AGUA DULCE INDEPENDENT SCHOOL DISTRICT

Annual Financial Report

For the Year Ended August 31, 2023

GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

Introductory Section

Agua Dulce Independent School District
Annual Financial Report
For The Year Ended August 31, 2023

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Certificate of Board	1	
FINANCIAL SECTION		
Independent Auditor's Report	2	
Management's Discussion and Analysis (Required Supplementary Information)	5	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	13	A-1
Statement of Activities	14	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	15	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20	C-3
Statement of Net Position - Internal Service Fund	21	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Fund	22	D-2
Statement of Cash Flows - Proprietary Funds	23	D-3
Statement of Fiduciary Net Position - Fiduciary Funds	24	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	25	E-2
Notes to the Financial Statements	26	
Required Supplementary Information		
Budgetary Comparison Schedules:		
General Fund	47	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System Of Texas	48	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas	49	G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability - OPEB Plan	50	G-4
Schedule of District's Contributions - OPEB Plan	51	G-5
Notes to Required Supplementary Information	52	
Combining Statements as Supplementary Information:		
Combining Balance Sheet - All Nonmajor Governmental Funds	53	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds	54	H-2

Agua Dulce Independent School District
Annual Financial Report
For The Year Ended August 31, 2023

TABLE OF CONTENTS

	Page	Exhibit
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	55	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	56	H-4
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable	59	J-1
Use of Funds Report - Select State Allotment Program	61	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency		
National School Breakfast and Lunch Program	62	J-3
Debt Service Fund	63	J-4
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*	64	
Schedule of Findings and Questioned Costs	66	
Summary Schedule of Prior Audit Findings	67	
Corrective Action Plan	68	
Schedule of Required Responses to Selected School First Indicators	69	K-1

CERTIFICATE OF BOARD

Agua Dulce Independent School District	Nueces	178-901
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2023, at a meeting of the board of trustees of such school district on the 15th day of January, 2024.

Signature of Board Secretary

Signature of Board President

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

Financial Section

GOWLAND, MORALES & SMITH, PLLC
Certified Public Accountants

555 N. Carancahua, Suite 1040
Corpus Christi, TX 78401
Telephone: (361) 993-1000
Fax: (361) 991-2880

Independent Auditor's Report

To the Board of Trustees
Agua Dulce Independent School District
P.O. Box 250
Agua Dulce, Texas 78330-0250

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Agua Dulce 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 Agua Dulce Independent School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Agua Dulce Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were 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 our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information as identified in the table of contents comprises the information included in the annual report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2024 on our consideration of Agua Dulce Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Agua Dulce Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agua Dulce Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
January 5, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's total combined net position was $4,958,219 at August 31, 2023.
- During the year, the District's expenses were $137,845 less than the $6,897,381 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of $2,583,070 a decrease of 1,197,411 from 2022 ending fund balance.
- The decrease in fund balance is primarily due to the purchase of new buses, salary increases, various facility improvement projects, and new construction (athletic facility upgrades, elementary remodel, old gym remodel, and ag barn).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the District's Annual Financial Report

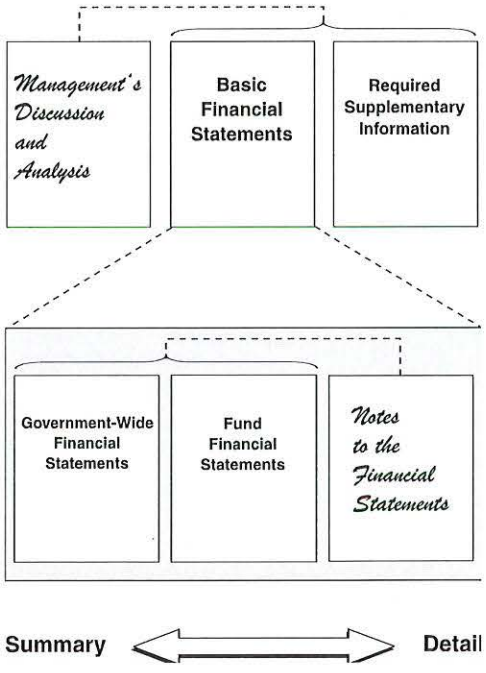


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has 2 kinds of funds:

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

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was $4,958,219 at August 31, 2023. (See Table A-1).

Table A-1
Agua Dulce Independent School District's Net Position
(actual dollars)

	Governmental Activities		
	2023	2022	Change
Current assets:			
Cash and cash equivalents	$ 3,220,408	$ 4,418,729	$ (1,198,321)
Property Taxes Receivable (Net)	122,754	85,656	37,098
Due from other governments	235,355	109,845	125,510
Due from Fiduciary	25,357	25,357	0
Other Receivables (Net)	9,313	9,313	0
Total current assets:	3,613,187	4,648,900	(1,035,713)
Noncurrent assets:			
Land	52,019	52,019	0
Construction in Progress	200,000		200,000
Buildings, Furniture & Equipment	8,471,270	7,712,877	758,393
Total noncurrent assets	8,723,289	7,764,896	958,393
Total Assets	12,336,476	12,413,796	(77,320)
Deferred Outflows	1,727,301	1,031,327	695,974
Current liabilities:			
Accounts payable and Accrued liabilities	232,695	196,201	36,494
Deferred revenue	97,850	2,029	95,821
Current portion of long-term debt	115,000	110,000	5,000
Total current liabilities	445,545	308,230	137,315
Long-term liabilities:			
Due in More Than One Year	4,272,749	4,615,879	(343,130)
Net Pension and OPEB Liaiblity	2,533,891	1,900,952	632,939
Total Liabilities	7,252,185	6,825,061	427,124
Deferred Inflows	1,853,373	1,799,690	53,683
Net Position:			
Invested in capital assets	4,905,307	3,631,898	1,273,409
Restricted	605,119	599,153	5,966
Unrestricted	(552,207)	589,321	(1,141,528)
Total Net Position	$ 4,958,219	$ 4,820,372	$ 137,847

Unrestricted net position reflects a negative balance of $(552,207) The deficit in Unrestricted Net Position is created by a prior period adjustment resulting from the implementation of GASB 75 for OPEB Liability. The District reports its proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient
fund balance to meet the District's ongoing obligations to students and creditors.

Changes in net position. The District's total revenues were $6,850,294. A significant portion, 37 percent, of the District's revenue comes from taxes. The remainder comes from state and federal programs, investment earnings, charges for services, and miscellaneous other services.

