FALLS CITY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

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FALLS CITY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

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CERTIFICATE OF BOARD

Falls City Independent School District	Karnes	128-904
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and ___approved - ___disapproved for the year ended August 31, 2023, at a meeting of the board of school trustees of such school district on the _____ day of ______________________, 2023.

_________________________________ _________________________________

Signature of Board Secretary Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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Cameron L. Gulley
CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 163
Eastland, Texas 76448
(325)669-9795
cgulley@txol.net

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Falls City Independent School District
P.O. Box 399
Falls City, Texas 78113

Report on the Audit of the Financial Statements

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

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

Basis for Opinions
I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Change in Accounting Principle
As described in Note I.E.3. to the financial statements, the District adopted new accounting pronouncement, GASB Statement No.96, *Subscription-Based Information Technology Arrangements* during the year. My opinion is not modified with respect to this matter.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedure to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining statements and the required TEA schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 13, 2023, on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cameron L. Gulley
Certified Public Accountant
Eastland, Texas

December 13, 2023

Falls City Independent School District
P. O. Box 399 • Falls City, Texas 78113 • Ph 830-254-3551 • Fax 830-254-3354

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Falls City Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August, 31, 2023. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

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

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

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 5. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into one activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's one type of fund - governmental - uses the following accounting approach:

> Governmental funds - All of the District's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position on pages 16 and 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Total net position of the District's governmental activities increased from $24,128,208 to $27,102,453. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from $6,163,131 to $5,732,721. Current and other assets increased by $302 thousand due to increases in cash. Capital assets decreased by $757 thousand due to depreciation expense in excess of asset additions. Long-term liabilities decreased by $3.8 million due to the bond principal retirements of $3.6 million and changes in net pension (NPL) and other post-employment benefit (OPEB) liabilities. Other liabilities increased by $450 thousand due to state aid wealth recapture liabilities. Deferred resource outflows related to NPL and OPEB liabilities increased by $37 thousand and deferred resource inflows related to NPL and OPEB liabilities decreased by $88 thousand.

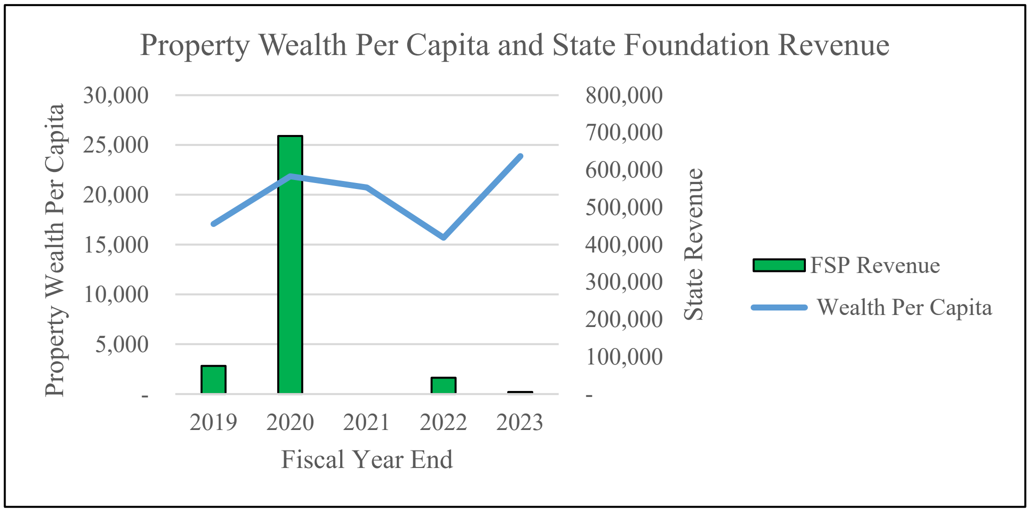
Total revenues increased by $4.2 million for the year. Property taxes increased $3.8 million due to property valuation increase of 48%. State aid-formula grants decreased $51 thousand for the year. Other revenues increased by $335 thousand due to investment income. Operating grants and contributions decreased by $82 thousand due to food service grant revenues related to the U.S. Department of Agriculture. Charges for services increased by $149 thousand due to local food sales.

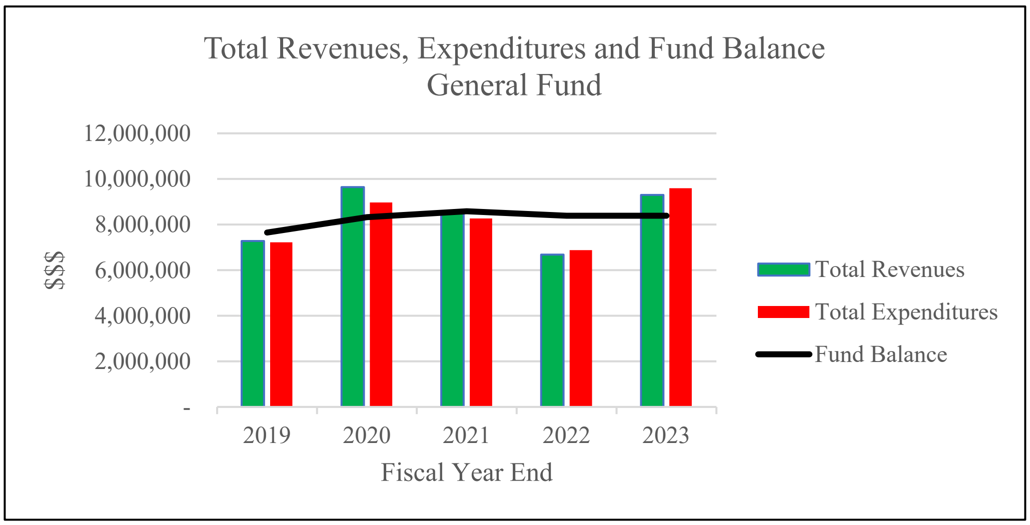
Total expenses increased by $2.6 million for the year. The most significant functional category change from last year was in contracted instructional services between schools for wealth recapture which increased by $1.8 million. Most other functional categories changed due to payroll costs. Additionally, facilities maintenance and operations increased due to contracted services for maintenance. Extracurricular activities and general administration also increased due to contracted services.

