HITCHCOCK INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended August 31, 2024

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD

Hitchcock Independent School District	**Hitchcock**	**084-908**
Name of School District	County	Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2024, at a meeting of the board of trustees of such school district on May 12, 2025.

President of the Board

Vice President of the Board

HITCHCOCK ISD
What starts here can change the world

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hitchcock Independent School District

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hitchcock Independent School District (the "District"), as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the District. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

During the fiscal year, the district implemented a new financial accounting system and experienced significant turnover in key finance department positions. As a result, many historical financial records were incomplete, and necessary reconciliations and audit trails were unavailable. In addition, the district did not perform adequate year-end closing procedures, including reconciliation and adjustment of key accounts such as capital asset balances, grant receivables, accrued liabilities, accounts payable, and property tax receivables. Several material account balances were either not adjusted or not supported by sufficient documentation. Accordingly, we were unable to obtain sufficient appropriate audit evidence about the amounts recorded in the financial statements. Lastly, the district did not perform required bank reconciliations during the year and was unable to provide sufficient evidence supporting the classification and use of restricted funds, including transfers between restricted funds and the general fund. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of the reported cash balances, restricted fund balances, and related revenues and expenditures. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary for the elements making up the basic financial statements, as listed in the table of contents.

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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Trustees
Hitchcock Independent School District

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the District's financial statements in accordance with auditing standards generally accepted in the United States of America. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Because of the significance of the matter described above in the Basis for Disclaimer of Opinion section, we were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information.

Supplementary Information

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The combining nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described above in the Basis for Disclaimer of Opinion section, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
May 12, 2025

This section of the Hitchcock Independent School District's annual financial report presents the administration's discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2024. Please read it in conjunction with the District's financial statements, which follow this section.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference of the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues *(governmental activities)*.

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains individual governmental funds for general, special revenue, debt service, and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

Fiduciary Funds

The fiduciary funds are used to account for resources held for the benefit of students and employees. The fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs.

A *custodial fund* is a type of fiduciary fund used to report resources held by the District in a purely custodial capacity. The District accounts for the activities of student groups in this type of fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund. The Required Supplementary Information also includes information related to the required pension system information and the required other post-employment benefit system information.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

<u>Financial Summary and Detailed Analysis</u>

- The liabilities and deferred inflows of the District exceeded assets and deferred outflows at the close of the most recent fiscal year by $266,988. Of this amount, $13,034,640 was net investment in capital assets, $2,733,102 was restricted for debt service, and $1,540,706 was restricted for federal and state programs. The remaining amount was a deficit unrestricted net position of $18,331,559.
- The District's total net position increased by $1,395,910 after a prior period adjustment in the amount of $716,742.
- The District's governmental funds reported combined ending fund balances of $23,376,331 as of August 31, 2024. Of this amount, $20,981 is non-spendable in the form, $24,470,223 is restricted, and the remaining amount in fund balance of-$1,116,777 is classified as unassigned and is available for spending at the District's discretion.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of the District exceeded assets and deferred outflows by $266,988 at the close of the most recent fiscal year. A portion of the District's net position reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		
	2024	**2023**	**Change**
Current and other assets	$ 29,316,270	$ 46,383,581	$ (17,067,311)
Capital assets	65,836,083	40,088,317	25,747,766
Deferred Outflows of Resources	5,194,166	5,575,875	(381,709)
Total Assets and Deferred Outflows of Resources	100,346,519	92,047,773	8,298,746
Current liabilities	8,945,282	353,823	8,591,459
Long term liabilities	84,607,459	85,611,069	(1,003,610)
Deferred Inflows of Resources	7,060,766	7,745,779	(685,013)
Total Liabilities and Deferred Inflows of Resources	100,613,507	93,710,671	6,902,836
Net Position			
Net investment in capital assets	13,034,640	7,343,151	5,691,489
Restricted	5,029,931	3,822,847	1,207,084
Unrestricted	(18,331,559)	(12,828,896)	(5,502,663)
Total Net Position	$ (266,988)	$ (1,662,898)	$ 1,395,910

Prior period balances were not restated above as certain restatements were not identified.

Net position in the governmental activities is restricted for various purposes as follows:

	Governmental Activities	
	2024	**2023**
Federal and state programs	$ 1,540,706	$ 1,147,340
Debt Service	2,733,102	2,074,189
Other purposes	756,123	601,318
	$ 5,029,931	$ 3,822,847

The remaining balance of net position in the governmental activities consists of an unrestricted net deficit of $18,331,559. At the end of the current fiscal year, the District reports positive balances in restricted net position and net investment in capital assets, which is reported net of outstanding related debt, in the governmental activities. Net position increased by $679,168 as a result of current year activities and increased by $1,395,910 when comparing to net position previously reported. These increases to net position are primarily due to the capitalization of assets increasing the District's net investment in capital assets.

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 90% of total revenues. The remaining 10% is generated from charges for services, investment earnings, and miscellaneous revenues.

	Governmental Activities		
	2024	**2023**	**Change**
Program Revenues			
Charges for services	$ 1,702,421	$ 1,259,560	$ 442,861
Operating grants and contributions	9,636,738	10,389,026	(752,288)
General Revenues			
Property taxes	13,411,510	14,722,284	(1,310,774)
State Aid - Formula Grants	9,247,112	7,567,870	1,679,242
Interest earnings	1,768,468	1,937,056	(168,588)
Miscellaneous	84,427	34,208	50,219
Total Revenues	35,850,676	35,910,004	(59,328)
Expenses			
Instruction	15,565,164	14,651,723	913,441
Instructional resources and media services	229,658	230,570	(912)
Curriculum and staff development	268,934	423,570	(154,636)
Instructional leadership	988,776	931,499	57,277
School leadership	1,572,231	1,786,313	(214,082)
Guidance, counseling, and evaluation services	2,096,087	1,978,234	117,853
Social work services	106,185	87,421	18,764
Health services	619,999	617,187	2,812
Student transportation	1,526,145	1,291,297	234,848
Food service	1,577,534	1,680,976	(103,442)
Extracurricular activities	1,334,956	1,144,333	190,623
General administration	1,355,200	1,328,502	26,698
Facilities maintenance and operations	3,688,380	3,514,647	173,733
Security and monitoring services	740,361	536,877	203,484
Data processing services	431,533	621,117	(189,584)
Community services	69,281	104,193	(34,912)
Interest on long-term debt	2,494,683	2,283,012	211,671
Payments related to shared services arrangements	370,912	706,370	(335,458)
Payments to juvenile justice programs	25,365	17,442	7,923
Other intergovernmental charges	110,124	85,954	24,170
Total Expenses	35,171,508	34,021,237	1,150,271
Change in Net Position	679,168	1,888,767	(1,209,599)
Beginning Net Position, as Restated	(946,156)	(3,551,665)	2,605,509
Ending Net Position	$ (266,988)	$ (1,662,898)	$ 1,395,910

Prior period balances were not restated above as certain restatements were not identified.

	Total Revenues	% of Total Revenues
Property taxes	$ 13,411,510	37.4%
State Aid - Formula Grants	9,247,112	25.8%
Operating grants and contributions	9,636,738	26.9%
Other revenue	3,555,316	9.9%
Total Revenues	$ 35,850,676	100%

The primary functional expense of the District is instruction, which represents 44% of total expenses. Other major functional expenses of the District are listed separately below. The other expenses represent individual functional categories of expenses which are each less than 5 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	$ 15,565,164	44.3%
School leadership	1,572,231	4.5%
Guidance, counseling, and evaluation services	2,096,087	6.0%
Facilities maintenance and operations	3,688,380	10.5%
Interest on long-term debt	2,494,683	7.1%
Other expenses	9,754,963	27.6%
Total Expenses	$ 35,171,508	100%

Governmental Funds Financial Analysis

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

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $23,376,331, a decrease of $22,757,152 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was a deficit $1,116,777, while total fund balance reached $3,904,204. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents -5% of expenditures and total fund balance represents 17% of the same amount.

During the current fiscal year, the total fund balance of the District's general fund increased by $1,476,033 due to the issuance of $5,000,000 of a maintenance tax note.

The debt service fund has a total fund balance of $2,637,590, all of which is restricted for the payment of debt service. The fund balance increased during the current year by $924,827 due to an increase in property tax revenues related to property value increases.

The capital projects fund has a total fund balance of $14,535,804, all of which is restricted for construction and capital asset additions. The fund balance decreased during the current year by $25,728,310 due to the progress of the high school addition and renovations project.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund are summarized as follows:

	Budget	
	Original	**Final Amended**
Total revenues	$ 18,217,562	$ 21,819,427
Total expenditures	18,217,562	22,257,899
Other financing sources (uses)	-	4,939,850
Net Change in Fund Balance	$ -	$ 4,501,378

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2024, includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) during the current year amounted to $27,666,727. The following table summarizes the investment in capital assets as of August 31, 2024 and 2023.

	August 31, 2024	**August 31, 2023**
Land	$ 1,641,080	$ 1,641,080
Buildings and improvements	34,120,570	35,690,091
Furniture and equipment	800,492	175,664
Vechicles	739,249	1,013,932
Construction in progress	28,534,692	1,567,550
Net Capital Assets	$ 65,836,083	$ 40,088,317

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities

At the end of the current fiscal year, the District's long-term debt consisted of general obligation bonds (net of premium), private placement bonds, private placement loans, and private placement notes. The District's general obligation bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program. Changes in long-term debt, for the year ended August 31, 2024, are as follows:

Beginning Balance	**Issued**	**Retired**	**Ending Balance**
$ 70,587,566	$ 5,000,000	$ (2,612,463)	$ 72,975,103

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The District's Board adopted a maintenance and operations tax rate of $0.6969 and an interest and sinking rate of $0.3700 for a combined rate of $1.0669 per $100 of property valuation. The budgeted revenues and expenditures for next fiscal year are as follows:

General Fund Budget	Fiscal Year 2025
Budgeted Revenues	$ 19,699,944
Budgeted Expenditures	19,636,670
	$ 63,274

Contacting the District's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's business office at 7801 Neville Avenue, Hitchcock, Texas 77563.

BASIC FINANCIAL STATEMENTS

HITCHCOCK INDEPENDENT SCHOOL DISTRICT ***Exhibit A-1***

STATEMENT OF NET POSITION

August 31, 2024

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 27,112,001
1220	Property taxes receivable	1,092,482
1230	Allowance for uncollectible taxes	(382,000)
1240	Due from other governments, net of allowance	1,391,844
1290	Other receivables	80,962
1300	Inventories	20,981
	Capital assets:	
1510	Land	1,641,080
1520	Buildings, net	34,120,570
1530	Furniture and equipment, net	1,539,741
1580	Construction in progress	28,534,692
1000	**Total Assets**	95,152,353
	Deferred Outflows of Resources	
	Deferred charge on refunding	637,856
	Deferred outflows - pension	3,207,965
	Deferred outflows - OPEB	1,348,345
1700	**Total Deferred Outflows of Resources**	5,194,166
	Liabilities	
2110	Accounts payable	2,167,594
2140	Interest payable	121,685
2150	Payroll deductions and withholdings	1,802
2160	Accrued wages payable	1,897,513
2200	Accrued expenses	1,162,548
	Noncurrent Liabilities:	
	Due within one year:	
2501	Bonds, leases, and compensated absences	2,569,651
	Due in more than one year:	
2502	Bonds, leases, arbitrage, and compensated absences	73,552,774
2540	Net pension liability	8,485,034
2545	Net OPEB liability	3,594,140
2000	**Total Liabilities**	93,552,741
	Deferred Inflows of Resources	
	Deferred inflows - Pension	689,011
	Deferred inflows - OPEB	6,371,755
2600	**Total Deferred Inflows of Resources**	7,060,766
	Net Position	
3200	Net investment in capital assets	13,034,640
	Restricted for:	
3820	Federal and state programs	1,540,706
3850	Debt service	2,733,102
3890	Other	756,123
3900	Unrestricted (deficit)	(18,331,559)
3000	**Total Net Position**	$ (266,988)

See notes to the financial statements.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2024