The total cost of all programs and services was $6,759,536 54% of these costs are for instructional and student services including food service.

Governmental Activities

THIS AREA LEFT BLANK

Table A-2
Changes in Agua Dulce Independent School District's Net Position
(in actual dollars)

	Governmental Activities		
	2023	2022	Change
Program Revenues:			
Charges for Services	$ 35,838	$ 31,698	$ 4,140
Operating Grants and Contributions	1,322,081	1,745,792	(423,711)
General Revenues			
Property Taxes	2,530,903	2,180,879	350,024
State Aid – Formula	2,920,117	3,080,500	(160,383)
Investment Earnings	63,635	13,305	50,330
Other	24,807	80,585	(55,778)
Total Revenues	6,897,381	7,132,759	(235,378)
Instruction	3,341,581	3,391,125	(49,544)
Instructional Resources and Media Services	48,436	60,916	(12,480)
Curriculum Dev. And Instructional Staff Dev.	28,471	34,100	(5,629)
School Leadership	312,761	207,954	104,807
Guidance, Counseling and Evaluation Services	134,764	126,700	8,064
Health Services	48,075	46,082	1,993
Student (Pupil) Transportation	227,615	232,934	(5,319)
Food Services	377,919	251,667	126,252
Curricular/Extracurricular Activities	488,429	432,562	55,867
General Administration	429,833	437,122	(7,289)
Plant Maintenance & Operations	979,395	888,861	90,534
Security and Monitoring Services	154,311	48,226	106,085
Data Processing Services	20,024	28,933	(8,909)
Debt Service	159,337	159,915	(578)
Capital Outlay	0	45,000	(45,000)
Payments Related to Shared Service Arrangements	8,585	11,467	(2,882)
	6,759,536	6,403,564	355,972
Change in Net Position	137,845	729,195	(591,350)
Net Position - Beginning	4,820,374	4,091,179	729,195
Net Position Ending	$ 4,958,219	$ 4,820,374	$ 137,845

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was $6,759,536.
- However, the amount that our taxpayers paid for these activities through property taxes was $2,530,903.
- Some of the cost was paid by those who directly benefited from the programs $35,838, or
- By operating grants and contributions $1,1,322,081.

Table A-3
Net Cost of Selected District Functions and WADA
(in actual dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2023	2022		2023	2022	
Instruction	$ 3,341,581	$ 3,391,125	-1.46%	$ 2,626,721	$ 2,227,028	17.95%
School Leadership	312,761	207,954	50.40%	286,767	183,103	56.62%
General Administration	429,833	437,122	-1.67%	401,816	402,580	-0.19%
Plant Maintenance & Operations	979,395	888,861	10.19%	871,331	751,972	15.87%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $7,055,475 a decrease of 5.17% over the preceding year $7,440,109. The most significant change in revenue was state revenue decrease due to a lower ADA and the end of federal coronavirus pandemic funding through the ESSER I, ESSER II, and ESSER III grant programs.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget (1) one time. Even with these adjustments, actual revenue was $185,942 below budget and expenditures were $511,439 less than the final budget amounts. The majority of the savings came from personnel vacancies unable to fill and capital outlay items not purchased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023 the District had invested $8,723,289 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of $958,393.

Table A-4
District's Capital Assets
(in actual dollars)

	Governmental Activities 2022	Additions	Deletions	Total 2023
Land	$ 52,019	$	$	$ 52,019
Construction in Progress		200,000		200,000
Buildings and improvements	11,035,730	987,010		12,022,740
Equipment and Vehicles	1,555,048	148,879	20,819	1,683,108
Totals at historical cost	12,642,797	1,335,889	20,819	13,957,867
Total accumulated depreciation	(4,877,901)	(376,108)	(19,431)	(5,234,578)
Net capital assets	$ 7,764,896	$ 959,781	$ 1,388	$ 8,723,289

Long Term Debt

At year-end the District had $3,820,000 in bonds outstanding as shown in Table A-5. More detailed information about the District debt is presented in the Notes to the Financial Statements.

(in actual dollars)

	Governmental Activites			
	Ending Balance 2022	Increases	Decreases	Ending Balance 2023
Bonds Payable	$ 4,135,000	$	$ 315,000	$ 3,820,000
Sick Leave Payable	$ 35,775	$	$ -	$ 35,775
Premium	$ 555,104	$	$ 23,129	$ 531,975
Pension Liability	$ 490,949	$ 1,053,628	$	$ 1,544,577
OPEB Liablity	$ 1,410,003	$	$ 420,689	$ 989,314

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. A prior period adjustment of $261,148 was required to record the beginning balance of the pension liability for the year ended August 31, 2014. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

Other Post-Employment Benefit Plans (OPEB)

The District implemented GASB Statement No. 75 during the year ended August 31, 2018. A prior period adjustment of $2,622,424 was required to record the beginning balance of the pension liability for the year ended August 31, 2017. The district participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefits (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.

The adoption of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of health insurance unaffected by the change. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net OPEB liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District finished 2022-2023 with a fund balance of $2,583,070 in the general fund. This being a planned use of fund balance for athletic facility upgrades, elementary remodel, old gym remodel, and ag barn, with a decrease of $1,197,411 over the previous year. Total revenues in the general fund were $5,459,569 with total expenditures of $6,657,029.

- The district has a bonded indebtedness of $3,820,000. Bond payments are made each year in a timely manner in February and August.

- The district's refined average daily attendance is on the rise.

- The district has sought and will continue to seek funding from other sources.

- The district will consider cuts in state funding during budget preparations if necessary.

- The tax rate decreased in 2023. Maintenance Tax rate is $0.7575/$100 and the 2023 Debt Tax rate is at $0.233486/$100.

The District has added no major new programs or initiatives to the 2023-2024 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at 361-998-2542 extension 2.

