: The District did not closely monitor its expenditures for supplies. This oversight resulted in total expenditures that significantly exceeded the budget.

Cause and Effect: The District's budget for function 35 expenditures in the Food Service Fund were significantly inadequate to accommodate the expenditures in that function code.

Recommendations: We recommend that the District's management more closely monitor expenditures (both those already incurred and those anticipated), and properly amend the budget to avoid any future over-expenditures.

District's Response: The District's management agrees with the finding and will design and implement a formal process of more closely monitoring and amending its budget.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2024

There were no findings noted during the prior year audit.