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:				
11	Instruction	$ 15,565,164	$ 519,983	$ 3,943,046	$ (11,102,135)
12	Instructional resources and media services	229,658	-	5,379	(224,279)
13	Curriculum and staff development	268,934	-	194,308	(74,626)
21	Instructional leadership	988,776	865,686	97,666	(25,424)
23	School leadership	1,572,231	-	309,123	(1,263,108)
31	Guidance, counseling, and evaluation services	2,096,087	191,231	1,760,164	(144,692)
32	Social work services	106,185	-	127,316	21,131
33	Health services	619,999	27,923	294,635	(297,441)
34	Student transportation	1,526,145	-	74,260	(1,451,885)
35	Food service	1,577,534	-	1,982,522	404,988
36	Extracurricular activities	1,334,956	56,250	18,458	(1,260,248)
41	General administration	1,355,200	5,167	137,659	(1,212,374)
51	Facilities maintenance and operations	3,688,380	36,181	316,776	(3,335,423)
52	Security and monitoring services	740,361	-	255,927	(484,434)
53	Data processing services	431,533	-	36,427	(395,106)
61	Community services	69,281	-	83,072	13,791
72	Interest on long-term debt	2,494,683	-	-	(2,494,683)
93	Payments related to shared services arrangements	370,912	-	-	(370,912)
95	Payments to juvenile justice programs	25,365	-	-	(25,365)
99	Other intergovernmental charges	110,124	-	-	(110,124)
TG	**Total Governmental Activities**	$ 35,171,508	$ 1,702,421	$ 9,636,738	(23,832,349)

	General Revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	8,420,297
DT	Property taxes, levied for debt service	4,991,213
SF	State-aid formula grants	9,247,112
IE	Investment earnings	1,768,468
MI	Miscellaneous	84,427
	Total General Revenues	24,511,517
CN	Change in net position	679,168
NB	**Net Position - Beginning, as Restated**	(946,156)
NE	**Net Position - Ending**	$ (266,988)

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET - GOVERNMENTAL FUNDS

August 31, 2024

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	$ 6,862,804	$ 2,637,590	$ 15,302,343	$ 2,309,264	$ 27,112,001
	Receivables:					
1220	Property taxes - delinquent	758,285	334,197	-	-	1,092,482
1230	Allowance for uncollectible taxes (credit)	(265,000)	(117,000)	-	-	(382,000)
1240	Due from other governments	735,741	-	-	656,103	1,391,844
1260	Due from other funds	787,654	-	2,166,015	424,134	3,377,803
1290	Other receivables	80,962	-	-	-	80,962
1300	Inventories, at cost	20,981	-	-	-	20,981
1000	**Total Assets**	$ 8,981,427	$ 2,854,787	$ 17,468,358	$ 3,389,501	$ 32,694,073
	Liabilities:					
2110	Accounts payable	$ 85,078	$ -	$ 1,770,006	$ 312,510	$ 2,167,594
2150	Payroll deduction and withholdings payable	204	-	-	1,598	1,802
2160	Accrued wages payable	1,842,450	-	-	55,063	1,897,513
2170	Due to other funds	2,656,206	-	-	721,597	3,377,803
2200	Accrued expenditures	-	-	1,162,548	-	1,162,548
2000	**Total Liabilities**	4,583,938	-	2,932,554	1,090,768	8,607,260
	Deferred Inflows of Resources					
	Unavailable revenue - property taxes	493,285	217,197	-	-	710,482
2600	**Total Deferred Inflows of Resources**	493,285	217,197	-	-	710,482
	Fund Balances:					
	Nonspendable:					
3410	Inventories	20,981	-	-	-	20,981
	Restricted:					
3450	Grant restrictions	-	-	-	1,540,706	1,540,706
3470	Capital acquisitions	-	-	14,535,804	-	14,535,804
3480	Debt service	-	2,637,590	-	-	2,637,590
3490	Other purposes	5,000,000	-	-	756,123	5,756,123
	Committed:					
3545	Other purposes	-	-	-	1,904	1,904
3600	Unassigned	(1,116,777)	-	-	-	(1,116,777)
3000	**Total Fund Balances**	3,904,204	2,637,590	14,535,804	2,298,733	23,376,331
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 8,981,427	$ 2,854,787	$ 17,468,358	$ 3,389,501	$ 32,694,073

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit C-1R

RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

August 31, 2024

Data Control Codes		
	Total Fund Balance - Governmental Funds	$ 23,376,331
1	Capital assets of $97,243,657, net of accumulated depreciation/amortization of $31,407,574, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,836,083
	Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
2	Deferred outflows - pension related	3,207,965
3	Deferred outflows - OPEB related	1,348,345
4	Deferred inflows - pension related	(689,011)
5	Deferred inflows - OPEB related	(6,371,755)
	Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.	
6	Property taxes	710,482
	Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
7	Bonds payable	(59,890,000)
8	Private placement bonds payable	(1,015,000)
9	Private placement note payable	(5,000,000)
10	Private placement loan payable	(1,055,643)
11	Accreted interest	(3,147,322)
12	Accrued interest on long-term debt	(121,685)
13	Net pension liability	(8,485,034)
14	Net OPEB liability	(3,594,140)
	Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
15	Deferred amount on refunding	637,856
16	Premium on general obligation bonds	(6,014,460)
29	**Total Net Position - Governmental Activities**	$ (266,988)

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2024

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local and intermediate sources	$ 8,772,587	$ 5,073,482	$ 1,479,599	$ 1,199,709	$ 16,525,377
5800	State program revenues	10,387,850	594,407	-	1,393,318	12,375,575
5900	Federal program revenues	411,871	-	-	7,048,199	7,460,070
5020	**Total Revenues**	19,572,308	5,667,889	1,479,599	9,641,226	36,361,022
	Expenditures					
	Current:					
0011	Instruction	11,575,571	-	-	3,463,964	15,039,535
0012	Instruction resources and media services	214,129	-	-	-	214,129
0013	Curriculum and staff development	79,047	-	-	182,494	261,541
0021	Instructional leadership	99,809	-	-	896,014	995,823
0023	School leadership	1,256,023	-	-	242,801	1,498,824
0031	Guidance, counseling and evaluation services	262,620	-	-	1,865,686	2,128,306
0032	Social work services	1,502	-	-	115,573	117,075
0033	Health services	481,838	-	-	116,281	598,119
0034	Student transportation	1,395,776	-	-	47,728	1,443,504
0035	Food service	9,904	-	-	1,608,049	1,617,953
0036	Extracurricular activities	1,307,185	-	-	1,397	1,308,582
0041	General administration	1,267,245	-	-	4,824	1,272,069
0051	Plant maintenance and operations	3,278,490	-	-	173,394	3,451,884
0052	Security and monitoring services	542,555	-	-	245,452	788,007
0053	Data processing services	529,442	-	-	31,435	560,877
0061	Community services	216	-	-	75,836	76,052
	Debt service:					
0071	Principal on long-term debt	194,137	2,110,000	-	-	2,304,137
0072	Interest on long-term debt	33,735	2,623,953	-	-	2,657,688
0073	Bond issuance costs and fees	60,650	9,109	-	-	69,759
	Capital outlay:					
0081	Facilities acquisition and construction	-	-	27,207,909	-	27,207,909
	Intergovernmental:					
0093	Payments related to shared services arrangement	370,912	-	-	-	370,912
0095	Payments to juvenile justice programs	25,365	-	-	-	25,365
0099	Other intergovernmental charges	110,124	-	-	-	110,124
6030	**Total Expenditures**	23,096,275	4,743,062	27,207,909	9,070,928	64,118,174
1100	Excess (deficiency) of revenues over (under) expenditures	(3,523,967)	924,827	(25,728,310)	570,298	(27,757,152)
	Other Financing Sources (Uses)					
7914	Issuance of debt - maintenance tax note	5,000,000	-	-	-	5,000,000
7080	**Total Other Financing Sources (Uses)**	5,000,000	-	-	-	5,000,000
1200	Net change in fund balances	1,476,033	924,827	(25,728,310)	570,298	(22,757,152)
0100	**Fund Balance - Beginning of Year, as Previously Presented**	1,411,794	1,992,175	40,264,114	1,748,658	45,416,741
1300	Restatements	1,016,377	(279,412)	-	(20,223)	716,742
	Fund Balance - Beginning of Year, as Restated	2,428,171	1,712,763	40,264,114	1,728,435	46,133,483
3000	**Fund Balance - End of Year**	$ 3,904,204	$ 2,637,590	$ 14,535,804	$ 2,298,733	$ 23,376,331

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit C-2R

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2024

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds	$ (22,757,152)
1	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.	25,747,766
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
2	Property taxes	(36,410)
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
3	Issuance of debt - maintenance tax note	(5,000,000)
4	Principal paid on bonds	2,110,000
5	Principal paid on loans	194,137
	Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
6	Accrued interest on long-term debt	12,190
7	Accreted interest on long-term debt	(1,752)
8	Amortization of bond premiums	308,326
9	Amortization of deferred amounts on refunding	(86,000)
10	Changes in pension liabilities and related deferred inflows/outflows of resources	(669,997)
11	Changes in OPEB liabilities and related deferred inflows/outflows of resources	858,060
	Change in Net Position of Governmental Activities	$ 679,168

HITCHCOCK INDEPENDENT SCHOOL DISTRICT ***Exhibit E-1***

STATEMENT OF FIDUCIARY NET POSITION

August 31, 2024

	Custodial Fund
Assets	
Cash and cash equivalents	$ 145,816
Total Assets	$ 145,816
Liabilities	
Accounts payable	$ 10,765
Due to student groups	64,633
Total Liabilities	$ 75,398
Net Position	
Restricted for other purposes	$ 70,418
Total Net Position	$ 70,418

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended August 31, 2024

	Custodial Fund
Additions	
Earning from endowments	$ 235,861
Total Additions	235,861
Deductions	
Professional and contracted services	225,743
Total Deductions	225,743
Change in fiduciary net position	10,118
Net Position - September 1 (Beginning)	60,300
Net Position - August 31 (Ending)	$ 70,418

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Hitchcock Independent School District (District) is governed by a seven-member Board of Trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The proprietary and custodial funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Additionally, the District reports the following fund types:

Proprietary Funds

- The *internal service fund* accounts for employee benefits provided to other funds and/or employees of the District on a cost reimbursement basis.

Fiduciary Funds

- The *private purpose trust fund* is used to report all trust arrangements by the District. This fund type is used to account for the District’s scholarship funds.
- The *custodial fund* is used to account for assets held by the District as a fiduciary for student organizations.

Nonmajor governmental funds of the District include federal, state and local grant funds accounted for as *special revenue funds.*

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Government investment pools and commercial paper

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes and are shown net of an allowance for uncollectibles. The property tax receivable allowance is based on historical collections. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Galveston Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, and office and instructional supplies. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. A portion of fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the District’s continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, the intangible right-to-use lease assets, and intangible subscription assets, are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed, except for right to use leased assets. Donated capital assets are recorded at acquisition value at the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings and improvements, furniture and equipment, and right-to-use assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives or contract terms:

Assets	In Years
Buildings and improvements	20 - 40
Furniture and equipment	8 - 20
Vehicles	10
Right-to-use lease assets	Lesser of lease term or underlying asset's useful life
Subscription assets	Equal to subscription term

Long-term Obligations

The District's long-term obligations consist of bonds, loans, and notes payable. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for notes payable principal and interest expenditures are accounted for in the general fund. The current requirements for compensated absences are accounted for in the general fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Leases

From time to time, the District may be a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITAs)

From time to time, the District may be under contract for various SBITAs for the right to use subscription assets (software). The SBITAs are noncancellable, and the District recognizes a SBITA liability and an intangible right to use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of $5,000 or more.

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the sum of (1) the initial SBITA liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Note 1 - Summary of Significant Accounting Policies (continued)

Subscription-Based Information Technology Arrangements (SBITAs) (continued)

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

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension and deferred amounts related to OPEB.

Pensions

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

Note 1 - Summary of Significant Accounting Policies (continued)

Other Post-Employment Benefits (OPEB)

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

Net Position and Fund Balances

The District reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – Amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1). However, if the use of the proceeds from the sale of the inventory is restricted, committed, or assigned, then the applicable amounts are included in the appropriate fund balance classification, rather than nonspendable fund balance.

Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

Assigned fund balance – Amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board has delegated authority to the Superintendent to establish fund balance assignments.

Unassigned fund balance – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Data Control Codes

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

Use of Estimates

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

Implementation of New Accounting Standards

GASB issued Statement No. 99, *Omnibus 2022,* in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62,* in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2024 and are reflected in Note 15.