Basic Financial Statements

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
AUGUST 31, 2023

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	$ 3,220,408
1225	Property Taxes Receivable (Net)	122,754
1240	Due from Other Governments	235,355
1267	Due from Fiduciary	25,357
1290	Other Receivables (Net)	9,313
	Capital Assets:	
1510	Land	52,019
1520	Buildings and Improvements, Net	7,546,039
1530	Furniture and Equipment, Net	925,231
1580	Construction in Progress	200,000
1000	Total Assets	12,336,476
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	853,648
	Deferred Outflow Related to OPEB	873,653
1700	Total Deferred Outflows of Resources	1,727,301
	LIABILITIES:	
2110	Accounts Payable	80,140
2165	Accrued Liabilities	152,555
2300	Unearned Revenue	97,850
	Noncurrent Liabilities:	
2501	Due Within One Year	115,000
2502	Due in More Than One Year	4,272,749
2540	Net Pension Liability	1,544,577
2545	Net OPEB Liability	989,314
2000	Total Liabilities	7,252,185
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	134,829
	Deferred Inflow Related to OPEB	1,718,544
2600	Total Deferred Inflows of Resources	1,853,373
	NET POSITION:	
3200	Net Investment in Capital Assets	4,905,307
	Restricted For:	
3820	Federal and State Programs	130,931
3850	Debt Service	461,138
3870	Campus Activities	13,050
3900	Unrestricted	(552,207)
3000	Total Net Position	$ 4,958,219

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:				
11	Instruction	$ 3,341,581	$ --	$ 714,860	$ (2,626,721)
12	Instructional Resources and Media Services	48,436	--	2,102	(46,334)
13	Curriculum and Staff Development	28,471	--	1,226	(27,245)
23	School Leadership	312,761	--	25,994	(286,767)
31	Guidance, Counseling, and Evaluation Services	134,764	--	6,206	(128,558)
33	Health Services	48,075	--	5,111	(42,964)
34	Student Transportation	227,615	--	8,583	(219,032)
35	Food Service	377,919	20,313	338,594	(19,012)
36	Cocurricular/Extracurricular Activities	488,429	13,996	21,721	(452,712)
41	General Administration	429,833	--	28,017	(401,816)
51	Facilities Maintenance and Operations	979,395	1,529	106,535	(871,331)
52	Security and Monitoring Services	154,311	--	56,362	(97,949)
53	Data Processing Services	20,024	--	876	(19,148)
72	Interest on Long-term Debt	150,157	--	5,494	(144,663)
73	Bond Issuance Costs and Fees	9,180	--	--	(9,180)
93	Payments Related to Shared Services Arrangements	8,585	--	400	(8,185)
TG	Total Governmental Activities	6,759,536	35,838	1,322,081	(5,401,617)
TP	Total Primary Government	$ 6,759,536	$ 35,838	$ 1,322,081	(5,401,617)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,036,299
DT	Property Taxes, Levied for Debt Service				494,604
IE	Investment Earnings				63,635
SF	State Aid-Formula Grants				2,920,117
MI	Miscellaneous				24,807
TR	Total General Revenues				5,539,462
CN	Change in Net Position				137,845
NB	Net Position - Beginning				4,820,374
NE	Net Position - Ending				$ 4,958,219

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		10 General Fund	IDEA-B Prescho the American Rescue Plan Ac
	ASSETS:		
1110	Cash and Cash Equivalents	$ 2,641,745	$ 90,000
1225	Taxes Receivable, Net	96,514	--
1240	Due from Other Governments	222,983	--
1260	Due from Other Funds	13,956	--
1290	Other Receivables	7,789	--
1000	Total Assets	2,982,987	90,000
	LIABILITIES:		
	Current Liabilities:		
2110	Accounts Payable	$ 57,156	$ --
2160	Accrued Wages Payable	146,718	--
2170	Due to Other Funds	96,363	--
2300	Unearned Revenue	3,166	90,000
2000	Total Liabilities	303,403	90,000
	DEFERRED INFLOWS OF RESOURCES:		
	Deferred Revenue	96,514	--
2600	Total Deferred Inflows of Resources	96,514	--
	FUND BALANCES:		
	Restricted Fund Balances:		
3450	Federal/State Funds Grant Restrictions	--	--
3480	Retirement of Long-Term Debt	--	--
3490	Other Restrictions of Fund Balance	--	--
	Committed Fund Balances:		
3510	Construction	750,000	--
3545	Other Committed Fund Balance	250,000	--
3600	Unassigned	1,583,070	--
	Unassigned, Reported in Nonmajor:		
3620	Capital Projects Funds	--	--
3000	Total Fund Balances	2,583,070	--
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	$ 2,982,987	$ 90,000

The accompanying notes are an integral part of this statement.

ol t	50 Debt Service Fund	onmf Other Governmental Funds	98 Total Governmental Funds
	$ 442,620	$ 144,361	$ 3,318,726
	26,240	--	122,754
	--	12,372	235,355
	16,994	11,401	42,351
	1,524	--	9,313
	487,378	168,134	3,728,499
	$ --	$ 11,614	$ 68,770
	--	5,837	152,555
	--	--	96,363
	--	4,684	97,850
	--	22,135	415,538
	26,240	--	122,754
	26,240	--	122,754
	--	130,931	130,931
	461,138	--	461,138
	--	13,050	13,050
	--	809	750,809
	--	--	250,000
	--	--	1,583,070
	--	1,209	1,209
	461,138	145,999	3,190,207
	$ 487,378	$ 168,134	$ 3,728,499

EXHIBIT C-1R

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

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

Total fund balances - governmental funds balance sheet	$	3,190,207
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		8,723,288
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		122,754
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		(30,319)
Payables for bond principal which are not due in the current period are not reported in the funds.		(3,820,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(35,775)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(531,974)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(1,544,577)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(134,829)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		853,648
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(989,314)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(1,718,544)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		873,653
Rounding difference		1
Net position of governmental activities - Statement of Net Position	$	4,958,219

The accompanying notes are an integral part of this statement.

AGUA DULCE 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	IDEA-B Prescho the American Rescue Plan Ac
	REVENUES:		
5700	Local and Intermediate Sources	$ 2,096,525	$ --
5800	State Program Revenues	3,355,838	--
5900	Federal Program Revenues	8,324	--
5020	Total Revenues	5,460,687	--
	EXPENDITURES:		
	Current:		
0011	Instruction	2,860,104	--
0012	Instructional Resources and Media Services	45,865	--
0013	Curriculum and Staff Development	26,960	--
0023	School Leadership	301,190	--
0031	Guidance, Counseling, and Evaluation Services	135,594	--
0033	Health Services	45,290	--
0034	Student Transportation	238,568	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	473,799	--
0041	General Administration	412,351	--
0051	Facilities Maintenance and Operations	1,517,960	--
0052	Security and Monitoring Services	121,331	--
0053	Data Processing Services	18,961	--
0071	Principal on Long-term Debt	--	--
0072	Interest on Long-term Debt	--	--
0073	Bond Issuance Costs and Fees	--	--
0081	Capital Outlay	451,589	--
0093	Payments to Shared Service Arrangements	8,585	--
6030	Total Expenditures	6,658,147	--
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	(1,197,460)	--
	Other Financing Sources and (Uses):		
7915	Transfers In	49	--
8911	Transfers Out	--	--
8949	Other Uses	--	--
7080	Total Other Financing Sources and (Uses)	49	--
1200	Net Change in Fund Balances	(1,197,411)	--
0100	Fund Balances - Beginning	3,780,481	--
3000	Fund Balances - Ending	$ 2,583,070	$ --