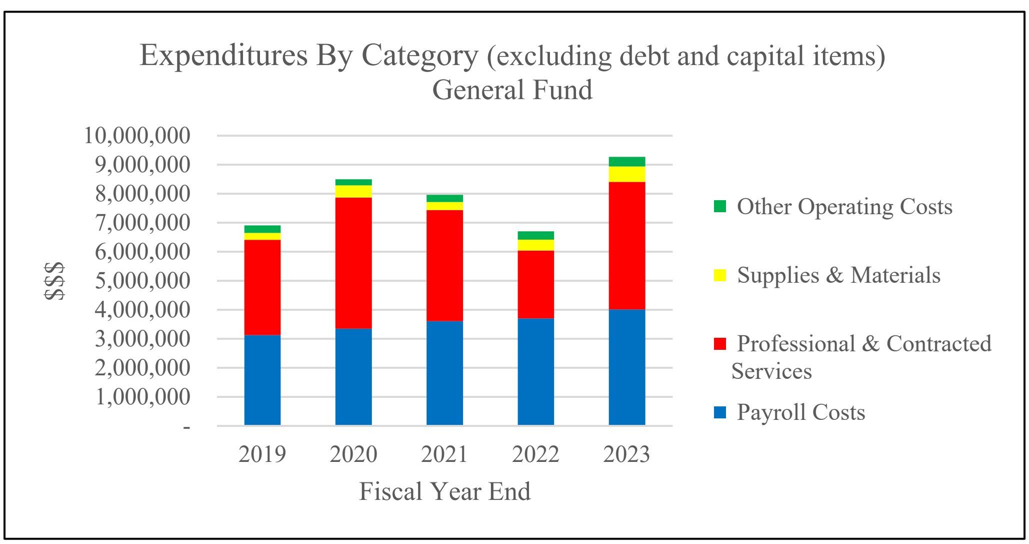
Table I Net Position			
	Governmental Activities 2023	Governmental Activities 2022	Variance Increase/ (Decrease)
Current and other assets	$ 10,632,480	$ 10,330,319	$ 302,161
Capital assets	38,673,351	39,429,857	(756,506)
Deferred resource outflows for TRS	2,198,056	2,161,139	36,917
Total assets and deferred resource outflows	51,503,887	51,921,315	(417,428)
Long-term liabilities	21,687,478	25,440,838	(3,753,360)
Other liabilities	750,540	300,800	449,740
Deferred resource inflows for TRS	1,963,416	2,051,469	(88,053)
Total liabilities and deferred resource inflows	24,401,434	27,793,107	(3,391,673)
Net position:			
Net investment in capital assets	19,609,856	16,375,189	3,234,667
Restricted for debt service and federal programs	1,759,876	1,589,888	169,988
Unrestricted	5,732,721	6,163,131	(430,410)
Total net position	$ 27,102,453	$ 24,128,208	$ 2,974,245

Table II Changes in Net Position			
	Governmental Activities 2023	Governmental Activities 2022	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	$ 340,759	$ 191,821	$ 148,938
Operating grants and contributions	744,217	825,874	(81,657)
General Revenues:			
Property taxes	13,031,962	9,224,688	3,807,274
State aid - formula grants	208,354	259,734	(51,380)
Other	177,459	(157,438)	334,897
Total Revenues	14,502,751	10,344,679	4,158,072
Expenses:			
Instruction, curriculum and media services	3,849,725	3,367,411	(482,314)
Instructional and school leadership	345,975	356,119	10,144
Student support services	407,277	368,498	(38,779)
Child nutrition	508,062	454,662	(53,400)
Extracurricular activities	470,625	355,280	(115,345)
General administration	491,111	415,154	(75,957)
Plant maintenance, security & data processing	1,254,555	1,182,387	(72,168)
Debt service	704,881	768,583	63,702
Contracted instructional services between schools	3,270,507	1,467,660	(1,802,847)
Payments related to shared service arrangements	85,694	74,660	(11,034)
Payments to juvenile justice alternative ed. prg.	10,712	0	(10,712)
Other intergovernmental charges	129,382	104,256	(25,126)
Total Expenses	11,528,506	8,914,670	(2,613,836)
Increase (Decrease) in Net Position	2,974,245	1,430,009	1,544,236
Net Position - beginning of year	24,128,208	22,698,199	1,430,009
Net Position - end of year	$ 27,102,453	$ 24,128,208	$ 2,974,245

The following charts depict trend information for the past five years.







THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of $9,813,979, a decrease of $114,008 in the District's Governmental Funds from last year's fund balance of $9,927,987. The primary reasons for the net decrease are similar to the narrative related to the tables above. The major exceptions are depreciation expense which is not charged to the governmental funds and the net effect relative to GASB 68 and 75 whose impacts are only at the government-wide level financial statements. The specific variances in the changes in fund balance versus the change in net position are detailed out on Exhibit C-4 on the accompanying general purpose financial statements.

The Board of Trustees revised the District's budget several times during the year. Major budget amendments were as follows: new bus and bus repairs in student (pupil) transportation; band uniforms, athletic trainer and student travel in extracurricular activities; and additional wealth recapture costs in contracted instructional services between schools.

The District's General Fund balance of $8,088,430 reported on pages 14 and 40 differs from the General Fund's budgetary fund balance of $7,764,399 reported in the budgetary comparison schedule on page 40 primarily due to overall expenditures being less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the District had $46,156,310 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Following were asset additions for the year.

Asset additions:	
20224 IC 77-passenger bus	$ 128,080
Security improvements	198,132
Total asset additions	$ 326,212

Debt

The District had three long-term debt instruments outstanding at year-end in the form of bonds payable totaling $17,235,000. The District retired $3,630,000 in outstanding bonds during year. Following is a summary of outstanding debt balances:

	2023	2022
Unlimited tax bonds, series 2014	$ 13,170,000	$ 14,625,000
Unlimited tax bonds, series 2015	1,185,000	1,265,000
Refunding bonds, series 2016	2,880,000	4,975,000
Total	$ 17,235,000	$ 20,865,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District should continue to maintain its financial health. A budget adopted for 2023-24 reflected tax rates at $0.6792 for maintenance and operations and $0.50 for debt service. General fund revenues were budgeted at approximately $9.2 million and expenditures at approximately $10.0 million for a $789 thousand deficit. Therefore, the District expects that its general fund balance will be approximately $7.3 million at August 31, 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Falls City Independent School District, P.O. Box 399, Falls City, Texas 78113.