GASB issued Implementation Guide 2021-1, *Implementation Guidance Update – 2021*, in May 2021. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirement, an amendment to Question 7.9.8 in Implementation Guide 2015-1 effective for reporting periods beginning after June 15, 2023, requires governments to capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. The requirements of this implantation guidance update were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2023-1, *Implementation Guidance Update – 2023*, in June 2023. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, *Leases*, Question 4.16, and Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this implantation guidance update were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

Note 2 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2024, the District's cash in bank totaled $9,776,409. The carrying value was $9,049,969 (governmental activities) and $145,816 (fiduciary funds). Total deposits requiring collateral as of August 31, 2024 was $9,506,699 and the District did not provide sufficient audit evidence to verify these funds were properly collateralized.

Investments

For fiscal year 2024, the District only invested in local government investment pools.

MBIA Texas CLASS Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered and managed by MBIA Municipal Investors Service Corporation. Wells Fargo Bank N.A. is the custodial bank. The primary objectives of MBIA Texas CLASS Investment Pool, is to maintain safety of principal while providing participating government entities (Participants) with the highest possible rate of return for invested funds.

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Lone Star members and nonmembers. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund and Corporate Overnight fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of $1.00.

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity. TexSTAR is rated AAA by Standard & Poor's.

Note 2 - Deposits and Investments (continued)

Investments (continued)

The Texas Range Local Government Investment Pool (Texas Range) was created in 2000 to allow Texas local governments and school districts to pool their funds for investment. Texas Range is directed by an advisory board of experienced local government officials, finance directors, and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. Texas Range has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256. Finally, Texas Range is rated AAA by Standard & Poor's.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. In order to limit interest and market rate risk from changes in interest rates, the ISD's adopted Investment Policy sets a maximum dollar weighted maturity of 180 days for any internally created pool fund group and no individual investment's maturity shall exceed one year from the date of purchase. The Board may specifically authorize longer maturities for a given investment, within legal limits. In addition, the debt service fund and capital projects fund allow maturities longer than one year as long as legal limits are not exceeded.

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants.* In addition, the investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

At year-end, the District's investment balances, weighted average maturity (in days), valuation method, and Standard & Poor's (S&P) ratings were as follows:

	Investment Maturity in Years		Total	% of	Weighted Average	Valuation	S&P / Moody
	Less than 1	1-5	Fair Value	Portfolio	Maturity	Method	Rating
Cash and Cash Equivalents:							
Time deposits	$ 9,195,785	$ -	$ 9,195,785	33.7%	1	N/A	N/A
Local Government Investment Pools:							
Texas Range	6,826,259	-	6,826,259	25.0%	42	Amortized Cost	AAAmmf
Texas CLASS	10,478,441	-	10,478,441	38.4%	35	Amortized Cost	AAAm
Lone Star	676,358	-	676,358	2.5%	46	Amortized Cost	AAAm
TexSTAR	80,974	-	80,974	0.3%	29	Amortized Cost	AAAm
Total Local Government Investment Pools	18,062,032	-	18,062,032	25.0%	38		
Total Cash and Cash Equivalents:	$ 27,257,817	$ -	$ 27,257,817	58.7%	26		

Note 3 - Receivables and Unearned Revenue

Receivables as of year-end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	$ 758,285	$ 334,197	$ -	$ -	$ 1,092,482
Due from other governments	735,741	-	-	656,103	1,391,844
Other	80,962	-	-	-	80,962
Gross receivables	1,574,988	334,197	-	656,103	2,565,288
Allowance for doubtful accounts, property tax related	(265,000)	(117,000)	-	-	(382,000)
Net Total Receivables	$ 1,309,988	$ 217,197	$ -	$ 656,103	$ 2,183,288

Note 4 - Capital Assets

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

	Beginning Balance	Additions	Retirements	Transfers/ Corrections	Ending Balance
Capital Assets, not being Depreciated					
Land	$ 1,641,080	$ -	$ -	$ -	$ 1,641,080
Construction in progress	1,567,550	26,967,142	-	-	28,534,692
Total Capital Assets, Not Being Depreciated	3,208,630	26,967,142	-	-	30,175,772
Capital Assets, Being Depreciated					
Buildings and improvements	62,059,539	-	-	-	62,059,539
Furniture and equipment	1,103,272	699,585	-	-	1,802,857
Vehicles	3,205,489	-	-	-	3,205,489
Total Capital Assets, Being Depreciated	66,368,300	699,585	-	-	67,067,885
Less Accumulated Depreciation for:					
Buildings and improvements	(26,369,448)	(1,569,521)	-	-	(27,938,969)
Furniture and Equipment	(927,608)	(74,757)	-	-	(1,002,365)
Vehicles	(2,191,557)	(274,683)	-	-	(2,466,240)
Total Accumulated Depreciation	(29,488,613)	(1,918,961)	-	-	(31,407,574)
Governmental Capital Assets	$ 40,088,317	$ 25,747,766	$ -	$ -	$ 65,836,083

Note 4 - Capital Assets (continued)

The amount reported as net investment in capital assets as of August 31, 2024 consists of the following:

	Balance as of August 31, 2024
Governmental Activities:	
Capital Assets, Net	$ 65,836,083
Less:	
Bonds payable	(59,890,000)
Unamortized premium	(6,014,460)
Private placement bonds payable	(1,015,000)
Private placement loan payable	(1,055,643)
Other capital-related payables	(2,932,554)
Plus:	
Deferred charge on refunding	637,856
Unspent bond proceeds	17,468,358
Net Investment in Capital Assets	**$ 13,034,640**

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

Function	Depreciation Expense
Instruction	$ 952,688
Instructional resources and media services	20,563
Curriculum and staff development	18,449
Instructional leadership	3,569
School leadership	135,473
Guidance, counseling, and evaluation services	39,755
Social work services	99
Health services	41,749
Student transportation	107,470
Food service	1,412
Extracurricular activities	102,123
General administration	118,050
Facilities maintenance and operations	289,286
Security and monitoring services	44,776
Data processing services	43,499
	$ 1,918,961

The following is a schedule of the District's open construction commitments at August 31, 2024:

Project	Contract Amount	Construction in Progress	Remaining Commitment
Hitchcock High School Additions & Renovations	$ 31,977,156	$ 23,250,966	$ 8,726,190
Joiner Architect	2,328,515	1,567,550	760,965
Other project costs	3,716,176	3,716,176	-
	$ 38,021,847	$ 28,534,692	$ 9,487,155

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of August 31, 2024, is as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental Funds			
General Fund	$ 787,654	$ (2,656,206)	$ (1,868,552)
Capital Projects Fund	2,166,015	-	2,166,015
Nonmajor Governmental Funds	424,134	(721,597)	(297,463)
Total Governmental Funds	$ 3,377,803	$ (3,377,803)	$ -

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The District had no interfund transfers for the fiscal year ended August 31, 2024.

Note 6 - Accrued Liabilities

Accrued liabilities reported by governmental funds at August 31, 2024, were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Accounts payable	$ 85,078	$ -	$ 1,770,006	$ 312,510	$ 2,167,594
Payroll withholdings	204	-	-	1,598	1,802
Accrued wages	1,842,450	-	-	55,063	1,897,513
Retainage	-	-	1,162,548	-	1,162,548
Total	$ 1,927,732	$ -	$ 2,932,554	$ 369,171	$ 5,229,457

Note 7 - Long-Term Liabilities

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2024:

	Balance September 1, 2023	Additions	Retirements	Balance August 31, 2024	Due Within One Year
Bonds, Notes, and Loans:					
General obligation bonds	$ 61,475,000	$ -	$ (1,585,000)	$ 59,890,000	$ 1,745,000
Private placement loan	1,249,780	-	(194,137)	1,055,643	199,651
Private placement bonds	1,540,000	-	(525,000)	1,015,000	530,000
Private placement notes	-	5,000,000	-	5,000,000	50,000
Premiums/discounts	6,322,786	-	(308,326)	6,014,460	-
Total Bonds, Notes, and Loans	70,587,566	5,000,000	(2,612,463)	72,975,103	2,524,651
Accreted interest	3,145,570	41,752	(40,000)	3,147,322	45,000
Net pension liability	7,666,732	-	-	8,485,034	-
Net OPEB liability	4,211,201	-	-	3,594,140	-
	$ 85,611,069	$ 5,041,752	$ (2,652,463)	$ 88,201,599	$ 2,569,651

Current Year Issuance Activity

During the current year, the District issued $5,000,000 of Private Placement Limited Maintenance Tax Notes, Series 2024, for the purpose of providing funds to pay for maintenance expenses of the District, including, specifically, paying costs to rehabilitate, repair, renovate, and equip existing District facilities, including heating, ventilation, and air conditioning repairs/replacements. The notes were issued with an interest rate of 3.690% and mature on February 15, 2034.

Previous Years' Defeasance of Debt

The District had no defeased bonds outstanding as of August 31, 2024.

Accreted Interest on Debt

Certain outstanding debt obligations of the district include capital appreciation bonds (CABs), which do not require periodic interest payments but instead increase in value over time through accretion of interest. The accreted interest represents the difference between the original issuance amount and the maturity value of the bonds, which will be paid at maturity or earlier call. As of August 31, 2024, the total accreted interest liability on the district's outstanding CABs was $3,147,322 as reported in the government-wide statement of net position.

Note 7 - Long-Term Liabilities (continued)

Accreted Interest on Debt (continued)

Long-term debt for the year ended August 31, 2024 was composed of the following:

Issue	Original Amount	Interest Rate (%)	Maturity Date	Outstanding
General Obligation Bonds:				
Unlimited Tax School Building and Refunding Bonds, Series 2014	$ 8,660,000	3.000%	2034	$ 165,000
Unlimited Tax School Building and Refunding Bonds, Series 2015	8,830,000	2.000% to 4.000%	2038	5,560,000
Unlimited Tax School Building Bonds, Series 2016	1,635,000	3.000% to 5.000%	2031	850,000
Unlimited Tax Refunding Bonds, Series 2018	3,830,000	3.000% to 5.000%	2034	1,380,000
Unlimited Tax Refunding Bonds, Series 2021A	4,460,000	3.000%	2036	4,340,000
Unlimited Tax Refunding Bonds, Taxable Series 2021B	6,830,000	2.024% to 4.000%	2034	6,730,000
Unlimited Tax School Building Bonds, Series 2022	41,635,000	4.000% to 5.000%	2048	40,865,000
Total General Obligation Bonds	75,880,000			59,890,000
Private Placement Loan:				
Building improvement loan 2014	2,775,014	2.800%	2029	1,055,643
Private Placement Bonds:				
Series 2010	500,000	3.850%	2025	45,000
Series 2011Q	5,400,000	5.330%	2026	970,000
Total Private Placement Bonds	5,900,000			1,015,000
Private Placement Notes:				
Limited Maintenance Tax Note, Series 2024	5,000,000	3.690%	2034	5,000,000
				$ 66,960,643

Note 7 - Long-Term Liabilities (continued)

Accreted Interest on Debt (continued)

Debt service requirements to maturity are as follows:

Fiscal	General obligation bonds		
Year	Principal	Interest	Totals
2025	$ 1,745,000	$ 2,493,575	$ 4,238,575
2026	1,135,000	3,156,575	4,291,575
2027	1,980,000	2,807,200	4,787,200
2028	2,030,000	2,752,650	4,782,650
2029	2,090,000	2,695,325	4,785,325
2030 - 2034	13,470,000	10,532,412	24,002,412
2035 - 2039	12,655,000	6,489,675	19,144,675
2040 - 2044	12,660,000	3,744,025	16,404,025
2045 - 2049	12,125,000	994,300	13,119,300
	$ 59,890,000	$ 35,665,737	$ 95,555,737

Fiscal	Private placement loan		
Year	Principal	Interest	Totals
2025	$ 199,651	$ 28,184	$ 227,835
2026	205,281	22,555	227,836
2027	211,069	16,767	227,836
2028	217,020	10,816	227,836
2029	222,622	4,697	227,319
	$ 1,055,643	$ 83,019	$ 1,138,662

Fiscal	Private placement bonds		
Year	Principal	Interest	Totals
2025	$ 530,000	$ 39,642	$ 569,642
2026	485,000	12,925	497,925
	$ 1,015,000	$ 52,567	$ 1,067,567

Fiscal	Private placement notes		
Year	Principal	Interest	Totals
2025	$ 50,000	$ 176,403	$ 226,403
2026	50,000	181,733	231,733
2027	535,000	170,939	705,939
2028	555,000	150,829	705,829
2029	580,000	129,889	709,889
2030 - 2034	3,230,000	306,826	3,536,826
	$ 5,000,000	$ 1,116,619	$ 6,116,619

Leases and Subscription-Based Information Technology Arrangements (SBITAs)

The District did not report any liabilities, or corresponding right-to-use capital assets, for any existing leases or SBITAs.