The accompanying notes are an integral part of this statement.

ol t	50 Debt Service Fund	onmf Other Governmental Funds	98 Total Governmental Funds
	$ 500,297	$ 22,651	$ 2,619,473
	5,494	283,439	3,644,771
	--	782,907	791,231
	505,791	1,088,997	7,055,475
	--	430,113	3,290,217
	--	--	45,865
	--	--	26,960
	--	12,174	313,364
	--	--	135,594
	--	3,044	48,334
	--	--	238,568
	--	362,716	362,716
	--	--	473,799
	--	9,131	421,482
	--	44,958	1,562,918
	--	27,153	148,484
	--	--	18,961
	315,000	--	315,000
	165,400	--	165,400
	9,180	--	9,180
	--	200,000	651,589
	--	--	8,585
	489,580	1,089,289	8,237,016
	16,211	(292)	(1,181,541)
	--	--	49
	--	(49)	(49)
	(7,886)	--	(7,886)
	(7,886)	(49)	(7,886)
	8,325	(341)	(1,189,427)
	452,813	146,340	4,379,634
	$ 461,138	$ 145,999	$ 3,190,207

EXHIBIT C-3

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	$	(1,189,427)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		1,335,889
The depreciation of capital assets used in governmental activities is not reported in the funds.		(376,108)
The gain or loss on the sale of capital assets is not reported in the funds.		(1,388)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		37,098
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		315,000
The net revenue (expense) of internal service funds is reported with governmental activities.		(15,700)
Bond premiums are reported in the funds but not in the SOA.		23,129
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(104,990)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		114,342
Change in net position of governmental activities - Statement of Activities	$	137,845

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
AUGUST 31, 2023

Data Control Codes		Nonmajor Internal Service Fund Insurance Fund
	ASSETS:	
	Current Assets:	
1110	Cash and Cash Equivalents	$ (98,318)
	Receivables:	
1260	Due from Other Funds	79,369
	Total Current Assets	(18,949)
1000	Total Assets	(18,949)
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	$ 11,370
	Total Current Liabilities	11,370
2000	Total Liabilities	11,370
	NET POSITION:	
3900	Unrestricted	(30,319)
3000	Total Net Position	$ (30,319)

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Nonmajor Internal Service Fund Insurance Fund
	OPERATING EXPENSES:	
6200	Professional and Contracted Services	$ 15,700
6030	Total Expenses	15,700
1300	Change in Net Position	(15,700)
0100	Total Net Position - Beginning	(14,619)
3300	Total Net Position - Ending	$ (30,319)

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	$ --
Cash Received from Grants	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--
Cash Payments to Employees for Services	--
Cash Payments to Other Suppliers for Goods and Services	(15,402)
Cash Payments for Grants to Other Organizations	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	(15,402)
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	--
Net Cash Provided (Used) by Non-capital Financing Activities	--
Cash Flows from Capital and Related Financing Activities:	
Contributed Capital	--
Net Cash Provided (Used) for Capital and Related Financing Activities	--
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	--
Net Increase (Decrease) in Cash and Cash Equivalents	(15,402)
Cash and Cash Equivalents at Beginning of Year	(82,916)
Cash and Cash Equivalents at End of Year	$ (98,318)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ (15,700)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	--
Provision for Uncollectible Accounts	--
Change in Assets and Liabilities:	
Decrease (Increase) in Prepaid Expenses	--
Increase (Decrease) in Accounts Payable	298
Increase (Decrease) in Interfund Payables	--
Increase (Decrease) in Accrued Expenses	--
Total Adjustments	298
Net Cash Provided (Used) by Operating Activities	$ (15,402)

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

Data Control Codes		Private-purpose Trust Fund Scholarship Fund	Custodial Fund Student Activity
	ASSETS:		
1110	Cash and Cash Equivalents	$ --	$ 39,120
1800	Restricted Assets	14,690	--
1000	Total Assets	14,690	39,120
	LIABILITIES:		
	Current Liabilities:		
2170	Due to Other Funds	$ --	$ 25,356
2000	Total Liabilities	--	25,356
	NET POSITION:		
3800	Held in Trust	14,690	--
3800	Restricted for Other Purposes	--	13,764
3000	Total Net Position	$ 14,690	$ 13,764

The accompanying notes are an integral part of this statement.

EXHIBIT E-2

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

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

	Private Purpose Trusts	Custodial Funds
ADDITIONS:		
Investment Income	$ 111	$ --
Net (Decrease) in Fair Value of Investments	--	--
Employer Contributions	--	--
Plan Member Contributions	--	--
Contributions from Foundations, Gifts and Bequests	--	--
Student Group Fundraising Activities	--	202,333
Total Additions	111	202,333
DEDUCTIONS:		
Benefits	--	--
Refunds of Contributions	--	--
Other Operating Expenses	--	221,491
Total Deductions	--	221,491
Change in Fiduciary Net Position	111	(19,158)
Net Position-Beginning of the Year	14,579	32,922
Prior Period Adjustment	--	--
Net Position-End of the Year	$ 14,690	$ 13,764

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedictaed.

IDEA-B Preschool the American Rescue Plan Act: This fund is used to account for the Acts Revenue and Expenses

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types. Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of the fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodial capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	$ 371,982	$ 101,133	$ 473,115
Allowance for Uncollectible Accounts	(275,468)	(74,893)	(350,361)
Net Taxes	$ 96,514	$ 26,240	$ 122,754

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings	30-75
Building Improvements	30
Vehicles	5-15
Furniture and Equipment	5-20

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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

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

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

h. Interfund Activity

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

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. Data Control Codes

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

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

l. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. 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 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.