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BASIC FINANCIAL STATEMENTS

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FALLS CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 2,118,453
1120	Current Investments	8,334,008
1220	Property Taxes - Delinquent	209,753
1230	Allowance for Uncollectible Taxes	(110,642)
1240	Due from Other Governments	79,174
1290	Other Receivables, Net	1,734
	Capital Assets:	
1510	Land	1,708,961
1520	Buildings, Net	36,066,311
1530	Furniture and Equipment, Net	349,488
1590	Infrastructure, Net	349,223
1910	Long Term Investments	199,368
1000	Total Assets	49,305,831
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	236,614
1705	Deferred Outflow Related to TRS Pension	823,410
1706	Deferred Outflow Related to TRS OPEB	1,138,032
1700	Total Deferred Outflows of Resources	2,198,056
	LIABILITIES	
2110	Accounts Payable	67,510
2140	Interest Payable	31,150
2150	Payroll Deductions and Withholdings	2,000
2160	Accrued Wages Payable	289,179
2180	Due to Other Governments	352,742
2200	Accrued Expenses	7,959
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	1,610,000
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	17,459,591
2540	Net Pension Liability (District's Share)	1,524,383
2545	Net OPEB Liability (District's Share)	1,093,504
2000	Total Liabilities	22,438,018
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS Pension	197,956
2606	Deferred Inflow Related to TRS OPEB	1,765,460
2600	Total Deferred Inflows of Resources	1,963,416
	NET POSITION	
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	19,609,856
	Restricted:	
3820	Restricted for Federal and State Programs	1,737
3850	Restricted for Debt Service	1,758,139
3900	Unrestricted	5,732,721
3000	Total Net Position	$ 27,102,453

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

EXHIBIT B-1

FALLS CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
				Operating	Primary Gov.
		Expenses	Charges for Services	Grants and Contributions	Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 3,774,162	$ 39,925	$ 559,900	$ (3,174,337)
12	Instructional Resources and Media Services	50,807	-	877	(49,930)
13	Curriculum and Instructional Staff Development	24,756	-	23,985	(771)
21	Instructional Leadership	3,952	-	-	(3,952)
23	School Leadership	342,023	-	3,305	(338,718)
31	Guidance, Counseling, and Evaluation Services	86,001	-	865	(85,136)
33	Health Services	70,056	-	553	(69,503)
34	Student (Pupil) Transportation	251,220	-	662	(250,558)
35	Food Services	508,062	261,618	135,818	(110,626)
36	Extracurricular Activities	470,625	36,310	1,133	(433,182)
41	General Administration	491,111	-	2,096	(489,015)
51	Facilities Maintenance and Operations	1,011,122	2,906	12,145	(996,071)
52	Security and Monitoring Services	84,388	-	-	(84,388)
53	Data Processing Services	159,045	-	2,878	(156,167)
72	Debt Service - Interest on Long-Term Debt	696,291	-	-	(696,291)
73	Debt Service - Bond Issuance Cost and Fees	8,590	-	-	(8,590)
91	Contracted Instructional Services Between Schools	3,270,507	-	-	(3,270,507)
93	Payments Related to Shared Services Arrangements	85,694	-	-	(85,694)
95	Payments to Juvenile Justice Alternative Ed. Prg.	10,712	-	-	(10,712)
99	Other Intergovernmental Charges	129,382	-	-	(129,382)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 11,528,506	$ 340,759	$ 744,217	(10,443,530)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	8,259,212
DT	Property Taxes, Levied for Debt Service	4,772,750
SF	State Aid - Formula Grants	208,354
IE	Investment Earnings	123,980
MI	Miscellaneous Local and Intermediate Revenue	53,479
TR	Total General Revenues	13,417,775
CN	Change in Net Position	2,974,245
NB	Net Position - Beginning	24,128,208
NE	Net Position - Ending	$ 27,102,453

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

EXHIBIT C-1

FALLS CITY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 372,528	$ 1,737,696	$ 8,229	$ 2,118,453
1120	Investments - Current	8,334,008	-	-	8,334,008
1220	Property Taxes - Delinquent	146,318	63,435	-	209,753
1230	Allowance for Uncollectible Taxes	(81,534)	(29,108)	-	(110,642)
1240	Due from Other Governments	1,376	-	77,798	79,174
1260	Due from Other Funds	62,947	-	-	62,947
1290	Other Receivables	-	-	1,734	1,734
1000	Total Assets	$ 8,835,643	$ 1,772,023	$ 87,761	$ 10,695,427
	LIABILITIES				
2110	Accounts Payable	$ 66,872	$ -	$ 638	$ 67,510
2150	Payroll Deductions and Withholdings Payable	2,000	-	-	2,000
2160	Accrued Wages Payable	267,888	-	21,291	289,179
2170	Due to Other Funds	-	-	62,947	62,947
2180	Due to Other Governments	338,858	13,884	-	352,742
2200	Accrued Expenditures	6,811	-	1,148	7,959
2000	Total Liabilities	682,429	13,884	86,024	782,337
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	64,784	34,327	-	99,111
2600	Total Deferred Inflows of Resources	64,784	34,327	-	99,111
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	1,737	1,737
3480	Retirement of Long-Term Debt	-	1,723,812	-	1,723,812
	Committed Fund Balance:				
3510	Construction	6,000,000	-	-	6,000,000
3600	Unassigned Fund Balance	2,088,430	-	-	2,088,430
3000	Total Fund Balances	8,088,430	1,723,812	1,737	9,813,979
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 8,835,643	$ 1,772,023	$ 87,761	$ 10,695,427

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

FALLS CITY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2023

	Total Fund Balances - Governmental Funds	$	9,813,979
1	Capital assets and right-to-use leased assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $45,830,098 and the accumulated depreciation was ($6,696,803). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		18,268,295
2	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position. Similarly, the principal payments on right-to-use leased assets and subscription-based information technology arrangement assets (SBITA) are not expenses, rather they are decreases in the right-to-use lease liabilities and the SBITA liabilities. These payments must be reclassified and shown as reductions to these liabilities increasing net position.		3,956,212
3	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $823,410, a deferred resource inflow in the amount of $197,956, and a net pension liability in the amount of $1,524,383. This resulted in a decrease in net position.		(898,929)
4	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $1,138,032, a deferred resource inflow in the amount of $1,765,460, and a net OPEB liability in the amount of $1,093,504. This resulted in a decrease in net position.		(1,720,932)
5	The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(985,524)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(1,330,648)
19	**Net Position of Governmental Activities**	$	27,102,453

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

FALLS CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31,2023

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 8,819,673	$ 4,794,271	$ 261,668	$ 13,875,612
5800	State Program Revenues	435,675	28,858	79,964	544,497
5900	Federal Program Revenues	43,590	-	381,900	425,490
5020	Total Revenues	9,298,938	4,823,129	723,532	14,845,599
	EXPENDITURES:				
	Current:				
0011	Instruction	3,117,475	-	284,016	3,401,491
0012	Instructional Resources and Media Services	45,947	-	-	45,947
0013	Curriculum and Instructional Staff Development	619	-	23,985	24,604
0021	Instructional Leadership	3,952	-	-	3,952
0023	School Leadership	312,478	-	-	312,478
0031	Guidance, Counseling, and Evaluation Services	78,772	-	-	78,772
0033	Health Services	63,459	-	-	63,459
0034	Student (Pupil) Transportation	330,231	-	-	330,231
0035	Food Services	-	-	447,398	447,398
0036	Extracurricular Activities	414,476	-	-	414,476
0041	General Administration	436,924	-	-	436,924
0051	Facilities Maintenance and Operations	953,582	-	10,000	963,582
0052	Security and Monitoring Services	198,212	-	-	198,212
0053	Data Processing Services	141,044	-	1,882	142,926
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	1,565,000	-	1,565,000
0072	Interest on Long-Term Liabilities	-	876,190	-	876,190
0073	Bond Issuance Cost and Fees	-	8,590	-	8,590
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	3,270,507	-	-	3,270,507
0093	Payments to Fiscal Agent/Member Districts of SSA	85,694	-	-	85,694
0095	Payments to Juvenile Justice Alternative Ed. Prg.	10,712	-	-	10,712
0099	Other Intergovernmental Charges	129,382	-	-	129,382
6030	Total Expenditures	9,593,466	2,449,780	767,281	12,810,527
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(294,528)	2,373,349	(43,749)	2,035,072
	OTHER FINANCING SOURCES (USES):				
8949	Other (Uses)	-	(2,149,080)	-	(2,149,080)
1200	Net Change in Fund Balances	(294,528)	224,269	(43,749)	(114,008)
0100	Fund Balance - September 1 (Beginning)	8,382,958	1,499,543	45,486	9,927,987
3000	Fund Balance - August 31 (Ending)	$ 8,088,430	$ 1,723,812	$ 1,737	$ 9,813,979