Note 8 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	$ 8,458,015	$ 4,989,905	$ -	$ -	$ 13,447,920
Investment earnings	145,389	83,577	1,479,599	59,903	1,768,468
Revenue from other ISDs	-	-	-	1,102,515	1,102,515
Rental income	34,670	-	-	-	34,670
Insurance recovery	4,167	-	-	-	4,167
Child nutrition	-	-	-	26,960	26,960
Athletics	56,206	-	-	-	56,206
Vending HHS	44	-	-	-	44
Miscellaneous	74,096	-	-	10,331	84,427
	$ 8,772,587	$ 5,073,482	$ 1,479,599	$ 1,199,709	$ 16,525,377

Note 9 - Pension Plan and Other Post-Employment Benefits

Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload 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 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, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, 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 under a previous rule. There are no automatic postemployment 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.

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 thru 2025.

	Contribution Rates Plan Year Ended August 31,	
	2024	**2023**
Member	8.25%	8.00%
Non-employer contributing agency	8.25%	8.00%
Employers	8.25%	8.00%

	Current Fiscal Year Contributions
Employer (District)	$762,917
Employee (Member)	1,413,957
Non-employer Contributing Entity	
On-behalf Contributions (State)	904,226

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

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

Contributions (continued)

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

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

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

Component	Result
Valuation Date	August 31, 2022, rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2020	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
Benefit changes during the year	None
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.

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

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 8.50 percent of payroll in fiscal year 2020 gradually increasing to 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.

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[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	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[1]	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return[1]	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[4]			-0.90%
Expected Return	100.00%		8.00%

[1] Absolute Return includes Credit Sensitive Investments.

[2] Target allocations are based on the fiscal year 2023 policy model.

[3] Capital Market Assumptions come from Aon Hewitt as of August 31, 2023.

[4] The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate Sensitivity Analysis

The following table presents the District's proportional share of 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 is one percentage point lower or one percentage point higher than the current rate.

	Discount Rate		
	1% Decrease (6.00%)	**Current Rate (7.00%)**	**1% Increase (8.00%)**
District's proportional share of the net pension liability	$ 12,685,595	$ 8,485,034	$ 4,992,265

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

At August 31, 2024, the District reported a liability of $8,485,034 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	$ 8,485,034
State's proportionate share that is associated with the District	10,825,313
Total	$ 19,310,347

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 District'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, 2024, the employer's proportion of the collective net pension liability was 0.0124% which was a decrease of 0.0006% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits 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 which was approved during the November 2023 election which will be paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

For the year ended August 31, 2024, the District recognized pension expense of $1,433,088. The District also recognized on-behalf pension expense and revenue of $1,634,529 for support provided by the State.

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation (continued)

On 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 experience	$ 302,325	$ (102,744)
Changes of assumption	802,518	(196,394)
Net difference between projected and actual earnings on pension plan investments	1,234,779	-
Changes in proportion and differences between District contributions and proportionate share of contributions	105,426	(389,873)
District contributions subsequent to the measurement date	762,917	-
Total	$ 3,207,965	$ (689,011)

The deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount will be recognized as a reduction of the net pension liability in the year ending August 31, 2025. 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:

Fiscal Year	Pension Expense	Balance of Deferred Outflows (Inflows)
2025	$ 384,389	$ 1,371,648
2026	168,664	1,202,984
2027	959,775	243,209
2028	242,107	1,102
2029	1,102	-
	$ 1,756,037	

The District will continue to make the required pension contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net Pension Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

Note 10 - Defined Other Post-Employment Benefit Plans

Plan Description

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

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

OPEB 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, or 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 postemployment benefit changes, including automatic COLAs.

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.

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 salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Contributions (continued)

	Contribution Rates	
	September 1, 2023 to August 31, 2024	**September 1, 2022 to August 31, 2023**
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

	Current Fiscal Year Contributions
Employer (District)	$ 158,234
Employee (Member)	111,403
Non-employer Contributing Entity On-behalf Contributions (State)	277,247

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 was determined using the following actuarial assumptions:

Component	Result
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.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for non-Medicare retirees. The initial prescription drug trend was 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions (continued)

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) 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.

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 investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (4.13%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease (3.13%)	**Current Rate (4.13%)**	**1% Increase (5.13%)**
District's proportional share of the net OPEB liability	$ 4,233,149	$ 3,594,140	$ 3,072,694

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

On August 31, 2024, the District reported a liability of $3,594,140 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	$ 3,594,140
State's proportionate share that is associated with the District	4,336,883
Total	$ 7,931,023

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (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 District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

On August 31, 2024, the District's proportion of the collective Net OPEB Liability was 0.0162% which was a decrease of 0.0014% from its proportion measured as of August 31, 2023.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	$ 2,959,595	$ 3,594,140	$ 4,410,486

Changes Since the Prior Actuarial Valuation

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

- The 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.

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2024, the District recognized negative OPEB expense of $699,852. The District also recognized negative on-behalf OPEB expense and revenue of $927,134 for support provided by the State.

On 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 experience	$ 162,608	$ (3,023,788)
Changes of assumption	490,574	(2,200,788)
Net difference between projected and actual earnings on OPEB plan investments	1,553	-
Changes in proportion and differences between District contributions and proportionate share of contributions	535,375	(1,147,179)
District contributions subsequent to the measurement date	158,235	-
Total	$ 1,348,345	$ (6,371,755)

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Changes of Benefit Terms Since the Prior Measurement Date (continued)

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2025. 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:

Fiscal Year	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2025	$ (999,008)	$ (4,182,637)
2026	(834,161)	(3,348,476)
2027	(610,985)	(2,737,491)
2028	(760,998)	(1,976,493)
2029	(731,440)	(1,245,053)
Thereafter	(1,245,053)	-
	$ (5,181,645)	

The District will continue to make the required OPEB contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net OPEB Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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 $92,074, $83,706, and $62,608, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 11 - Risk Management

Employee Health Care Coverage

During the year ended August 31, 2024, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of $275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2024 and terms of coverage and premiums costs are included in the contractual provisions.

Note 11 - Risk Management (continued)

Workers' Compensation Insurance

During the year ended August 31, 2024, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self-Insurance Fund (the "Fund"). The District purchased workers' compensation coverage through the Fund, a public entity risk pool, which is self-sustained through member contributions. The Fund reinsured to statutory limits through commercial companies for claims in excess of $850,000 for the 2023-2024 fiscal year. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. Members of the Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and, as of the most recent audit, the Fund has adequate assets to cover more than 100% of all liabilities.

Unemployment Compensation

During the year ended August 31, 2024, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2024, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and Property Programs

During the year ended August 31, 2024, the District participated in the following TASB Risk Management Fund (the "Fund") programs:: Auto Liability, Auto Physical Damage, Privacy and Information Security Property, and School Liability.

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2024, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Note 12 - Shared Service Arrangements (SSAs)

The District is the fiscal agent in a locally-funded SSA for Special Education (Fund 437) and a state-funded SSA for the innovative services for students with autism grant. The objective of the programs is to provide grants to assist in providing a free appropriate public education to all children with disabilities. All services are provided by the fiscal agent. The Special Education SSA is funded by the member districts and the School Health and Related Services (SHARS) program. The autism grant is funded by the State of Texas. The member districts and current revenues/expenditures of the SSAs are summarized below:

	Special Education		Autism Grant	
	Revenues	Expenditures	Revenues	Expenditures
Member Districts:				
Danbury ISD	$ 121,080	$ 202,562	$ -	$ 160,184
Needville ISD	597,431	590,408	-	263,087
Damon ISD	83,519	73,271	-	129,119
Hitchcock ISD	300,485	405,580	-	280,567
Total Member Districts	$ 1,102,515	$ 1,271,821	$ -	$ 832,957

Note 13 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to not be material to the financial statements taken as a whole.

Note 14 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District has not conducted a formal assessment of their potential arbitrage liability as of August 31, 2024. Therefore, a long-term liability for arbitrage may exist that has not been reported.

Note 15 - Restatement to Beginning Fund Balances and Net Position

The District restated their state aid receivable and accrued wages balances as of September 1, 2023 as a result of errors identified during the audit. In addition, there was approximately $2.5 million in unidentified transactions that were not reflected in the District's financial statements properly as a result of bank reconciliations not being completed during the fiscal year.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds	Governmental Activities
Net Position/Fund Balance - Beginning of Year, as Previously Presented	$ 1,411,794	$ 1,992,175	$ 1,748,658	$ 46,133,483	$ (1,662,898)
Restatements:					
State aid receivable overstated as of 8/31/23	(911,117)	-	-	(911,117)	(911,117)
Accrued wages understated as of 8/31/23	(871,828)	-	(20,223)	(892,051)	(892,051)
Unidentified transactions as of 8/31/23	2,799,322	(279,412)	-	2,519,910	2,519,910
Total restatements	1,016,377	(279,412)	(20,223)	716,742	716,742
Net Position/Fund Balance - Beginning of Year, as Restated	$ 2,428,171	$ 1,712,763	$ 1,728,435	$ 46,850,225	$ (946,156)

Note 16 - Deficit Fund Balances

The general fund had a deficit $1,116,777 in unassigned fund balance as of August 31, 2024. The District plans to address the deficit in the future school year.

REQUIRED SUPPLEMENTARY INFORMATION

HITCHCOCK INDEPENDENT SCHOOL DISTRICT ***Exhibit G-1***

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2024

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
	Revenues				
5700	Local, intermediate, and out-of-state	$ 9,267,297	$ 9,269,162	$ 8,772,587	$ (496,575)
5800	State program revenues	8,257,265	11,857,265	10,387,850	(1,469,415)
5900	Federal program revenues	693,000	693,000	411,871	(281,129)
5020	**Total Revenues**	18,217,562	21,819,427	19,572,308	(2,247,119)
	Expenditures				
	Current:				
0011	Instruction	8,105,346	10,564,024	11,575,571	(1,011,547)
0012	Instruction resources and media services	203,490	203,490	214,129	(10,639)
0013	Curriculum and instructional staff development	147,364	209,229	79,047	130,182
0021	Instructional leadership	110,920	110,920	99,809	11,111
0023	School leadership	1,323,613	1,370,613	1,256,023	114,590
0031	Guidance, counseling and evaluation services	354,310	354,310	262,620	91,690
0032	Social work services	1,200	1,200	1,502	(302)
0033	Health services	418,203	418,203	481,838	(63,635)
0034	Student transportation	1,074,581	1,332,581	1,395,776	(63,195)
0035	Food service	2,000	9,905	9,904	1
0036	Extracurricular activities	941,119	1,253,286	1,307,185	(53,899)
0041	General administration	1,148,630	1,282,162	1,267,245	14,917
0051	Plant maintenance and operations	2,804,572	3,311,572	3,278,490	33,082
0052	Security and monitoring services	436,824	515,824	542,555	(26,731)
0053	Data processing services	456,100	552,100	529,442	22,658
0061	Community services	1,500	1,500	216	1,284
	Debt service:				
0071	Principal on long-term debt	188,000	183,211	194,137	(10,926)
0072	Interest on long-term debt	40,000	44,789	33,735	11,054
0073	Bond issuance costs and fees	-	-	60,650	(60,650)
	Intergovernmental:				
0093	Payments related to shared services arrangement	325,000	401,790	370,912	30,878
0095	Payments to juvenile justices programs	23,000	25,400	25,365	35
0099	Other intergovernmental charges	111,790	111,790	110,124	1,666
6030	**Total Expenditures**	18,217,562	22,257,899	23,096,275	(838,376)
1100	Excess (deficiency) of revenues over expenditures	-	(438,472)	(3,523,967)	(3,085,495)
	Other Financing Sources (Uses)				
7914	Issuance of debt - maintenance tax note	-	4,939,850	5,000,000	60,150
7080	**Total Other Financing Sources (Uses)**	-	4,939,850	5,000,000	60,150
1200	Net change in fund balances	-	4,501,378	1,476,033	(3,025,345)
0100	**Fund Balance - Beginning, as Restated**	2,428,171	2,428,171	2,428,171	-
3000	**Fund Balance - Ending**	$ 2,428,171	$ 6,929,549	$ 3,904,204	$ (3,025,345)

A. Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level and amended as necessary when the Notices of Grant Awards are received. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund, Food Service Fund and Debt Service Fund during the fiscal year ended August 31, 2024.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2023. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

B. Expenditures in Excess of Appropriations

At the end of the current fiscal year, the District had the following expenditures exceeding appropriations for the legally adopted budgets:

	Final Budget	Actual	Variance with Final Budget
General Fund:			
Instruction	$ 10,564,024	$ 11,575,571	$ (1,011,547)
Instruction resources and media services	203,490	214,129	(10,639)
Social work services	1,200	1,502	(302)
Health services	418,203	481,838	(63,635)
Student transportation	1,332,581	1,395,776	(63,195)
Extracurricular activities	1,253,286	1,307,185	(53,899)
Security and monitoring services	515,824	542,555	(26,731)
Principal on long-term debt	183,211	194,137	(10,926)
Bond issuance costs and fees	-	60,650	(60,650)
Child Nutrition Fund:			
Plant maintenance and operations	-	1,326	(1,326)

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS

	2023	2022	2021	2020	2019
District's proportion of the net pension liability	0.0124%	0.1291%	0.0133%	0.0131%	0.0135%
District's proportionate share of the net pension liability	$ 8,485,034	$ 7,666,732	$ 3,390,566	$ 7,005,467	$ 6,994,950
State's proportionate share of the net pension liability associated with the District	10,825,313	9,838,075	4,254,600	9,012,106	8,285,579
Total	$ 19,310,347	$ 17,504,807	$ 7,645,166	$ 16,017,573	$ 15,280,529
District's covered payroll (for Measurement Year)	$ 15,558,822	$ 15,135,070	$ 14,434,665	$ 14,036,182	$ 12,825,518
District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	54.54%	50.66%	23.49%	49.91%	54.54%
Plan fiduciary net position as a percentage of the total pension liability	73.15%	75.62%	88.79%	75.54%	75.25%
Plan's net pension liability as a percentage of covered payroll [1]	122.32%	112.72%	51.08%	110.36%	114.93%

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0135%	0.0121%	0.0120%	0.0114%	0.0075%
District's proportionate share of the net pension liability	$ 7,454,438	$ 3,882,397	$ 4,525,090	$ 4,011,438	$ 2,005,864
State's proportionate share of the net pension liability associated with the District	8,989,964	4,843,116	5,528,933	5,279,053	4,523,365
Total	$ 16,444,402	$ 8,725,513	$ 10,054,023	$ 9,290,491	$ 6,529,229
District's covered payroll (for Measurement Year)	$ 12,569,413	$ 11,026,005	$ 10,302,269	$ 9,901,585	$ 8,913,419
District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	59.31%	35.21%	43.92%	40.51%	22.50%
Plan fiduciary net position as a percentage of the total pension liability	73.34%	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll [1]	126.11%	75.93%	92.75%	91.94%	72.89%

[1] Per Teacher Retirement System of Texas' Annual Comprehensive Financial Report

HITCHCOCK INDEPENDENT SCHOOL DISTRICT ***Exhibit G-3***

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020
Contractually required contributions	$ 762,917	$ 634,778	$ 601,923	$ 568,179	$ 540,520
Contributions in relation to the contractual required contributions	762,917	634,778	601,923	568,179	540,520
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 17,138,854	$ 15,561,382	$ 15,135,070	$ 14,434,665	$ 14,036,182
Contributions as a percentage of covered payroll	4.45%	4.08%	3.98%	3.94%	3.85%

	2019	2018	2017	2016	2015
Contractually required contributions	$ 468,068	$ 455,462	$ 395,421	$ 376,090	$ 319,786
Contributions in relation to the contractual required contributions	468,068	455,462	395,421	376,090	319,786
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 12,825,518	$ 12,569,413	$ 11,026,005	$ 10,302,269	$ 9,901,585
Contributions as a percentage of covered payroll	3.65%	3.62%	3.59%	3.65%	3.23%

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.

Measurement Year 2023: None.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST SEVEN MEASUREMENT YEARS

	2023	2022	2021	2020
District's proportion of the net liability for OPEB	0.0162%	0.0176%	0.0184%	0.0185%
District's proportionate share of net OPEB liability	$ 3,594,140	$ 5,211,201	$ 7,113,168	$ 7,027,538
State's proportionate share of the net OPEB liability associated with the District	4,336,883	5,137,004	9,530,059	9,443,326
Total	$ 7,931,023	$ 10,348,205	$ 16,643,227	$ 16,470,864
District's covered payroll	$ 15,558,822	$ 15,135,070	$ 14,434,665	$ 14,036,182
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	23.10%	34.43%	49.28%	50.07%
Plan fiduciary net position as a percentage of the total OPEB liability [1]	14.94%	11.52%	6.18%	4.99%
Plan's net OPEB liability as a percentage of covered payroll [1]	51.86%	59.10%	100.13%	101.46%

	2019	2018	2017
District's proportion of the net liability for OPEB	0.0187%	0.0177%	0.0164%
District's proportionate share of net OPEB liability	$ 8,825,655	$ 8,814,705	$ 7,141,549
State's proportionate share of the net OPEB liability associated with the District	11,727,318	9,513,840	7,559,240
Total	$ 20,552,973	$ 18,328,545	$ 14,700,789
District's covered payroll	$ 12,825,518	$ 12,569,413	$ 11,026,005
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	68.81%	70.13%	64.77%
Plan fiduciary net position as a percentage of the total OPEB liability [1]	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll [1]	135.21%	146.64%	132.55%

[1] Per Teacher Retirement System of Texas' Annual Comprehensive Financial Report

Note: Ten years of data should be presented in this schedule but data is unavailable prior to fiscal year 2018.
The amounts are presented for each Plan year which ends the preceding August 31 of the District's fiscal year.
Net OPEB liability is calculated in accordance with GASB 75.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT ***Exhibit G-5***

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST SEVEN FISCAL YEARS

	2024	2023	2022	2021
Contractually required contributions	$ 158,234	$ 140,859	$ 144,455	$ 144,063
Contributions in relation to the contractual required contributions	158,234	140,859	144,455	144,063
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 17,138,854	$ 15,561,382	$ 15,135,070	$ 14,434,665
Contributions as a percentage of covered payroll	0.92%	0.91%	0.95%	1.00%

	2020	2019	2018
Contractually required contributions	$ 140,583	$ 131,456	$ 120,230
Contributions in relation to the contractual required contributions	140,583	131,456	120,230
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 14,036,182	$ 12,825,518	$ 12,569,413
Contributions as a percentage of covered payroll	1.00%	1.02%	0.96%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to fiscal year 2018.
Net OPEB liability is calculated in accordance with GASB 75.

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

Measurement Year 2022: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.

Measurement Year 2023: The 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

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

Data Control Codes		205 Head Start	206 ESEA Title X Part C	211 ESEA Title I Part A	240 National School Breakfast and Lunch Program
	Assets				
1110	Cash and cash equivalents	$ 11,024	$ -	$ -	$ 1,088,777
	Receivables:				
1240	Due from other governments	11,810	-	14,227	173,597
1260	Due from other funds	-	-	-	416,026
1000	**Total Assets**	$ 22,834	$ -	$ 14,227	$ 1,678,400
	Liabilities:				
2110	Accounts payable	$ 3,666	$ -	$ -	$ 140,788
2150	Payroll deduction and withholdings payable	-	-	-	-
2160	Accrued wages payable	-	-	14,227	-
2170	Due to other funds	19,168	-	-	-
2000	**Total Liabilities**	22,834	-	14,227	140,788
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	1,537,612
3490	Other purposes	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	**Total Fund Balances**	-	-	-	1,537,612
4000	**Total Liabilities and Fund Balances**	$ 22,834	$ -	$ 14,227	$ 1,678,400

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

Data Control Codes		244 Career and Technical Basic Grant	255 TItle II Part A	278 ESSER - Homeless Children and Youth	279 ESSER III TCLAS
	Assets				
1110	Cash and cash equivalents	$ -	$ -	$ -	$ -
	Receivables:				
1240	Due from other governments	12,887	-	-	-
1260	Due from other funds	-	-	-	-
1000	**Total Assets**	$ 12,887	$ -	$ -	$ -
	Liabilities:				
2110	Accounts payable	$ 12,622	$ -	$ -	$ -
2150	Payroll deduction and withholdings payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	265	-	-	-
2000	**Total Liabilities**	12,887	-	-	-
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 12,887	$ -	$ -	$ -

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2024

Data Control Codes		280 ARP Homeless II	282 ESSER III	289 Teacher Incentive	313 SSA IDEA - Part B Formula
	Assets				
1110	Cash and cash equivalents	$ -	$ -	$ -	$ -
	Receivables:				
1240	Due from other governments	-	26,905	-	225,038
1260	Due from other funds	-	-	-	-
1000	**Total Assets**	$ -	$ 26,905	$ -	$ 225,038
	Liabilities:				
2110	Accounts payable	$ -	$ 26,905	$ -	$ -
2150	Payroll deduction and withholdings payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	225,038
2000	**Total Liabilities**	-	26,905	-	225,038
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ -	$ 26,905	$ -	$ 225,038

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

Data Control Codes		314 SSA IDEA - Part B Preschool	315 SSA IDEA - Part B Discretionary	364 IDEA - Part B Formula - ARP	410 Instructional Material
	Assets				
1110	Cash and cash equivalents	$ -	$ -	$ -	$ -
	Receivables:				
1240	Due from other governments	7,019	-	-	-
1260	Due from other funds	-	-	-	-
1000	**Total Assets**	$ 7,019	$ -	$ -	$ -
	Liabilities:				
2110	Accounts payable	$ -	$ -	$ -	$ -
2150	Payroll deduction and withholdings payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	7,019	-	-	-
2000	**Total Liabilities**	7,019	-	-	-
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 7,019	$ -	$ -	$ -

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

Data Control Codes		429 Fiscal Support Grant	437 SSA Special Education	459 Special Education Coop - Autism	465 Campus Activity Fund
	Assets				
1110	Cash and cash equivalents	$ -	$ 1,209,463	$ -	$ -
	Receivables:				
1240	Due from other governments	-	168,078	16,542	-
1260	Due from other funds	-	-	3,045	1,904
1000	**Total Assets**	$ -	$ 1,377,541	$ 19,587	$ 1,904
	Liabilities:				
2110	Accounts payable	$ -	$ 118,517	$ 9,947	$ -
2150	Payroll deduction and withholdings payable	-	956	642	-
2160	Accrued wages payable	-	32,589	8,247	-
2170	Due to other funds	-	470,107	-	-
2000	**Total Liabilities**	-	622,169	18,836	-
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
3490	Other purposes	-	755,372	751	-
	Committed:				
3545	Other purposes	-	-	-	1,904
3000	**Total Fund Balances**	-	755,372	751	1,904
4000	**Total Liabilities and Fund Balances**	$ -	$ 1,377,541	$ 19,587	$ 1,904

Data Control Codes		480 Education Grant	Total Nonmajor Governmental Funds
	Assets		
1110	Cash and cash equivalents	$ -	$ 2,309,264
	Receivables:		
1240	Due from other governments	-	656,103
1260	Due from other funds	3,159	424,134
1000	**Total Assets**	$ 3,159	$ 3,389,501
	Liabilities:		
2110	Accounts payable	$ 65	$ 312,510
2150	Payroll deduction and withholdings payable	-	1,598
2160	Accrued wages payable	-	55,063
2170	Due to other funds	-	721,597
2000	**Total Liabilities**	65	1,090,768
	Fund Balances:		
	Restricted:		
3450	Grant restrictions	3,094	1,540,706
3490	Other purposes	-	756,123
	Committed:		
3545	Other purposes	-	1,904
3000	**Total Fund Balances**	3,094	2,298,733
4000	**Total Liabilities and Fund Balances**	$ 3,159	$ 3,389,501

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended August 31, 2024

Data Control Codes		205 Head Start	206 ESEA Title X Part C	211 ESEA Title I Part A	240 National School Breakfast and Lunch Program
	Revenues				
5700	Local and intermediate sources	$ -	$ -	$ -	$ 42,464
5800	State program revenues	-	-	-	5,170
5900	Federal program revenues	1,729,505	29,940	598,751	1,906,184
5020	**Total Revenues**	1,729,505	29,940	598,751	1,953,818
	Expenditures				
	Current:				
0011	Instruction	864,955	-	541,690	-
0013	Curriculum and staff development	95,925	-	42,436	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	242,801	-	-	-
0031	Guidance, counseling and evaluation services	15,075	-	9,625	-
0032	Social work services	76,350	-	-	-
0033	Health services	90,212	-	-	-
0034	Student transportation	35,500	-	-	-
0035	Food service	45,829	-	-	1,562,220
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	170,657	-	-	1,326
0052	Security and monitoring services	31,872	-	-	-
0053	Data processing services	20,000	-	-	-
0061	Community services	40,329	29,940	5,000	-
6030	**Total Expenditures**	1,729,505	29,940	598,751	1,563,546
1200	Net change in fund balances	-	-	-	390,272
0100	**Fund Balance - Beginning of Year, as Previously Presented**	-	-	-	1,147,340
1300	Restatements	-	-	-	-
	Fund Balance - Beginning of Year, as Restated	-	-	-	1,147,340
3000	**Fund Balance - End of Year**	$ -	$ -	$ -	$ 1,537,612