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Budget Violation

		Budget	Actual Amount Spent	Variance
General Fund				
12	Instructional Resources and Media	44,500	45,865	(1,365)
23	School Leadership	286,100	301,190	(15,090)
31	Guidance, Counseling & Evaluation	135,310	135,594	(284)
33	Health Services	42,980	45,290	(2,310)
36	Extracurricular Activities	442,991	473,799	(30,808)
51	Plant Maintenance and Operations	1,143,313	1,517,960	(374,647)
52	Security and Monitoring Services	104,000	121,331	(17,331)
Food Service				
35	Food Services	235,950	347,498	(111,548)
51	Facilities Maintenance & Operations	750	23,160	(22,410)

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
Internal Service Fund	$ 30,319	Transfers will be made to cover deficit

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $3,259,528 and the bank balance was $3,362,164. The District's cash deposits at August 31, 2023 and during the year ended August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investment at August 31, 2023 is shown below.

Investment or Investment Type	Maturity	Fair Value
None	N/A	$ --
Total Investments		$ --

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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

Public Funds Investment Pools
Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 52,019	$ --	$ --	$ 52,019
Construction in progress	--	200,000	--	200,000
Total capital assets not being depreciated	52,019	200,000	--	252,019

Capital assets being depreciated:				
Buildings and improvements	11,035,731	987,010	--	12,022,741
Equipment	802,850	122,820	--	925,670
Vehicles	752,197	26,059	20,819	757,437
Total capital assets being depreciated	12,590,778	1,135,889	20,819	13,705,848
Less accumulated depreciation for:				
Buildings and improvements	(4,215,147)	(261,555)	--	(4,476,702)
Equipment	(314,137)	(74,365)	--	(388,502)
Vehicles	(348,617)	(40,188)	(19,431)	(369,374)
Total accumulated depreciation	(4,877,901)	(376,108)	(19,431)	(5,234,578)
Total capital assets being depreciated, net	7,712,877	759,781	1,388	8,471,270
Governmental activities capital assets, net	$ 7,764,896	$ 959,781	$ 1,388	$ 8,723,289

Depreciation was charged to functions as follows:

Instruction	$ 177,351
Instructional Resources and Media Services	2,571
Curriculum and Staff Development	1,511
School Leadership	16,599
Guidance, Counseling, & Evaluation Services	7,152
Health Services	2,552
Student Transportation	40,188
Food Services	18,215
Extracurricular Activities	25,923
General Administration	22,813
Plant Maintenance and Operations	51,980
Security and Monitoring Services	8,190
Data Processing Services	1,063
	$ 376,108

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2023, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Trust & Custodial funds	$ 13,956	Short-term loans
Debt Service Fund	General Fund	16,994	Short-term loans
Other Governmental Funds	Trust & Custodial funds	11,401	Short-term loans
Internal Service fund	General Fund	79,369	Short-term loans
	Total	$ 121,720	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2023, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Other Governmental Funds	General fund	$ 49	Reimburse expenditures
	Total	$ 49	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2016 Unlimted Tax School Building Bonds 4.0%	4,135,000		315,000	3,820,000	115,000
Total governmental activities	4,135,000	--	315,000	3,820,000	$ 115,000
Sick Leave Payable	35,775			35,775	
Premium Payable	555,104		23,129	531,975	
Total Governmental	$ 4,725,879	$ --	$ 338,129	$ 4,387,750	
Current Portion				115,000	
Due in MOre Than One Year				4,272,750	
Pension Liability	$ 490,949	$ 1,053,628	$	$ 1,544,577	
OPEB Liability	$ 1,410,003	$	$ 420,689	$ 989,314	

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General fund
Claims and judgments	Business-type	Internal Service Fund
Pension Liability	Governmental	General fund
OPEB Liability	Governmental	General fund
Right to Use Liability	None	

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2023, are as follows:

	Governmental Activities		
	Bonds		
Year Ending August 31,	Principal	Interest	Total
2024	$ 115,000	152,800	267,800
2025	120,000	148,200	268,200
2026	125,000	143,400	268,400
2027	130,000	138,400	268,400
2028	135,000	133,200	268,200
2029-2033	760,000	580,800	1,340,800
2034-2038	920,000	416,400	1,336,400
2039-2043	1,120,000	217,000	1,337,000
2044-2048	395,000	21,600	416,600
Totals	$ 3,820,000	$ 1,951,800	$ 5,771,800

G. Risk Management

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

H. Pension Plan

1. 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about%20publications.aspx ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered 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 (1) above.

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

4. 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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal

year.

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

Contribution Rates	2022	2023
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	7.75%	8.0%

District's 2023 Employer Contributions	$	128,729
District's 2023 Member Contributions	$	253,175
2022 NECE On-Behalf Contributions (State)	$	169,025

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2020 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
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91% *
Last year ending August 31 in Projection Period	2121
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

* 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"

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

6. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity	14.0%	7.7%	1.55%

Stable Value			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Return			
Real Estate	15.0%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
Risk Parity	8.0%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	(6.0%)	3.6%	(0.05)%
Inflation Expectation			2.70%
Volatility Drag ****			(0.91)%
Expected Return	**100.0%**		**8.19%**

* Absolute Return includes Credit Sensitive Investments.
** Target allocations are based on the FY2022 policy model.
*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022)
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

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

	1% 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:	$ 2,402,776	$ 1,544,577	$ 848,966

8. 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 $1,544,577 for its proportionate share of the TRS 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	$ 1,544,577
State's proportionate share that is associated with District	2,150,433
Total	$ 3,695,010

The net pension liability was measured as of August 31, 2021 and rolled forward to 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 employer's proportion of the collective net pension liability was 0.0026017244 percent 'which was an increase (decrease) of '0.0006738988%.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2023, the District recognized pension expense of $205,557 and revenue of $205,557 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	$ 22,396	$ 33,675
Changes in Actuarial Assumptions	287,805	71,729
Difference Between Projected and Actual Investment Earnings	152,599	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	262,119	29,425
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	128,729	--
Total	$ 853,648	$ 134,829

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:

Year ended August 31,	Pension Expense Amount
2024	$ 144,691
2025	$ 101,601
2026	$ 61,945
2027	$ 223,097
2028	$ 58,756
Thereafter	$ --

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding

situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

2. 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 https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

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

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

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

4. Contributions

Contribution rates for the TRS-Care plan are established in State Statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS board does not have the authority to set or amend contribution rates.

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

Contribution Rates	
	2023
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%

District's 2023 Employer Contributions	$	32,224
District's 2023 Member Contributions	$	20,570
2022 NECE On-Behalf Contributions (state)	$	41,397

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All 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.

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

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%
Single 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 the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an an ultimate trend rate of 4.25 percent over a period of 12 years.