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

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

Total Net Change in Fund Balances - Governmental Funds	$	(114,008)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase the change net position. Similarly, current year principal payments on right-to-use leased assets and subscription-based information technology arrangements (SIBTA) are also reclassified as reductions to the right-to-use lease liability and the SBITA liability which will result in an increase in the change in net position.		3,956,212
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(985,524)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.		127,856
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $134,651. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling $119,817. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $87,955. The net result was a decrease in the change in net position.		(73,121)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $39,141. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling $37,510. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $61,199. The net result was an increase in the change in net position.		62,830
Change in Net Position of Governmental Activities	$	2,974,245

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

FALLS CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	$ 98,459
Total Assets	98,459
NET POSITION	
Restricted for Other Purposes	98,459
Total Net Position	$ 98,459

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

FALLS CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Custodial Fund
ADDITIONS:	
Miscellaneous Revenue - Student	$ 187,431
Total Additions	187,431
DEDUCTIONS:	
Supplies and Materials	212,518
Total Deductions	212,518
Change in Fiduciary Net Position	(25,087)
Total Net Position - September 1 (Beginning)	123,546
Total Net Position - August 31 (Ending)	$ 98,459

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Falls City Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's ***Financial Accountability System Resource Guide*** (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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.

*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.

The District applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types, Fiduciary Funds and Custodial Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund.** The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. **Debt Service Fund** - The debt service fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

Additionally, the District reports the following fund type(s):

Governmental Funds:

3. **Special Revenue Funds.** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

4. **Custodial Funds.** The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the "Falls City Student Activity Fund."

E. OTHER ACCOUNTING POLICIES

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

2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Right-to-use leases are reported in the government-wide statements with the lease liability calculated as the present value of reasonably certain expected future payments over the term of the lease. The District implemented GASB 96 for reporting subscription-based information technology arrangements (SBITAs) during this reporting period. A SBITA is defined as a contract that conveys control over another entity’s IT software as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a SBITA, it must meet the definition of a “long-term” SBITA provided in GASB 96. The right-to-use SBITA liability is reported in the government-wide statements. The SBITA liability is calculated as the present value of the reasonably certain expected payments made over the term of the contract and the interest included in the SBITA payments is recorded as an expense. There were no SBITAs material to the financial statements that were recorded during the year audited.

   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.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

   Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Asset:	Years
Buildings and Improvements	20-50
Vehicles	5-10
Equipment	5-10
Infrastructure	10-20

   Right-to-use leased assets and SBITA assets are depreciated/amortized using the straight line method over the term of the respective agreements.

6. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's board. Assignments of fund balance are amounts set aside by the District's superintendent or his designee with the intent they be used for specific purposes.

7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

8. In general governments are required to report investments at fair value. These methods are disclosed in section III.A. below.

9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are as follows:

Deferred charges for refunding	$ 236,614
Deferred charges related to TRS retirement	$ 823,410
Deferred charges related to TRS OPEB	$ 1,138,032

10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred charges related to TRS retirement	$ 197,956
Deferred charges related to TRS OPEB	$ 1,765,460

11. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other reports are in Exhibits J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. (However, none of these were significant.)

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

None.

C. DEFICIT FUND EQUITY

None.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by having no deposits denominated in a foreign currency. Therefore, the District was not exposed to foreign currency risk.

As of August 31, 2023, the following are the District's cash, cash equivalents and investments (including it's student activity fund) with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-10 Yrs	Maturity > 10 Yrs	Credit Rating
Money market and FDIC insured accounts	$ 2,216,912	21%	$ 2,216,912			N/A
Lone Star investment pool	6,878,138	65%	6,878,138			AAA
Municipal bonds	1,455,870	14%		1,455,870		AA
Total Cash and Investments	$ 10,550,920	100%	$ 9,095,050	$ 1,455,870		

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds or mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2023, all investments were rated AAA. Therefore, the District was not exposed to credit risk.

Custodial Credit Risk for Investments. To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent. The District was not exposed to custodial credit risk.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance.

The District was exposed to interest rate risk for its municipal bond investments. However, the District's intent is to hold the investment to maturity at which time the payout will be at par price regardless of interest rate market conditions. The District's belief that the current investment market conditions warrant a greater inherent risk to maintain the status quo by maintaining investments in shorter-termed maturity investment vehicles that offer little to no rate of return.

Foreign Currency Risk for Investments. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in any foreign currency. Therefore, the District was not exposed to foreign currency risk.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurement requires judgement and considers factors specific to each asset or liability.

		Fair Value Measurements Using		
Investments by Fair Value Level:	Balance at 08/31/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Public Funds Investment Pool:				
Lone Star investment pool	$ 6,878,138	$ 6,878,138		
Total Public Funds Investment Pool	6,878,138	6,878,138		
Debt Securities:				
Government bonds	1,455,870	1,455,870		
Total Debt Securities	1,455,870	1,455,870		
Intangible Investments:				
Mineral interests	199,368			199,368
Total Intangible Investments	199,368			199,368
Total Investments by Fair Value Level	$ 8,533,376	$ 8,334,008		$ 199,368

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General Fund is based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of August 31, 2023 is as follows:

Fund	Receivable	Payable	Purpose	Current?
General fund	$ 62,947		Temporary advances	Yes
Nonmajor governmental funds		62,947	Temporary advances	Yes
Total	$ 62,947	$ 62,947		

Interfund transfers for the year ended August 31, 2023 consisted of the following individual amounts:

None.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2023 were as follows:

	Property Taxes (net)	Other Government	Total Receivables
Governmental Activities:			
General fund	$ 64,784	$ 1,376	$ 66,160
Debt service fund	34,327		34,327
Nonmajor governmental funds		77,798	77,798
Total Governmental Activities	$ 99,111	$ 79,174	$ 178,285