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended August 31, 2024

Data Control Codes		244 Career and Technical Basic Grant	255 TItle II Part A	278 ESSER - Homeless Children and Youth	279 ESSER III TCLAS
	Revenues				
5700	Local and intermediate sources	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	41,383	86,155	6,260	8,650
5020	**Total Revenues**	41,383	86,155	6,260	8,650
	Expenditures				
	Current:				
0011	Instruction	41,383	71,150	5,693	8,650
0013	Curriculum and staff development	-	15,005	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	567	-
6030	**Total Expenditures**	41,383	86,155	6,260	8,650
1200	Net change in fund balances	-	-	-	-
0100	**Fund Balance - Beginning of Year, as Previously Presented**	-	-	-	-
1300	Restatements	-	-	-	-
	Fund Balance - Beginning of Year, as Restated	-	-	-	-
3000	**Fund Balance - End of Year**	$ -	$ -	$ -	$ -

Data Control Codes		280 ARP Homeless II	282 ESSER III	289 Teacher Incentive	313 SSA IDEA - Part B Formula
	Revenues				
5700	Local and intermediate sources	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	16,067	538,011	119,071	1,308,431
5020	**Total Revenues**	16,067	538,011	119,071	1,308,431
	Expenditures				
	Current:				
0011	Instruction	15,756	365,504	61,177	45,056
0013	Curriculum and staff development	-	25,487	1,894	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	88,380	56,000	1,263,375
0032	Social work services	311	38,912	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	12,228	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	7,500	-	-
0061	Community services	-	-	-	-
6030	**Total Expenditures**	16,067	538,011	119,071	1,308,431
1200	Net change in fund balances	-	-	-	-
0100	**Fund Balance - Beginning of Year, as Previously Presented**	-	-	-	-
1300	Restatements	-	-	-	-
	Fund Balance - Beginning of Year, as Restated	-	-	-	-
3000	**Fund Balance - End of Year**	$ -	$ -	$ -	$ -

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Data Control Codes		314 SSA IDEA - Part B Preschool	315 SSA IDEA - Part B Discretionary	364 IDEA - Part B Formula - ARP	410 Instructional Material
	Revenues				
5700	Local and intermediate sources	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	169,426
5900	Federal program revenues	39,872	107,095	3,837	-
5020	**Total Revenues**	39,872	107,095	3,837	169,426
	Expenditures				
	Current:				
0011	Instruction	18,822	107,095	-	169,426
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	21,050	-	3,837	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	**Total Expenditures**	39,872	107,095	3,837	169,426
1200	Net change in fund balances	-	-	-	-
0100	**Fund Balance - Beginning of Year, as Previously Presented**	-	-	-	-
1300	Restatements	-	-	-	-
	Fund Balance - Beginning of Year, as Restated	-	-	-	-
3000	**Fund Balance - End of Year**	$ -	$ -	$ -	$ -

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2024

Data Control Codes		429 Fiscal Support Grant	437 SSA Special Education	459 Special Education Coop - Autism	465 Campus Activity Fund
	Revenues				
5700	Local and intermediate sources	$ -	$ 1,146,914	$ -	$ 1,904
5800	State program revenues	220,090	36,238	962,394	-
5900	Federal program revenues	-	508,987	-	-
5020	**Total Revenues**	220,090	1,692,139	962,394	1,904
	Expenditures				
	Current:				
0011	Instruction	828	485,455	644,021	-
0013	Curriculum and staff development	1,747	-	-	-
0021	Instructional leadership	-	808,203	87,811	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	178,533	229,811	-
0032	Social work services	-	-	-	-
0033	Health services	-	26,069	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	4,824	-	-
0051	Plant maintenance and operations	-	1,411	-	-
0052	Security and monitoring services	213,580	-	-	-
0053	Data processing services	3,935	-	-	-
0061	Community services	-	-	-	-
6030	**Total Expenditures**	220,090	1,504,495	961,643	-
1200	Net change in fund balances	-	187,644	751	1,904
0100	**Fund Balance - Beginning of Year, as Previously Presented**	-	587,951	-	-
1300	Restatements	-	(20,223)	-	-
	Fund Balance - Beginning of Year, as Restated	-	567,728	-	-
3000	**Fund Balance - End of Year**	$ -	$ 755,372	$ 751	$ 1,904

Data Control Codes		480 Education Grant	Total Nonmajor Governmental Funds
	Revenues		
5700	Local and intermediate sources	$ 8,427	$ 1,199,709
5800	State program revenues	-	1,393,318
5900	Federal program revenues	-	7,048,199
5020	**Total Revenues**	8,427	9,641,226
	Expenditures		
	Current:		
0011	Instruction	17,303	3,463,964
0013	Curriculum and staff development	-	182,494
0021	Instructional leadership	-	896,014
0023	School leadership	-	242,801
0031	Guidance, counseling and evaluation services	-	1,865,686
0032	Social work services	-	115,573
0033	Health services	-	116,281
0034	Student transportation	-	47,728
0035	Food service	-	1,608,049
0036	Extracurricular activities	1,397	1,397
0041	General administration	-	4,824
0051	Plant maintenance and operations	-	173,394
0052	Security and monitoring services	-	245,452
0053	Data processing services	-	31,435
0061	Community services	-	75,836
6030	**Total Expenditures**	18,700	9,070,928
1200	Net change in fund balances	(10,273)	570,298
0100	**Fund Balance - Beginning of Year, as Previously Presented**	13,367	1,728,435
1300	Restatements	-	(20,223)
	Fund Balance - Beginning of Year, as Restated	13,367	1,728,435
3000	**Fund Balance - End of Year**	$ 3,094	$ 2,298,733

REQUIRED TEA SCHEDULES

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2024

	1	2	3	10	20	31	32	40	50	99
Last Ten Fiscal Years	**Tax Rates Maintenance**	**Tax Rates Debt Service**	**Net Assessed/Appraised Value For School Tax Purposes**	**Beginning Balance 9/1/23**	**Current Year's Total Levy**	**Maintenance Total Collections**	**Debt Service Total Collections**	**Entire Year's Adjustments**	**Ending Balance 8/31/24**	**Total Taxes Refunded Under Section 26.1115(c)**
2015 and prior	Various	Various	Various	$ 244,341		$ 11,252	$ 3,384	$ (23,220)	$ 206,485	
2016	$1.0400	$0.5000	$559,176,563	39,320		1,129	543	(767)	36,881	
2017	1.0400	0.5000	598,722,721	40,288		1,594	767	(767)	37,160	
2018	1.0400	0.4800	658,096,551	52,239		1,669	770	(721)	49,079	
2019	1.0400	0.4800	691,492,418	47,916		2,599	1,200	(645)	43,472	
2020	0.9700	0.4100	789,766,394	77,247		14,797	6,254	(1,286)	54,910	
2021	0.9364	0.2000	871,446,312	75,141		13,077	2,793	(1,471)	57,800	
2022	0.8720	0.2000	1,063,438,246	155,661		50,025	11,474	(4,033)	90,129	
2023	0.8046	0.4000	1,211,516,935	421,347		143,377	71,279	(48,685)	158,006	
2024	0.6692	0.4000	1,241,697,531	-	$ 13,276,230	8,085,022	4,832,648	-	358,560	
1000 Totals				$ 1,153,500	$ 13,276,230	$ 8,324,541	$ 4,931,112	$ (81,595)	1,092,482	
						Total Taxes Receivable Per Exhibit C-1			$ 1,092,482	
8000 Taxes Refunded										$ -

HITCHCOCK INDEPENDENT SCHOOL DISTRICT ***Exhibit J-2***

BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For the Year Ended August 31, 2024

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
	Revenues				
5700	Local, intermediate, and out-of-state	$ 35,000	$ 35,000	$ 42,464	$ 7,464
5800	State program revenues	5,600	5,600	5,170	(430)
5900	Federal program revenues	1,811,121	1,811,121	1,906,184	95,063
5020	**Total Revenues**	1,851,721	1,851,721	1,953,818	102,097
	Expenditures				
	Current:				
0034	Student transportation	1,500	1,500	-	1,500
0035	Food service	1,775,721	1,775,721	1,562,220	213,501
0051	Plant maintenance and operations	-	-	1,326	(1,326)
6030	**Total Expenditures**	1,777,221	1,777,221	1,563,546	213,675
1200	Net change in fund balances	74,500	74,500	390,272	315,772
0100	**Fund Balance - Beginning**	1,147,340	1,147,340	1,147,340	-
3000	**Fund Balance - Ending**	$ 1,221,840	$ 1,221,840	$ 1,537,612	$ 315,772

HITCHCOCK INDEPENDENT SCHOOL DISTRICT ***Exhibit J-3***

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2024

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
	Revenues				
5700	Local, intermediate, and out-of-state	$ 5,318,665	$ 5,318,665	$ 5,073,482	$ (245,183)
5800	State program revenues	140,800	140,800	594,407	453,607
5020	**Total Revenues**	5,459,465	5,459,465	5,667,889	208,424
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	2,110,000	2,110,000	2,110,000	-
0072	Interest on long-term debt	2,660,985	2,660,985	2,623,953	37,032
0073	Bond issuance costs and fees	5,000	5,000	9,109	(4,109)
6030	**Total Expenditures**	4,775,985	4,775,985	4,743,062	32,923
1200	Net change in fund balances	683,480	683,480	924,827	241,347
0100	**Fund Balance - Beginning, as Restated**	1,712,763	1,712,763	1,712,763	-
3000	**Fund Balance - Ending**	$ 2,396,243	$ 2,396,243	$ 2,637,590	$ 241,347

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES

For the Year Ended August 31, 2024

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$ 2,362,455
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	$ 1,319,467
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$ 76,664
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	$ 172,442

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	No
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered **to not have made** timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	Yes
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal vear end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	$ 3,147,322

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).

FEDERAL AWARDS SECTION

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

To the Board of Trustees
Hitchcock Independent School District

We were engaged to 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hitchcock Independent School District (the "District") as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 12, 2025. Our report disclaims an opinion on such financial statements because the District was unable to provide sufficient appropriate audit evidence to support significant account balances and transactions.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 *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. 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001, 2024-002, 2024-003, and 2024-004 to be material weaknesses.

Board of Trustees
Hitchcock Independent School District

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of the District, 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 engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the Schedule of Findings and Questioned Costs as items 2024-005. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our engagement and described in the Schedule of Findings or Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the engagement to audit 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.

Whitley Penn LLP

Houston, Texas
May 12, 2025

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

To the Board of Trustees
Hitchcock Independent School District

Report on Compliance for Each Major Federal Program

Disclaimer of Opinion on Each Major Federal Program

We were engaged to audit Hitchcock Independent School District's (the "District") compliance with the type of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each major program, for the year ended August 31, 2024. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

We do not express an opinion on the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on Each Major Federal Program section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in *the OMB Compliance Supplement* that could have a direct and material effect on each major program.