6. Discount Rate

A single discount rate of 3.91 percent was used to measure the Total OPEB Liability. This was an increase of 1.96 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2022 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	$ 1,166,479	$ 989,314	$ 845,787

8. 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 $153,060 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	$ 989,314
State's proportionate share that is associated with the District	$ 1,206,807
Total	$ 2,196,121

The Net OPEB liability was measured as of August 31, 2021 and rolled forward to 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 OPEB relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2023 the District's proportion of the collective net OPEB liability was 0.0041317805, which was an increase (decrease) of 0.0004765054% from its proportion measured as of August 31, 2021.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	$ 815,199	$ 989,314	$ 1,215,031

9. Changes Since the Prior Actuarial Valuation

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

- The discount rate was changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the Total OPEB Liability.

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

The amount of OPEB expense recognized by the District in the reporting period was $(171,256).

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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 55,002	$ 824,187
Changes in actuarial assumptions	150,692	687,316
Difference between projected and actual investment earnings	2,947	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	632,788	207,041
Contributions paid to TRS subsequent to the measurement date	32,224	

Total	$ 873,653	$ 1,718,544

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:

Year ended August 31:	OPEB Expense Amount
2024	$ (195,890)
2025	$ (195,879)
2026	$ (153,925)
2027	$ (97,127)
2028	$ (71,264)
Thereafter	$ (163,030)

For the year ended August 31, 2023, the District recognized OPEB expense of $(171,256) and revenue of $(171,256) for support provided by the State.

10. Medicare Part D Subsidies

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 Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2023, the subsidy payment received by TRS-Care on behalf of the District was $16,870.

J. Employee Health Care Coverage

During the year ended August 31, 2023, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $400 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the , are available for the year ended , have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. 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 relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

L. Shared Services Arrangements

Shared Services Arrangement - Membership
The District participates in a shared services arrangement ("SSA") for a federal program with the following school districts:

Member Districts - Autism/Dyslexia Grant
Robstown ISD
Sinton ISD
Port Aransas ISD
Ingleside ISD
Aransas Pass ISD
Bishop ISD
San Diego ISD
Benavides ISD

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, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through January 5, 2024 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

Required Supplementary Information

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

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and Intermediate Sources	$ 2,154,000	$ 2,154,000	$ 2,096,525	$ (57,475)
5800	State Program Revenues	3,491,511	3,491,511	3,355,838	(135,673)
5900	Federal Program Revenues	--	--	8,324	8,324
5020	Total Revenues	5,645,511	5,645,511	5,460,687	(184,824)
	EXPENDITURES:				
	Current:				
	Instruction and Instructional Related Services:				
0011	Instruction	3,190,735	3,190,735	2,860,104	330,631
0012	Instructional Resources and Media Services	49,500	44,500	45,865	(1,365)
0013	Curriculum and Instructional Staff Development	32,700	28,700	26,960	1,740
	Total Instruction and Instr. Related Services	3,272,935	3,263,935	2,932,929	331,006
	Instructional and School Leadership:				
0023	School Leadership	286,100	286,100	301,190	(15,090)
	Total Instructional and School Leadership	286,100	286,100	301,190	(15,090)
	Student Support Services:				
0031	Guidance, Counseling and Evaluation Services	135,310	135,310	135,594	(284)
0033	Health Services	42,980	42,980	45,290	(2,310)
0034	Student Transportation	193,180	244,303	238,568	5,735
0036	Extracurricular Activities	428,991	442,991	473,799	(30,808)
	Total Student Support Services	800,461	865,584	893,251	(27,667)
	Administrative Support Services:				
0041	General Administration	415,516	415,516	412,351	3,165
	Total Administrative Support Services	415,516	415,516	412,351	3,165
	Support Services:				
0051	Facilities Maintenance and Operations	670,856	1,143,313	1,517,960	(374,647)
0052	Security and Monitoring Services	96,000	104,000	121,331	(17,331)
0053	Data Processing Services	14,600	19,600	18,961	639
	Total Support Services	781,456	1,266,913	1,658,252	(391,339)
	Capital Outlay:				
0081	Facilities Acquisition and Construction	600,000	1,061,820	451,589	610,231
	Total Capital Outlay	600,000	1,061,820	451,589	610,231
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	12,000	8,600	8,585	15
	Total Intergovernmental Charges	12,000	8,600	8,585	15
6030	Total Expenditures	6,168,468	7,168,468	6,658,147	510,321
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(522,957)	(1,522,957)	(1,197,460)	325,497
	Other Financing Sources (Uses):				
7915	Operating Transfers In	1,000,000	1,000,000	49	(999,951)
7080	Total Other Financing Sources and (Uses)	1,000,000	1,000,000	49	(999,951)
1200	Net Change in Fund Balance	477,043	(522,957)	(1,197,411)	(674,454)
0100	Fund Balance - Beginning	3,780,481	3,780,481	3,780,481	--
3000	Fund Balance - Ending	$ 4,257,524	$ 3,257,524	$ 2,583,070	$ (674,454)

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

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

	Measurement Year **								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0026017244%	0.0019278256%	0.0019702487%	0.0020086451%	0.0018649070%	0.0019172419%	0.0019820265%	0.0019304000%	0.0008629000%
District's proportionate share of the net pension liability (asset)	$ 1,544,577	$ 490,949	$ 1,055,225	$ 1,044,157	$ 1,026,490	$ 613,031	$ 748,978	$ 682,371	$ 230,493
State's proportionate share of the net pension liability (asset) associated with the District	2,150,433	1,027,486	2,346,250	1,911,511	2,069,275	1,365,997	1,701,210	1,790,499	1,523,998
Total	$ 3,695,010	$ 1,518,435	$ 3,401,475	$ 2,955,668	$ 3,095,765	$ 1,979,028	$ 2,450,188	$ 2,472,870	$ 1,754,491
District's covered-employee payroll	$ 3,104,033	$ 2,756,950	$ 2,904,737	$ 2,290,193	$ 2,540,426	$ 2,463,389	$ 2,425,753	$ 2,596,298	$ 2,399,443
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.76%	17.81%	36.33%	45.59%	40.41%	24.89%	30.88%	26.28%	9.61%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 128,729	$ 123,018	$ 83,009	$ 84,006	$ 70,234	$ 63,870	$ 59,821	$ 45,290	$ 57,122
Contributions in relation to the contractually required contribution	(128,729)	(123,018)	(83,009)	(84,006)	(70,234)	(63,870)	(59,821)	(45,290)	(57,122)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 3,164,688	$ 3,104,033	$ 2,756,950	$ 2,904,737	$ 2,509,781	$ 2,540,426	$ 2,463,389	$ 2,622,765	$ 2,596,298
Contributions as a percentage of covered-employee payroll	4.07%	3.96%	3.01%	2.89%	2.80%	2.51%	2.43%	1.73%	2.20%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