Payables at August 31, 2023 were as follows:

	Accounts	Salaries and Benefits	Other Governments	Total
Governmental Activities:				
General fund	$ 66,872	$ 276,699	$ 338,858	$ 682,429
Debt service fund			13,884	13,884
Nonmajor governmental funds	638	22,439		23,077
Total Governmental Activities	$ 67,510	$ 299,138	$ 352,742	$ 719,390

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2023, was as follows:

	Balance 8/31/2022	Additions	Disposals	Balance 8/31/2023
Governmental activities:				
Land and improvements	$ 1,708,961			$ 1,708,961
Buildings and improvements	41,075,437	198,132		41,273,569
Furniture and equipment	2,541,100	128,080		2,669,180
Infrastructure	504,600			504,600
Totals	45,830,098	326,212		46,156,310
Less accumulated depreciation for:				
Buildings and improvements	4,376,960	830,298		5,207,258
Furniture and equipment	2,196,431	123,261		2,319,692
Infrastructure	123,412	31,965		155,377
Total accumulated depreciation	6,696,803	985,524		7,682,327
Governmental activities capital assets, net	$ 39,133,295	$ (659,312)		$ 38,473,983

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
11 - Instruction	$	503,183
12 - Instructional resources and media services		6,797
23 - School leadership		46,225
31 - Guidance, counseling and evaluation services		11,653
33 - Health services		9,388
34 - Student (pupil) transportation		52,449
35 - Food services		66,184
36 - Extracurricular activities		61,313
41 - General administration		64,634
51 - Facilities maintenance and operations		131,680
52 - Security and monitoring services		10,875
53 - Data processing services		21,143
Total depreciation expense - governmental activities	$	985,524

G. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/2022	Issued	Retired	Amounts Outstanding 8/31/2023
Bonds Payable:						
UL tax school bldg bonds, series 2014	2.0% - 5.0%	$34,010,000	$14,625,000		$ 1,455,000	$13,170,000
UL tax school bldg bonds, series 2015	2.0% - 5.0%	$ 2,950,000	1,265,000		80,000	1,185,000
UL tax refunding bonds, series 2016	2.0% - 4.0%	$ 6,675,000	4,975,000		2,095,000	2,880,000
Subtotal - Bonds Payable			20,865,000		3,630,000	17,235,000
Bond Premium:						
Premium, series 2014			1,380,622		138,640	1,241,982
Premium, series 2015			84,829		6,526	78,303
Premium, series 2016			561,061		46,755	514,306
Subtotal - Bond Premium			2,026,512		191,921	1,834,591
Total Long-Term Debt			$22,891,512		$ 3,821,921	$19,069,591

Falls City ISD Unlimited Tax School Building Bonds, Series 2014 -
The bonds were issued on August 28, 2014 for the purpose to acquire, construct and equip school buildings in the District, purchase the necessary sites thereof, and purchase new school buses. The bonds were issued in accordance with Texas law. The original issue was for $34,010,000, maturing in various amounts, with a stated interest rates ranging from 2.0% - 5.0%, and maturing on August 15, 2032. Bonds due on August 15, 2031 and August 15, 2032 are callable on August 15, 2019 or on any date thereafter; the bonds having stated maturities on August 15, 2029 and August 15, 2030 are callable on August 15, 2021 or any date thereafter; and the bonds having stated maturities from August 15, 2024 through and including August 15, 2028, are callable on August 15, 2023 or any date thereafter.

Falls City ISD Unlimited Tax School Building Bonds, Series 2015 -
The bonds were issued on October 6, 2015 for the purpose to acquire, construct and equip school buildings in the District. The bonds were issued in accordance with Texas law. The original issue was for $2,950,000, maturing in various amounts, with a stated interest rates ranging from 2.0% - 4.0%, and maturing on August 15, 2035. Bonds due on or after August 15, 2026 are callable at par on August 15, 2014 or any date thereafter; the bonds having stated maturities on August 15, 2026, 2029, 2032 and 2035.

Falls City ISD Unlimited Tax Refunding Bonds, Series 2016 -
On October 25, 2016, the District issued $6,675,000 in unlimited tax refunding bonds to provide the resources to place in an escrow account for the purpose of generating resources for future debt service payments of $7,110,000 of unlimited tax school building bonds originally issued in 2014. Interest rates on the debt range from 2.0% - 4.0% and mature on August 15, 2034. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by $264,247. This advance refunding was undertaken to reduce total debt service payments over the life of the new issue versus the refunded issue and resulted in a gross debt service savings of $1,103,885 and a net present value savings of $1,074,145. Bonds totaling $2,065,000 were defeased on August 11, 2023 for serial bonds due in 2033 and 2034. Payment of $2,149,080 was paid into escrow at the District's bond agent's bank with proceeds from the escrowed deposit to be used to service the bonds when callable in 2025. As such, the bonds are considered retired and have been removed from the liability of the District's financial statements.

H. DEBT SERVICE REQUIREMENTS - BONDS AND LONG-TERM DEBT

Future debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2024	$ 1,610,000	$ 747,600	$ 2,357,600
2025	1,685,000	669,300	2,354,300
2026	1,765,000	587,350	2,352,350
2027	1,855,000	501,100	2,356,100
2028	1,910,000	444,250	2,354,250
2029-33	6,825,000	1,106,900	7,931,900
2034-35	1,585,000	68,200	1,653,200
Totals	$ 17,235,000	$ 4,124,700	$ 21,359,700

I. DEFINED BENEFIT PENSION PLAN

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

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

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/acfr.pdf#ACFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Net Pension Liability	Total
Total Pension Liability	$ 243,553,045,455
Less: Plan Fiduciary Net Position	(184,185,617,196)
Net Pension Liability	$ 59,367,428,259
Net Position as a percentage of Total Pension Liability	75.62%

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 grand fathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 86th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2022 and 2023.