Basis for Disclaimer of Opinion on Each Major Federal Program

As described in the Basis for Disclaimer of Opinion section of the accompanying Report on the Audit of the Financial Statements, the District did not maintain sufficient appropriate audit evidence to support the amounts reported on the Schedule of Expenditures of Federal Awards (SEFA) and transactions necessary to support the District's compliance with applicable federal requirements. Therefore, it is not appropriate to express an opinion on the District's compliance with the compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each major program. As a result of these matters, we were unable to determine whether the Entity complied with the requirements applicable to each major federal program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to conduct an audit of compliance in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on Each Major Federal Program section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-006 and 2024-007 to be material weaknesses.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Whitley Penn LLP

Houston, Texas
May 12, 2025

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2024

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Disclaimer of Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	Yes (2024-001, 2024-002, 2024-003, 2024-004)
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	Yes (2024-005)

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes (2024-006 and 2024-007)
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs	Disclaimer of Opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	Yes (2024-006 and 2024-007)

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number (ALN)
Child and Adult Care Food Program	10.558
Child Nutrition Cluster	10.553, 10.555, 10.582
Special Education Cluster	84.027, 84.173

Dollar Threshold Considered Between Type A and Type B Federal Programs	$750,000
Auditee qualified as low risk auditee?	No

II. Financial Statement Findings

2024-001	**Bank Reconciliations**
Type of Finding	Material Weakness in Internal Control over Financial Reporting
New or Repeat Finding	Repeat; see prior year finding #2023-001 and #2023-002.
Criteria	Effective internal control over financial reporting requires that management perform timely and complete reconciliations of all cash accounts to detect and correct errors or irregularities. Bank reconciliations are a critical control to ensure the accuracy of recorded cash balances.
Condition	The District did not perform or complete bank reconciliations for its bank accounts during the fiscal year. Several months' reconciliations were missing and management was unaware of unreconciled differences.
Cause	The district experienced turnover in key finance department positions during the year, implemented a new financial software system, and switched bank depositories. These combined factors disrupted normal operations, caused delays in setting up new reconciliation processes, and limited staff's ability to maintain the regular monthly bank reconciliation process while adjusting to new system workflows, bank accounts, and responsibilities.
Effect or Potential Effect	There is an increased risk that material misstatements in cash balances could occur and not be detected or corrected timely. This risk is heightened because the district maintains multiple accounts containing restricted balances designated for specific purposes (such as debt service, capital projects, or federal programs). Failure to reconcile these accounts could result in improper use or misstatement of restricted funds, potentially leading to noncompliance with legal, grant, or bond covenant requirements, in addition to misstated financial reporting.
Recommendation	We recommend that the district establish formal procedures to ensure bank reconciliations are prepared monthly by qualified personnel, reviewed by a supervisor, and that reconciling items are promptly investigated and resolved. Additional staff training on the new financial system and coordination with the new bank depository should be provided to strengthen understanding of the reconciliation process.
Views of Responsible Officials	District officials agree with the finding. The District will develop formal procedures and provide training to ensure reconciliation accuracy and timeliness.

II. Financial Statement Findings (continued)

2024-002	**Unauthorized Use of Restricted Funds**
Type of Finding	Material Noncompliance and Material Weakness in Internal Control over Financial Reporting
New or Repeat Finding	Repeat; see prior year finding #2023-003.
Criteria	Legally restricted monies may only be spent for allowable purposes.
Condition	Prior year audit finding #2023-003 noted the District's improper hybrid approach for cash management resulted in the District borrowing monies legally restricted for specific purposes and used them for general operating expenditures without any approval by the Board. This finding was not discovered until February 2024 and the District did not implement controls to prevent this from occurring for the remainder of fiscal year 2024.
Cause	The declining fund balance of the general fund resulted in District personnel addressing the matter by using restricted cash for general operating expenditures.
Effect or Potential Effect	Improper use or misstatement of restricted funds, potentially leading to noncompliance with legal, grant, or bond covenant requirements, in addition to misstated financial reporting.
Recommendation	The District should reconcile the activity of all restricted fund accounts and reimburse any restricted cash accounts that were used for general operating expenditures.
Views of Responsible Officials	District officials agree with the finding. The District will review transfers made after September 1, 2022 to determine if made in compliance with legal restrictions.

II. Financial Statement Findings (continued)

2024-003	**Financial Close and Reporting**
Type of Finding	Material Weakness in Internal Control over Financial Reporting
New or Repeat Finding	Repeat; see prior year finding #2023-004.
Criteria	Effective internal control over financial reporting requires management to maintain accurate subsidiary records, perform timely reconciliations, and conduct supervisory review to ensure the trial balance reflects complete and accurate account balances in accordance with generally accepted accounting principles (GAAP) prior to financial statement preparation.
Condition	The district lacked effective internal controls to ensure the trial balance was properly reconciled at year-end. Auditors identified numerous significant issues, including the improper roll-forward of fund balances from the prior year; unrecorded capital asset additions, disposals, and depreciation; unrecorded grant receivables for reimbursement-based grants; misstated prior year payroll accruals and state aid receivables; unadjusted property tax receivables and allowance accounts; unrecorded accounts payable accruals, including retainage payable; unreconciled payroll withholding liabilities; and misstated amounts on the schedule of expenditures of federal awards. These widespread issues resulted in multiple material audit adjustments and indicate a pervasive breakdown in the district's financial reporting and reconciliation processes.
Cause	During the year, the district experienced significant turnover in key finance department positions, implemented a new financial software system, and switched bank depositories. These combined factors disrupted routine financial operations, contributed to gaps in staff knowledge and experience, and resulted in the failure to perform key reconciliations and year-end closing procedures across multiple critical financial areas.
Effect or Potential Effect	There is a heightened risk that material misstatements could occur and remain undetected, impacting the accuracy of the district's financial statements across numerous areas, including governmental fund balances, capital assets, receivables, payables, and accruals. The lack of reconciliations increases the risk of misreporting restricted or committed funds, misstating grant receivables, violating legal or contractual obligations, and presenting materially misstated financial reports to stakeholders.
Recommendation	We recommend the district develop and implement a formal year-end closing process that outlines clear written procedures for reconciling all significant accounts to supporting records. Responsibilities should be assigned to qualified personnel, and a comprehensive closing checklist with defined timelines and required documentation should be established. Staff should receive adequate training on the new financial system and on best practices for account reconciliation and financial reporting. All key reconciliations and closing entries should be subject to supervisory review and approval prior to financial statement preparation.
Views of Responsible Officials	District officials agree with the finding. The District will develop a formal year-end closing process and provide training.

II. Financial Statement Findings (continued)

2024-004	**Transfer of Bond Funds to the General Fund**
Type of Finding	Material Noncompliance and Material Weakness in Internal Control over Financial Reporting
New or Repeat Finding	New
Criteria	Under generally accepted accounting principles (GAAP), as well as under state law and bond covenants, proceeds from voter-approved debt issuances are restricted for specific capital project purposes and cannot be used for general governmental purposes. Management is responsible for establishing internal controls to ensure restricted resources are properly tracked, safeguarded, and used solely for their intended purpose.
Condition	Restricted bond proceeds are funds approved by voters and designated under debt covenants specifically for capital outlay and related expenditures. They must not be used to cover general operating expenses. Such expenditures violate applicable legal and contractual restrictions and result in the misclassification of restricted resources within the district's financial statements.
Cause	The district transferred restricted bond proceeds designated for capital projects into the general fund without proper authorization or allowable purpose. Two separate instances were identified during the audit: i) On September 25, 2023, Texas Education Agency (TEA) deposited school year 2023-2024 state aid funds in the amount of $1,683,744 to the District's operating bank account. On September 26, 2023, the District transfers this amount from their operating bank account to an operating investment pool. On September 28, 2023, the District transferred this amount from their restricted bond funds investment pool to their operating bank account. In February 2024, it appears the operating account reimbursed the bond fund account in the amount of $1,681,017. ii) On September 27, 2023, Texas Education Agency (TEA) attempted to deposit the final school year 2022-2023 settle-up payment of state aid funds in the amount of $1,976,262. However, an issue at the District's bank prevented the funds from being deposited. On September 20, 2023, the District transferred the same amount from the restricted bond funds investment pool to the operating bank account. The District did not discover the missing TEA payment until the last quarter of fiscal year 2024 and this payment was later received on August 23, 2024. However, it does not appear the $1,976,262 was returned to the bond fund account from the operating bank account.
Effect or Potential Effect	The improper transfer of restricted bond funds results in the misstatement of both fund balances and expenditures in the district's governmental fund financial statements. It also exposes the district to potential legal violations, including breach of voter intent, noncompliance with state law, and violation of bond covenants, which may jeopardize the district's credit rating or ability to issue debt in the future.
Recommendation	We recommend the district immediately cease any further transfers of restricted bond proceeds to the general fund, review prior transfers for potential reversal, and establish formal written policies and controls to ensure restricted funds are properly segregated, monitored, and expended only for authorized purposes. Finance staff should be trained on applicable legal, accounting, and debt compliance requirements, and periodic reviews by management or external advisors should be conducted to ensure continued compliance.
Views of Responsible Officials	District officials agree with the finding. The District will review all transfers of bond funds to determine if made in compliance with legal restrictions.

II. Financial Statement Findings (continued)

2024-005	**General Fund Expenditures in Excess of Appropriations**
Type of Finding	Material Noncompliance
New or Repeat Finding	New
Criteria	Under Texas Education Code §44.006 and related TEA budgetary requirements, school districts are required to adopt and operate within a legally adopted budget. Expenditures may not exceed budgeted appropriations at the functional level in the general fund without a formal budget amendment approved by the board. Management is responsible for monitoring budget-to-actual activity and ensuring compliance with legal spending limits.
Condition	The district's final expenditures for the fiscal year exceeded the final amended budget in the general fund. Specifically, actual expenditures were greater than the legally adopted budget approved by the board of trustees and submitted to the Texas Education Agency (TEA). This resulted in a budget overrun at the fund level, which is a violation of state compliance requirements for Texas school districts.
Cause	The district did not have sufficient monitoring and oversight controls in place to ensure that actual expenditures remained within final amended budget limits. Contributing factors included inadequate monthly budget monitoring, failure to process timely budget amendments, and communication gaps between finance staff and program administrators.
Effect or Potential Effect	Exceeding the legally adopted budget constitutes material noncompliance with state law and TEA financial accountability requirements. It increases the risk of financial mismanagement, erodes public trust, and may negatively impact the district's financial accountability ratings or future state oversight.
Recommendation	We recommend that the district strengthen its budget monitoring controls by implementing formal monthly budget-to-actual reviews, ensuring timely communication between program and finance staff, and adopting necessary budget amendments before year-end when expenditures are projected to exceed appropriations. Training should be provided to key staff and administrators on TEA budget compliance requirements.
Views of Responsible Officials	District officials agree with the finding. The District will implement procedures to ensure proper budget monitoring.

III. Federal Awards Findings and Questioned Costs

2024-006	**Unauthorized Use of Child Nutrition Funds**
Type of Finding	Material Weakness in Internal Control Over Compliance
New or Repeat Finding	Repeat; see prior year finding #2023-005 and #2023-006.
Federal Program	Child Nutrition Cluster (ALNs 10.553, 10.555, 10.582)
Federal Agency	U.S. Department of Agriculture
Pass-through Entity and Identifying Numbers	Texas Department of Agriculture (NT4XL1YGLGC5), Texas Education Agency (71402401, 71302401)
Compliance Requirement(s)	A - Activities Allowed or Unallowed, B - Allowable Costs / Costs Principles
Criteria	Under 2CFR200.403 and 2CFR200.405, federal program costs must be allocable to the program, allowable under applicable federal cost principles, and properly supported by accounting records. Additionally, the Texas Department of Agriculture (TDA) and federal program guidelines require that Child Nutrition funds be accounted for separately and used solely for the operation of the school food service program. All uses of funds must be properly documented and justified to ensure restricted federal funds are not used for unallowable general government purposes.
Condition	The district's general ledger and cash transfer records indicated that funds were transferred between the Child Nutrition Service (CNS) fund and the general fund during the year. Due to inadequate tracking and reconciliation controls, the district was unable to provide clear documentation demonstrating that restricted CNS funds were used solely for allowable Child Nutrition Cluster program expenditures and were not applied to general fund purposes. As a result, the auditors were unable to fully verify that all CNS program expenditures were allowable under federal requirements.
Cause	The district did not have adequate internal controls to track, reconcile, and document transfers of restricted CNS funds. Turnover in key finance positions and implementation of new finance software contributed to the weak oversight over cash transfers between funds.
Effect or Potential Effect	There is a risk that restricted federal Child Nutrition funds were used for unallowable general fund expenditures, potentially resulting in noncompliance with federal cost principles. Although the auditors did not identify specific questioned costs, the district's lack of clear tracking and documentation limits the ability to demonstrate compliance and increases the risk of future unallowable expenditures.
Questioned Costs	None identified, as auditors were unable to quantify specific unallowable costs due to the lack of sufficient documentation.
Context	During review of the District's response to the corrective action plan, we noted the Child Nutrition Fund was reimbursed $701,402 for the amount due from the General Fund as of August 31, 2023. However, due to lack of proper reconciliation controls during fiscal year 2024, we were unable to determine the general fund was reimbursed for additional improper transfers that could have occurred during the year.
Recommendation	We recommend the district strengthen internal controls by establishing clear written procedures for tracking, approving, and reconciling any transfers between the CNS fund and the general fund. The district should ensure all restricted Child Nutrition funds are used solely for allowable program purposes, consistent with federal and state requirements. Staff responsible for financial oversight should receive training on federal cost principles and documentation standards to ensure continued compliance.
Views of Responsible Officials	District officials agree with the finding. The District will review transfers made after September 1, 2022 to determine if made in compliance with legal restrictions.