EXHIBIT G-4

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year **					
	2022	2021	2020	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0041317805%	0.0036552751%	0.0037058435%	0.0029262113%	0.0027760823%	0.0034391155%
District's proportionate share of the collective net OPEB liability	$ 989,314	$ 1,410,003	$ 1,408,758	$ 1,383,839	$ 1,386,123	$ 1,495,542
State proportionate share of the collective net OPEB liability associated with the District	$ 1,206,807	$ 1,889,090	$ 1,893,034	$ 1,838,815	$ 2,053,591	$ 2,000,499
Total	$ 2,196,121	$ 3,299,093	$ 3,301,792	$ 3,222,654	$ 3,439,714	$ 3,496,041
District's covered-employee payroll	$ 3,104,033	$ 2,756,950	$ 2,904,737	$ 2,290,193	$ 2,540,426	$ 2,463,589
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	31.87%	51.14%	48.50%	60.42%	54.56%	60.71%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

EXHIBIT G-5

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

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

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
Statutorily or contractually required District contribution	$ 32,224	$ 35,006	$ 30,093	$ 29,237	$ 20,762	$ 19,191
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(32,224)	(35,006)	(30,093)	(29,237)	(20,762)	(19,191)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 3,164,688	$ 3,104,033	$ 2,756,950	$ 2,904,737	$ 2,509,781	$ 2,540,426
Contributions as a percentage of covered-employee payroll	1.02%	1.13%	1.09%	1.01%	0.83%	0.76%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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 21 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 or other inputs 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

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
	ASSETS:			
1110	Cash and Cash Equivalents	$ 142,343	$ 2,018	$ 144,361
1240	Due from Other Governments	12,372	--	12,372
1260	Due from Other Funds	11,401	--	11,401
1000	Total Assets	166,116	2,018	168,134
	LIABILITIES:			
	Current Liabilities:			
2110	Accounts Payable	$ 11,614	$ --	$ 11,614
2160	Accrued Wages Payable	5,837	--	5,837
2300	Unearned Revenue	4,684	--	4,684
2000	Total Liabilities	22,135	--	22,135
	FUND BALANCES:			
	Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	130,931	--	130,931
3490	Other Restrictions of Fund Balance	13,050	--	13,050
	Committed Fund Balances:			
3510	Construction	--	809	809
	Unassigned, Reported in Nonmajor:			
3620	Capital Projects Funds	--	1,209	1,209
3000	Total Fund Balances	143,981	2,018	145,999
4000	Total Liabilities and Fund Balances	$ 166,116	$ 2,018	$ 168,134

AGUA DULCE 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		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
	REVENUES:			
5700	Local and Intermediate Sources	$ 21,842	$ 809	$ 22,651
5800	State Program Revenues	283,439	--	283,439
5900	Federal Program Revenues	782,907	--	782,907
5020	Total Revenues	1,088,188	809	1,088,997
	EXPENDITURES:			
	Current:			
0011	Instruction	430,113	--	430,113
0023	School Leadership	12,174	--	12,174
0033	Health Services	3,044	--	3,044
0035	Food Service	362,716	--	362,716
0041	General Administration	9,131	--	9,131
0051	Facilities Maintenance and Operations	44,958	--	44,958
0052	Security and Monitoring Services	27,153	--	27,153
0081	Capital Outlay	200,000	--	200,000
6030	Total Expenditures	1,089,289	--	1,089,289
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(1,101)	809	(292)
	Other Financing Sources and (Uses):			
8911	Transfers Out	(49)	--	(49)
7080	Total Other Financing Sources and (Uses)	(49)	--	(49)
1200	Net Change in Fund Balances	(1,150)	809	(341)
0100	Fund Balances - Beginning	145,131	1,209	146,340
3000	Fund Balances - Ending	$ 143,981	$ 2,018	$ 145,999

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2023

Data Control Codes		240 National School Breakfast/Lunch Program	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
	ASSETS:				
1110	Cash and Cash Equivalents	$ 136,010	$ 4,684	$ 1,649	$ 142,343
1240	Due from Other Governments	12,372	--	--	12,372
1260	Due from Other Funds	--	--	11,401	11,401
1000	Total Assets	148,382	4,684	13,050	166,116
	LIABILITIES:				
	Current Liabilities:				
2110	Accounts Payable	$ 11,614	$ --	$ --	$ 11,614
2160	Accrued Wages Payable	5,837	--	--	5,837
2300	Unearned Revenue	--	4,684	--	4,684
2000	Total Liabilities	17,451	4,684	--	22,135
	FUND BALANCES:				
	Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	130,931	--	--	130,931
3490	Other Restrictions of Fund Balance	--	--	13,050	13,050
3000	Total Fund Balances	130,931	--	13,050	143,981
4000	Total Liabilities and Fund Balances	$ 148,382	$ 4,684	$ 13,050	$ 166,116

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
	REVENUES:			
5700	Local and Intermediate Sources	$ --	$ 21,842	$ --
5800	State Program Revenues	--	19,356	--
5900	Federal Program Revenues	157,151	328,359	23,828
5020	Total Revenues	157,151	369,557	23,828
	EXPENDITURES:			
	Current:			
0011	Instruction	157,151	--	23,828
0023	School Leadership	--	--	--
0033	Health Services	--	--	--
0035	Food Service	--	347,498	--
0041	General Administration	--	--	--
0051	Facilities Maintenance and Operations	--	23,160	--
0052	Security and Monitoring Services	--	--	--
0081	Capital Outlay	--	--	--
6030	Total Expenditures	157,151	370,658	23,828
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	(1,101)	--
	Other Financing Sources and (Uses):			
8911	Transfers Out	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--
1200	Net Change in Fund Balances	--	(1,101)	--
0100	Fund Balances - Beginning	--	132,032	--
3000	Fund Balances - Ending	$ --	$ 130,931	$ --

270 ESEA, Title VI Part B, Subpart 2 Rural School	282 ESSER Fund III of the American Rescue Plan Act	289 Title I, Part A, Subpart 1	397 Advanced Placement Incentives	410 State Textbook Fund
$ --	$ --	$ --	$ --	$ --
--	--	--	--	6,175
31,990	231,579	10,000	--	--
31,990	231,579	10,000	--	6,175
11,690	173,750	10,000	--	6,175
--	12,174	--	--	--
--	3,044	--	--	--
--	15,218	--	--	--
--	9,131	--	--	--
--	15,218	--	--	--
20,300	3,044	--	--	--
--	--	--	--	--
31,990	231,579	10,000	--	6,175
--	--	--	--	--
--	--	--	(49)	--
--	--	--	(49)	--
--	--	--	(49)	--
--	--	--	49	--
$ --	$ --	$ --	$ --	$ --