Contribution Rates		
	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%

Current fiscal year District contributions	$	134,651
Current fiscal year Member contributions	$	265,366
Measurement year NECE contributions	$	188,196

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

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

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

- All public schools, charter schools and regional education service centers must contribute 1.7% of the member’s salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025. The surcharge amount is 1.8% for fiscal year 2023
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 22, 2022 and located at https://www.trs.texas.gov.
The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal bond rate as of August 2021	3.91% - 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"
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

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 the 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 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

Asset Class[1]	Target Allocation[2] %	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18%	4.6%	1.12%
Non-U.S. Developed	13%	4.9%	0.90%
Emerging Markets	9%	5.4%	0.75%
Private Equity	14%	7.7%	1.55%
Stable Value			
Government Bonds	16%	1.0%	0.22%
Absolute Return (Including Credit Sensitive Investments)	0%	3.7%	0.00%
Stable Value Hedge Funds	5%	3.4%	0.18%
Real Return			
Real Estate	15%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6%	5.1%	0.37%
Commodities	0%	3.6%	0.00%
Risk Parity			
Risk Parity	8%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2%	3.0%	0.01%
Asset Allocation Leverage	-6%	3.6%	-0.05%
Inflation Expectation			2.70%
Volatility Drag[4]			-0.91%
Expected Return	100%		8.19%

[1] *Absolute Return includes Credit Sensitive Investments.*

[2] *Target allocations are based on the FY2022 policy model.*

[3] *Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).*

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2022 Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability	$ 2,371,362	$ 1,524,383	$ 837,867

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2023, the District reported a liability of $1,524,383 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	$ 1,524,383
State's proportionate share that is associated with the District	2,394,339
Total	$ 3,918,722

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

At August 31, 2022 the District's proportion of the collective net pension liability was 0.0025677094% which was a decrease of 0.0002543621% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation. Changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period are as follows:

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

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

For the year ended August 31, 2023, the District recognized pension expense $436,644 and revenue of $228,872 for support provided by the Sate in the Government-Wide Statement of Activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	$ 22,103	$ 33,234
Changes in actuarial assumptions	284,042	70,791
Differences between projected and actual investment earnings	150,604	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	232,010	93,931
Total as of August 31, 2022 measurement date	$ 688,759	$ 197,956
Contributions paid to TRS subsequent to the measurement date	134,651	
Total as of August 31, 2023 fiscal year end	$ 823,410	$ 197,956

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

Fiscal year ended August 31,	Amount
2024	$ 136,338
2025	$ 93,182
2026	$ 46,283
2027	$ 193,961
2028	$ 21,039
Thereafter	$ 0

J. 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 Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/acfr.pdf#ACFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2022 are as follows:

Net OPEB Liability:	Total
Total OPEB liability	$ 27,061,942,520
Less: plan fiduciary net position	(3,117,937,218)
Net OPEB liability	$ 23,944,005,302
Net position as a percentage of total OPEB liability	11.52%

Benefits Provided. TRS-Care provides a basic health insurance coverage at no cost to all 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 pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The following premium rates for retirees with Medicare Part A and Part B are reflected in the following table.

TRS-Care Plan 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 plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for the plan is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2022	2023
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

Current fiscal year District contributions	$ 39,141
Current fiscal year member contributions	$ 21,561
Measurement year NECE contributions	$ 45,756

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of $535 per month when employee a retiree of the TRS.

TRS-Care received a supplemental appropriation from the State of Texas as the non-employer contributing entity in the amount of $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs.

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

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

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2022 TRS annual pension actuarial valuation:

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

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

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

Additional Actuarial Methods and Assumptions:

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

Discount Rate. A single discount rate of 3.91% was used to measure the total OPEB liability. There was a change of 1.96% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Net OPEB Liability:

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

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of net OPEB liability	$ 1,289,328	$ 1,093,504	$ 934,862

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 901,052	$ 1,093,504	$ 1,342,993

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2023, the District reported a liability of $1,093,504 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	$ 1,093,504
State's proportionate share that is associated with the District	1,333,903
Total	$ 2,427,407

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

At August 31, 2022 the District's proportion of the collective net OPEB liability was 0.0045669226% which was a decrease of 0.0001788164% from its proportion measured as of August 31, 2021.

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

1. The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the total OPEB liability (TOL).

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

For the year ended August 31, 2023, the District recognized OPEB expense of ($212,981) and revenue of ($189,292) for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual actuarial experience	$ 60,795	$ 910,987
Changes in actuarial assumptions	166,562	759,702
Differences between projected and actual investment earnings	3,257	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	868,277	94,771
Total as of August 31, 2022 measurement date	$ 1,098,891	$ 1,765,460
Contributions paid to TRS subsequent to the measurement date	39,141	
Total as of August 31, 2023 fiscal year end	$ 1,138,032	$ 1,765,460

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

Fiscal year ended August 31,	Amount
2024	$ (148,261)
2025	$ (148,250)
2026	$ (101,878)
2027	$ (39,098)
2028	$ (69,607)
Thereafter	$ (159,475)

K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health cae coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.25% for 2021 thru 2023. The contribution rate for the district was 0.75% for 2021 thru 2023. The contribution rate for active employees was 0.65% of the district payroll for 2021 thru 2023. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.25% for 2021 thru 2023.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf to the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2023, 2022 and 2021 are as follows:

Contribution Rates and Contribution Amounts									
	Member			State			School District		
Year	Rate	Amount		Rate	Amount		Rate	Amount	
2023	0.65%	$	21,561	1.25%	$	41,463	0.75%	$	24,851
2022	0.65%	$	20,293	1.25%	$	39,024	0.75%	$	23,415
2021	0.65%	$	20,116	1.25%	$	38,683	0.75%	$	23,210

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2023, 2022 and 2021 were $17,214, $12,604 and $12,851 respectively.

Active Employee Health Care Coverage

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

L. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2023, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	$ 20,865,000		$ 3,630,000	$ 17,235,000	$ 1,610,000
Bond premium	2,026,512		191,921	1,834,591	0
Net pension liability	718,682	925,518	119,817	1,524,383	0
Net OPEB liability	1,830,644		737,140	1,093,504	0
Total	$ 25,440,838	$ 925,518	$ 4,678,878	$ 21,687,478	$ 1,610,000

M. UNAVAILABLE/UNEARNED REVENUE

Unavailable and unearned revenue at year-end consisted of the following:

Fund	Unavailable Revenue (levied but uncollected property taxes)
General fund	$ 64,784
Debt service fund	34,327
Total	$ 99,111

N. DUE FROM STATE AND FEDERAL AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2023, are summarized below. They are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
Nonmajor governmental funds	$ 43,004	$ 34,794	$ 77,798

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Description	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	$ 8,195,483	$ 4,738,485		$ 12,933,968
Penalties, interest and other tax-related income	92,126	44,796		136,922
Food sales	0		261,618	261,618
Investment income	210,133	10,990	50	221,173
Extracurricular student activities	36,310			36,310
Donations and local contributions	189,309			189,309
Oil & gas royalties	50,117			50,117
Other miscellaneous revenue	46,195			46,195
Total	$ 8,819,673	$ 4,794,271	$ 261,668	$ 13,875,612

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

Q. JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education services with the Goliad Special Education Co-op. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Goliad ISD, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

The District also participates in various shared service arrangements with the Education Service Center Region 20. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Education Service Center Region 20 is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement.

R. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2023, the District purchased commercial insurance to cover general liabilities. Additional insurance information by coverage type follows.

Property Casualty Program
The District participated in the Texas Association of School Boards Risk Management Fund (the “Fund”) with coverage in auto liability, auto physical damage, general liability, property and legal liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three years.

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 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, 2023, the Fund anticipates the District has not additional liability beyond the contractual obligations for payment of contributions.