III. Federal Awards Findings and Questioned Costs (continued)

2024-007	**Lack of Semi-Annual Certifications for Special Education Personnel**
Type of Finding	Material Weakness in Internal Control Over Compliance
New or Repeat Finding	New
Federal Program	Special Education Cluster (ALNs 84.027, 84.173)
Federal Agency	U.S. Department of Education
Pass-through Entity(ies)	Texas Education Agency (246600010849086600, 246610010849086610, 66002406, 225350020849025000, 225360020849025360), Region 10 Education Service Center (236600497110001)
Compliance Requirement	B - Allowable Costs / Costs Principles
Criteria	Under 2 CFR 200.430(g), when employees work solely on a single federal award or cost objective, charges for their salaries must be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated. One allowable method is through completion of semi-annual certifications signed by the employee or a supervisory official with firsthand knowledge. These certifications provide assurance that salary costs charged to the federal program reflects the total activity for which the employee is compensated by the District, not exceeding 100% of compensated activities.
Condition	The district did not maintain required semi-annual certifications for employees who worked solely on the Special Education Cluster (IDEA) programs. These certifications, which confirm that the employee worked 100% on the program for the period covered, were missing for all employees.
Cause	The district did not have adequate procedures in place to ensure the forms were prepared, signed, and retained in accordance with federal requirements. Staff turnover and limited awareness of the documentation rules contributed to the oversight.
Effect or Potential Effect	Without semi-annual certifications, the district lacks required documentation to fully support salary costs charged to the Special Education Cluster. This raises the risk that unallowable or unsupported personnel costs were charged to the program, even if employees were appropriately assigned.
Questioned Costs	No questioned costs were identified, as auditors were able to verify through alternative procedures that employees worked solely on the program. The personnel records of the employees sampled contained approval of the employee to be hired into the appropriate job duties to be funded by special education cluster grant funds.
Context	The district was unable to provide required semi-annual certifications for 14 out of 14 employees selected in our sample for testing.
Recommendation	We recommend that the district develop and implement written procedures to ensure that semi-annual certifications are prepared, signed, and retained for all employees working solely on federal programs. The district should provide training to finance and program staff to ensure continued compliance with federal documentation requirements.
Views of Responsible Officials	District officials agree with the finding. The District has implemented new procedures in fiscal year 2025 to ensure semi-annual certifications are completed appropriately.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2024

Fund Code	(1) Federal Grantor / Pass-Through Grantor / Program Title	(2) ALN	(3) Pass Through Entity Identifying Number	(4) Federal Expenditures
	U.S. Department of Agriculture			
	Passed Through Texas Department of Agriculture:			
240	*Child and Adult Care Food Program*	10.558	NT4XL1YGLGC5	$ 634,861
240	*State Administrative Expense (SAE) Funds*	10.560	NT4XL1YGLGC5	12,031
240	*Fresh Fruit & Vegetable Program*	10.582	NT4XL1YGLGC5	42,599
	Passed Through Texas Education Agency:			
240	*National School Breakfast Program*	10.553	71402401	320,853
240	*National School Breakfast Program - SSO*	10.553	71402401	4,526
240	*National School Lunch Program*	10.555	71302401	881,065
240	*National School Lunch Program - SSO*	10.555	71302401	10,249
	Total Child Nutrition Cluster (ALN 10.553, 10.555, 10.582)			1,259,292
	Total U.S. Department of Agriculture			**1,906,184**
	U.S. Department of Education			
	Passed Through Texas Education Agency:			
211	*ESEA, Title I, Part A - Improving Basic Programs*	84.010A	24610101084908	606,391
313	*IDEA, Part B - Formula*	84.027A	246600010849086600	1,322,996
314	*IDEA, Part B - Preschool*	84.173A	246610010849086610	40,308
315	*IDEA, Part B - High Cost Fund*	84.027	66002406	107,095
364	*COVID-19 - IDEA, Part B - Formula-ARP*	84.027X	225350020849025000	3,837
365	*COVID-19 - IDEA, Part B - Formula-ARP Preschool*	84.173X	225360020849025360	1
	Passed Through Region 10 Education Service Center:			
289	*SPED Capacity Contracted Svc Grant*	84.027	236600497110001	90,000
	Total Special Education Cluster (ALN 84.027, 84.173)			1,564,237
	Passed Through Texas Education Agency:			
244	*23-24 Perkins V: Strengthening CTE for 21st Century*	84.048A	24420006084908	41,835
206	*2023-2024 Texas Education For Homeless Children & Youth*	84.196A	244600057110045	29,940
255	*Title II, Part A - Supporting Effective Instruction*	84.367A	24694501084908	87,077
263	*Title III, Part A - ELA*	84.367A	23671001084908	4
	Total ALN 84.367			87,081
289	*Title IV, Part A, Subpart 1, Student Support and Academic Enrichment*	84.424A	24680101084908	29,545
278	*COVID-19 - ARP Homeless I-TEHCY*	84.425W	215330017110038	6,260
279	*COVID-19 - TCLAS - ESSER III*	84.425U	21528042084908	9,679
280	*COVID-19 - ARP Homeless II*	84.425W	21533002084908	19,450
281	*COVID-19 - CRRSA ESSER II*	84.425D	21521001084908	2,587
282	*COVID-19 - ARP ESSER III*	84.425U	21528001084908	606,863
	Total ALN 84.425			644,839
	Total U.S. Department of Education			**3,003,868**
	U.S. Department of Health and Human Services			
	Direct:			
205	*Head Start*	93.600	06CH010636	1,763,176
	Total Head Start Cluster (ALN 93.600)			1,763,176
	Total U.S. Department of Health and Human Services			**1,763,176**
	Total Expenditures of Federal Awards			**$ 6,673,228**

Note 1 - Summary of Significant Accounting Policies

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

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2024. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards ("SEFA") and expenditures reported on the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds:

Total Expenditures of Federal Awards - Exhibit K-1	$ 6,673,228
Medicaid SHARS (Fund 199)	183,191
Medicaid SHARS (Fund 437)	508,987
IRS Subsidy	76,304
E-rate	18,360
Total Federal Revenue - Exhibit C-2	$ 7,460,070

Note 4 - General Fund Expenditures

Federal awards reported in the general fund are summarized as follows:

Federal Revenue Accounted for in General Fund:	
Medicaid SHARS	$ 183,191
IRS Subsidy	76,304
E-rate	18,360
Indirect Costs:	
23-24 Perkins V: Strengthening CTE for 21st Century	452
COVID-19 - ARP ESSER III	68,852
COVID-19 - ARP Homeless II	3,383
COVID-19 - CRRSA ESSER II	2,587
COVID-19 - IDEA, Part B - Formula-ARP Preschool	1
COVID-19 - TCLAS - ESSER III	1,029
ESEA, Title I, Part A - Improving Basic Programs	7,640
Head Start	33,671
IDEA, Part B - Formula	14,565
IDEA, Part B - Preschool	436
Title II, Part A - Supporting Effective Instruction	922
Title III, Part A - ELA	4
Title IV, Part A, Subpart 1, Student Support and Academic Enrichment	474
Total Indirect Costs	134,016
Total Federal Revenue - Exhibit C-2	$ 411,871

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2024

Prepared by Management of Hitchcock Independent School District

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status all audit findings included in the prior audit's schedule of findings and questioned costs and all audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

Prior Financial Statement Findings

Finding Reference Number	Original Finding Description	Finding Type	Fiscal Year of Initial Occurrence	Status	Explanation if Not Corrected
2023-001	Bank Reconciliation: Backdated Deposits	Material Weakness	2023	Not corrected	See Current Year Finding #2024-001.
2023-002	Bank Reconciliation: Interfund Transfers in Transit	Material Weakness	2023	Not corrected	See Current Year Finding #2024-001.
2023-003	Unauthorized Use of Restricted Funds	Material Weakness	2023	Not corrected	See Current Year Finding #2024-002 and 2024-004.
2023-004	Reconciliation of Trial Balance	Material Weakness	2023	Not corrected	See Current Year Finding #2024-003.

Prior Federal Award Findings

Finding Reference Number	Original Finding Description	Finding Type	Fiscal Year of Initial Occurrence	Status	Explanation if Not Corrected
2023-005	Department of Agriculture; Activities Allowed/Allowable Costs - Child Nutrition, Assistance Listing No. 10.553, 10.555 - Grant Period: Year Ended August 31, 2023	Material Weakness	2023	Not corrected	See Current Year Finding #2024-006.
2023-006	Department of Agriculture; Internal Control Over Activities Allowed/Allowable Costs - Child Nutrition, Assistance Listing No. 10.553, 10.555 - Grant Period: Year Ended August 31, 2023	Material Weakness	2023	Not corrected	See Current Year Finding #2024-006.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2024

Prepared by Management of Hitchcock Independent School District

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

Finding Reference Number	Description of Finding	Corrective Action Planned	Responsible Contact Person	Anticipated Completion Date
2024-001	Bank Reconciliations (Financial Reporting)	The district will develop formal written procedures for monthly bank reconciliations, reassign reconciliation responsibilities to qualified personnel, and implement supervisory review of all reconciliations. Additional staff training on the financial system and coordination with the new bank depository will be conducted to strengthen reconciliation accuracy and timeliness.	Patrick M. Faour, Interim Superintendent	August 31, 2025
2024-002	Unauthorized Use of Restricted Funds (Financial Reporting and Compliance)	The district has suspended all nonroutine transfers involving restricted funds and is conducting a full review of transfers made after September 1, 2022 to ensure compliance with legal restrictions. Management is developing formal written policies and procedures governing the use and transfer of restricted funds and staff will be trained on legal and program-specific restrictions. Future transfers of all types will require supervisory approval and documentation. The District will evaluate the impact of budget amendments that may be necessary if significant reimbursements to restricted funds must be made from the general fund.	Patrick M. Faour, Interim Superintendent	August 31, 2025
2024-003	Financial Close and Reporting (Financial Reporting)	The district is developing a formal year-end closing process with clear written procedures and assigned responsibilities for reconciling all significant accounts. A detailed closing checklist will be implemented to ensure timely reconciliations and accruals, and supervisory review will be added to verify completion. Additional training is being provided to finance staff on the new financial system and best practices for financial reporting.	Patrick M. Faour, Interim Superintendent	August 31, 2025
2024-004	Transfer of Bond Funds to the General Fund (Financial Reporting and Compliance)	The district is conducting a full review of transfers made involving bond funds to ensure compliance with legal restrictions and bond covenants. Management is developing formal written policies and procedures governing the use and transfer of restricted funds, and staff will be trained on legal and program-specific restrictions. The District will evaluate the impact of budget amendments that may be necessary if significant reimbursements to bond funds must be made from the general fund.	Patrick M. Faour, Interim Superintendent	August 31, 2025

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN (continued)

For the Year Ended August 31, 2024

Prepared by Management of Hitchcock Independent School District

Finding Reference Number	Description of Finding	Corrective Action Planned	Responsible Contact Person	Anticipated Completion Date
2024-005	General Fund Expenditures in Excess of Appropriations (Compliance)	The district will develop procedures to strengthen its monthly budget monitoring process to ensure that all expenditures are tracked against appropriations in real time. Program staff and finance personnel will meet regularly to identify potential overruns early, and budget amendments will be prepared and approved before expenditures exceed legal limits. Staff training on TEA budget compliance requirements will be provided to ensure all involved understand the requirements.	Patrick M. Faour, Interim Superintendent	August 31, 2025
2024-006	Unauthorized Use of Child Nutrition Funds (Controls over Compliance - Child Nutrition Cluster)	The district is conducting a full review of interfund activity involving Child Nutrition funds to ensure compliance with the grant requirements. Staff will be trained on program-specific requirements, including reviewing all expenditures for allowability. The District will evaluate the impact of budget amendments that may be necessary if significant reimbursements to the Child Nutrition fund must be made from the general fund.	Patrick M. Faour, Interim Superintendent	August 31, 2025
2024-007	Lack of Semi-Annual Certifications for Special Education Personnel (Controls over Compliance - Special Education Cluster)	The district has implemented new procedures for fiscal year 2025 to ensure that semi-annual certifications are prepared, signed, and retained for all employees working solely on federal programs, including the Special Education Cluster (IDEA). A tracking system has been established, and staff training has been completed to reinforce documentation requirements. The district will continue to monitor compliance to ensure procedures are consistently applied.	Patrick M. Faour, Interim Superintendent	April 30, 2025