Workers’ Compensation
During the year, the District met its statutory workers’ compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund’s Workers’ Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers’ compensation benefits to its members’ injured employees.

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

Unemployment Compensation

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 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.

S. GENERAL FUND FEDERAL SOURCE REVENUES

Revenues from federal sources, which are reported in the General Fund, consist of:

Program or Service	Federal Assistance Listing #	Amount
School health and related services	N/A	$ 43,590

T. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2023; the date which the financial statements were available for distribution. There were none noted.

U. OTHER (USES)

On August 11, 2023 the District entered into a defeasance agreement for their Unlimited Tax Refunding Bonds, Series 2016 whereby they deposited into escrow with their bond agent cash totaling $2,149,080 (along with $41,300 interest due on August 15, 2023) to be used to service debts due in 2033 and 2034 which will be callable on August 15, 2025. Principal amount defeased totaled $2,065,000 and has been considered retired and removed as a liability on the District's financial statements. The total cash defeasance cost of $2,149,080 has been reflected as an other use on the District's financial statement Exhibits C-3 and G-1.

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REQUIRED SUPPLEMENTARY INFORMATION

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FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 8,452,649	$ 8,862,649	$ 8,819,673	$ (42,976)
5800	State Program Revenues	420,438	464,438	435,675	(28,763)
5900	Federal Program Revenues	10,000	40,000	43,590	3,590
5020	Total Revenues	8,883,087	9,367,087	9,298,938	(68,149)
	EXPENDITURES:				
	Current:				
0011	Instruction	3,120,171	3,150,171	3,117,475	32,696
0012	Instructional Resources and Media Services	49,698	49,698	45,947	3,751
0013	Curriculum and Instructional Staff Development	6,360	6,360	619	5,741
0021	Instructional Leadership	7,667	7,667	3,952	3,715
0023	School Leadership	324,269	324,269	312,478	11,791
0031	Guidance, Counseling, and Evaluation Services	87,592	87,592	78,772	8,820
0033	Health Services	59,042	67,042	63,459	3,583
0034	Student (Pupil) Transportation	235,874	340,874	330,231	10,643
0036	Extracurricular Activities	347,436	437,436	414,476	22,960
0041	General Administration	401,224	451,224	436,924	14,300
0051	Facilities Maintenance and Operations	1,209,809	1,019,809	953,582	66,227
0052	Security and Monitoring Services	167,890	217,890	198,212	19,678
0053	Data Processing Services	173,385	158,385	141,044	17,341
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	3,108,635	3,408,635	3,270,507	138,128
0093	Payments to Fiscal Agent/Member Districts of SSA	89,594	89,594	85,694	3,900
0095	Payments to Juvenile Justice Alternative Ed. Prg.	3,000	13,000	10,712	2,288
0099	Other Intergovernmental Charges	100,000	131,000	129,382	1,618
6030	Total Expenditures	9,491,646	9,960,646	9,593,466	367,180
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(608,559)	(593,559)	(294,528)	299,031
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	(10,000)	(25,000)	-	25,000
1200	Net Change in Fund Balances	(618,559)	(618,559)	(294,528)	324,031
0100	Fund Balance - September 1 (Beginning)	8,382,958	8,382,958	8,382,958	-
3000	Fund Balance - August 31 (Ending)	$ 7,764,399	$ 7,764,399	$ 8,088,430	$ 324,031

EXHIBIT G-2

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	Measurement Year Ended August 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0025677094%	0.0028220715%	0.0023175077%	0.0021906103%	0.0018933746%	0.0018905440%	0.0019636773%	0.0022905000%	0.0012876000%
District's Proportionate Share of Net Pension Liability (Asset)	$ 1,524,383	$ 718,682	$ 1,241,210	$ 1,138,748	$ 1,042,159	$ 604,494	$ 742,044	$ 809,661	$ 343,936
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,394,339	1,048,080	2,142,211	2,118,045	2,347,807	1,382,692	1,675,793	1,660,016	1,411,760
Total	$ 3,918,722	$ 1,766,762	$ 3,383,421	$ 3,256,793	$ 3,389,966	$ 1,987,186	$ 2,417,837	$ 2,469,677	$ 1,755,696
District's Covered Payroll	$ 3,121,932	$ 3,094,677	$ 2,974,666	$ 2,786,348	$ 2,605,991	$ 2,514,621	$ 2,495,346	$ 2,560,402	$ 2,427,119
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	48.83%	23.22%	41.73%	40.87%	39.99%	24.04%	29.74%	31.62%	14.17%
Plan Fiduciary Net Position as a % of Total Pension Liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only nine years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	Fiscal Year Ended August 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 134,651	$ 119,817	$ 120,431	$ 94,742	$ 76,592	$ 69,535	$ 62,131	$ 64,077	$ 68,009
Contribution in Relation to Contractually Required Contribution	(134,651)	(119,817)	(120,431)	(94,742)	(76,592)	(69,535)	(62,131)	(64,077)	(68,009)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 3,317,068	$ 3,121,932	$ 3,094,677	$ 2,974,666	$ 2,786,348	$ 2,605,991	$ 2,514,621	$ 2,495,346	$ 2,560,402
Contributions as a % of Covered Payroll	4.06%	3.84%	3.89%	3.18%	2.75%	2.67%	2.47%	2.57%	2.66%

Note: Only nine years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	Measurement Year Ended August 31,					
	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0045669226%	0.0047457390%	0.0032587794%	0.0031468607%	0.0029740943%	0.0028061105%
District's Proportionate Share of the Net OPEB Liability (Asset)	$ 1,093,504	$ 1,830,644	$ 1,238,809	$ 1,488,191	$ 1,484,993	$ 1,220,272
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	1,333,903	2,452,654	1,664,663	1,977,470	2,276,430	2,028,810
Total	$ 2,427,407	$ 4,283,298	$ 2,903,472	$ 3,465,661	$ 3,761,423	$ 3,249,082
District's Covered Payroll	$ 3,121,932	$ 3,094,677	$ 2,974,666	$ 2,786,348	$ 2,605,991	$ 2,514,621
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	35.03%	59.15%	41.65%	53.41%	56.98%	48.53%
Plan Fiduciary Net Position as a % of Total OPEB Liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only six years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	Fiscal Year Ended August 31,					
	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 39,141	$ 37,510	$ 36,005	$ 24,262	$ 24,366	$ 20,597
Contribution in Relation to Contractually Required Contribution	(39,141)	(37,510)	(36,005)	(24,262)	(24,366)	(20,597)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 3,317,068	$ 3,121,932	$ 3,094,677	$ 2,974,666	$ 2,786,348	$ 2,605,991
Contributions as a % of Covered Payroll	1.18%	1.20%	1.16%	0.82%	0.87%	0.79%

Note: Only six years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level.

Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms.

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

Changes of assumptions.

There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions.

See Footnote J page 34 for changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

COMBINING SCHEDULES

FALLS CITY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ 8,229	$ -	$ -
1240	Due from Other Governments	7,058	8,028	3,750	1,931
1290	Other Receivables	-	1,734	-	-
1000	Total Assets	$ 7,058	$ 17,991	$ 3,750	$ 1,931
	LIABILITIES				
2110	Accounts Payable	$ -	$ 638	$ -	$ -
2160	Accrued Wages Payable	5,441	9,536	1,800	453
2170	Due to Other Funds	985	5,885	1,740	1,426
2200	Accrued Expenditures	632	195	210	52
2000	Total Liabilities	7,058	16,254	3,750	1,931
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	1,737	-	-
3000	Total Fund Balances	-	1,737	-	-
4000	Total Liabilities and Fund Balances	$ 7,058	$ 17,991	$ 3,750	$ 1,931

281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 8,229
4,803	9,224	-	-	30,400	12,604	77,798
-	-	-	-	-	-	1,734
$ 4,803	$ 9,224	$ -	$ -	$ 30,400	$ 12,604	$ 87,761
$ -	$ -	$ -	$ -	$ -	$ -	$ 638
-	4,061	-	-	-	-	21,291
4,803	5,104	-	-	30,400	12,604	62,947
-	59	-	-	-	-	1,148
4,803	9,224	-	-	30,400	12,604	86,024
-	-	-	-	-	-	1,737
-	-	-	-	-	-	1,737
$ 4,803	$ 9,224	$ -	$ -	$ 30,400	$ 12,604	$ 87,761

FALLS CITY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 261,668	$ -	$ -
5800	State Program Revenues	-	8,601	-	-
5900	Federal Program Revenues	81,205	133,380	12,829	39,253
5020	Total Revenues	81,205	403,649	12,829	39,253
	EXPENDITURES:				
	Current:				
0011	Instruction	81,205	-	12,829	15,268
0013	Curriculum and Instructional Staff Development	-	-	-	23,985
0035	Food Services	-	447,398	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	81,205	447,398	12,829	39,253
1200	Net Change in Fund Balance	-	(43,749)	-	-
0100	Fund Balance - September 1 (Beginning)	-	45,486	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ 1,737	$ -	$ -

281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 261,668
-	-	-	1,080	27,104	43,179	79,964
33,585	71,648	10,000	-	-	-	381,900
33,585	71,648	10,000	1,080	27,104	43,179	723,532
31,703	71,648	-	1,080	27,104	43,179	284,016
-	-	-	-	-	-	23,985
-	-	-	-	-	-	447,398
-	-	10,000	-	-	-	10,000
1,882	-	-	-	-	-	1,882
33,585	71,648	10,000	1,080	27,104	43,179	767,281
-	-	-	-	-	-	(43,749)
-	-	-	-	-	-	45,486
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,737

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REQUIRED TEA SCHEDULES

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2014	and prior years	Various	Various	$ Various
2015		1.040000	0.395600	1,048,642,765
2016		1.040000	0.499800	817,501,467
2017		1.040000	0.531000	415,064,258
2018		1.060000	0.480000	545,806,240
2019		1.060000	0.480000	598,836,951
2020		0.990000	0.480000	812,690,157
2021		0.976400	0.480000	772,377,745
2022		0.973400	0.470000	638,525,616
2023	(School year under audit)	0.864600	0.500000	945,431,564
1000	TOTALS			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
$ 31,610	$ -	$ 4,485	$ 308	$ (20)	$ 26,797
13,766	-	5,706	2,170	-	5,890
38,106	-	6,076	2,920	-	29,110
64,690	-	4,911	2,507	(51,923)	5,349
22,724	-	11,118	5,034	-	6,572
19,699	-	9,840	4,456	-	5,403
32,856	-	12,003	5,820	1,929	16,962
35,524	-	10,697	5,259	1,755	21,323
80,140	-	31,305	14,646	(1,120)	33,069
-	12,912,859	8,099,342	4,695,365	(58,874)	59,278
$ 339,115	$ 12,912,859	$ 8,195,483	$ 4,738,485	$ (108,253)	$ 209,753

EXHIBIT J-2

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 170,015	$ 235,015	$ 261,668	$ 26,653
5800	State Program Revenues	8,434	8,434	8,601	167
5900	Federal Program Revenues	91,000	116,000	133,380	17,380
5020	Total Revenues	269,449	359,449	403,649	44,200
	EXPENDITURES:				
	Current:				
0035	Food Services	381,558	456,558	447,398	9,160
6030	Total Expenditures	381,558	456,558	447,398	9,160
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,109)	(97,109)	(43,749)	53,360
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	10,000	(5,000)	-	5,000
1200	Net Change in Fund Balances	(102,109)	(102,109)	(43,749)	58,360
0100	Fund Balance - September 1 (Beginning)	45,486	45,486	45,486	-
3000	Fund Balance - August 31 (Ending)	$ (56,623)	$ (56,623)	$ 1,737	$ 58,360

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 4,668,608	$ 4,668,608	$ 4,794,271	$ 125,663
5800	State Program Revenues	-	-	28,858	28,858
5020	Total Revenues	4,668,608	4,668,608	4,823,129	154,521
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	2,565,000	1,565,000	1,565,000	-
0072	Interest on Long-Term Liabilities	876,190	876,190	876,190	-
0073	Bond Issuance Cost and Fees	3,000	3,000	8,590	(5,590)
6030	Total Expenditures	3,444,190	2,444,190	2,449,780	(5,590)
1100	Excess of Revenues Over Expenditures	1,224,418	2,224,418	2,373,349	148,931
	OTHER FINANCING SOURCES (USES):				
8949	Other (Uses)	-	(2,200,000)	(2,149,080)	50,920
1200	Net Change in Fund Balances	1,224,418	24,418	224,269	199,851
0100	Fund Balance - September 1 (Beginning)	1,499,543	1,499,543	1,499,543	-
3000	Fund Balance - August 31 (Ending)	$ 2,723,961	$ 1,523,961	$ 1,723,812	$ 199,851

FALLS CITY INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	117733
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	129247

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.	4837
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	4567

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Cameron L. Gulley
CERTIFIED PUBLIC ACCOUNTANT

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(325)669-9795
cgulley@txol.net

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

Board of Trustees
Falls City Independent School District
P.O. Box 399
Falls City, Texas 78113

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Falls City Independent School District (the "District") as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 13, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of my 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.

Cameron L. Gulley
Certified Public Accountant
Eastland, Texas

December 13, 2023

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FALLS CITY INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2023

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None.		

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FALLS CITY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED AUGUST 31, 2023

I. Summary of Auditor's Results

A. Financial Statements

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

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

III. Findings and Questioned Costs for Federal Awards

N/A.

FALLS CITY INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2023

None required.