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
	REVENUES:			
5700	Local and Intermediate Sources	$ --	$ --	$ 21,842
5800	State Program Revenues	257,908	--	283,439
5900	Federal Program Revenues	--	--	782,907
5020	Total Revenues	257,908	--	1,088,188
	EXPENDITURES:			
	Current:			
0011	Instruction	47,519	--	430,113
0023	School Leadership	--	--	12,174
0033	Health Services	--	--	3,044
0035	Food Service	--	--	362,716
0041	General Administration	--	--	9,131
0051	Facilities Maintenance and Operations	6,580	--	44,958
0052	Security and Monitoring Services	3,809	--	27,153
0081	Capital Outlay	200,000	--	200,000
6030	Total Expenditures	257,908	--	1,089,289
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	--	(1,101)
	Other Financing Sources and (Uses):			
8911	Transfers Out	--	--	(49)
7080	Total Other Financing Sources and (Uses)	--	--	(49)
1200	Net Change in Fund Balances	--	--	(1,150)
0100	Fund Balances - Beginning	--	13,050	145,131
3000	Fund Balances - Ending	$ --	$ 13,050	$ 143,981

Other Supplementary Information

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

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2023

Year 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	1.17	.23	136,965,895
2016	1.1521	.1985	153,341,846
2017	1.17	.3396	136,151,511
2018	1.17	.3465	135,650,534
2019	1.17	.3465	139,376,946
2020	1.0684	.2862	166,004,857
2021	.9669	.2374	188,384,978
2022	.9669	.2374	185,758,335
2023 (School Year Under Audit)	.9429	.2335	213,967,917
1000 Totals			

EXHIBIT J-1

10 Beginning Balance 9/1/22	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/23
$ 116,711	$ --	$ 1,127	$ 217	$ (14,189)	$ 101,179
27,129	--	1,953	384	(351)	24,441
30,262	--	3,809	656	(378)	25,419
38,497	--	1,358	394	(568)	36,178
62,401	--	649	192	(22,866)	38,694
60,715	--	2,929	867	(20,417)	36,501
60,309	--	4,436	1,189	(17,374)	37,310
48,901	--	6,944	1,705	1,289	41,541
63,967	--	15,643	3,841	442	44,926
--	2,511,950	1,932,651	478,574	(13,800)	86,926
$ 508,893	$ 2,511,950	$ 1,971,498	$ 488,018	$ (88,212)	$ 473,115

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2023

Data Control Codes		Responses	
	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.	$	469,854
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	$	410,436
	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.	$	2,359
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	$	67,026

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	$ 17,000	$ 21,842	$ 4,842
5800	State Program Revenues	1,000	19,356	18,356
5900	Federal Program Revenues	215,000	328,359	113,359
5020	Total Revenues	233,000	369,557	136,557
	EXPENDITURES:			
	Current:			
	Student Support Services:			
0035	Food Services	235,950	347,498	(111,548)
	Total Student Support Services	235,950	347,498	(111,548)
	Support Services:			
0051	Facilities Maintenance and Operations	750	23,160	(22,410)
	Total Support Services	750	23,160	(22,410)
6030	Total Expenditures	236,700	370,658	(133,958)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(3,700)	(1,101)	2,599
1200	Net Change in Fund Balance	(3,700)	(1,101)	2,599
0100	Fund Balance - Beginning	132,032	132,032	--
3000	Fund Balance - Ending	$ 128,332	$ 130,931	$ 2,599

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	$ 476,000	$ 500,297	$ 24,297
5800	State Program Revenues	5,500	5,494	(6)
5020	Total Revenues	481,500	505,791	24,291
	EXPENDITURES:			
	Debt Service:			
0071	Debt Service	497,621	315,000	182,621
0072	Interest on Long-Term Debt	--	165,400	(165,400)
0073	Bond Issuance Costs and Fees	--	9,180	(9,180)
	Total Debt Service	497,621	489,580	8,041
6030	Total Expenditures	497,621	489,580	8,041
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(16,121)	16,211	32,332
	Other Financing Sources (Uses):			
8949	Other Uses	--	(7,886)	(7,886)
7080	Total Other Financing Sources and (Uses)	--	(7,886)	(7,886)
1200	Net Change in Fund Balance	(16,121)	8,325	24,446
0100	Fund Balance - Beginning	452,813	452,813	--
3000	Fund Balance - Ending	$ 436,692	$ 461,138	$ 24,446

GOWLAND, MORALES & SMITH, PLLC
Certified Public Accountants

555 N. Carancahua, Suite 1040
Corpus Christi, TX 78401
Telephone: (361) 993-1000
Fax: (361) 991-2880

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
Agua Dulce Independent School District
P.O. Box 250
Agua Dulce, Texas 78330-0250

Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Agua Dulce Independent School District, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Agua Dulce Independent School District's basic financial statements, and have issued our report thereon dated January 5, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
January 5, 2024

GOWLAND, MORALES & SMITH, PLLC
Certified Public Accountants

555 N. Carancahua, Suite 1040
Corpus Christi, TX 78401
Telephone: (361) 993-1000
Fax: (361) 991-2880

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Agua Dulce Independent School District
P.O. Box 250
Agua Dulce, Texas 78330-0250

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Progam

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

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

Basis for Opinion on Each Major Federal Progam

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
January 5, 2024

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
One or more material weaknesses identified?	____ Yes	X No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X None Reported	
Noncompliance material to financial statements noted?	____ Yes	X No	

2. Federal Awards

Internal control over major programs:			
One or more material weaknesses identified?	Yes	X No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	Yes	X None Reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Version of compliance supplement used in audit:	May 2023		
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)??	Yes	X No	

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
School Lunch Program Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program (Non-Cash)

Dollar threshold used to distinguish between type A and type B programs:	$750,000		
Auditee qualified as low-risk auditee?	Yes	X No	

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

Financial Statement Findings

NONE

Federal Award Findings and Questioned Costs

NONE

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
NONE - N/A		

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2023

NONE REQUIRED - N/A

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

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

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	71402301	$ --	$ 81,325
National School Lunch Program (Non-cash)	10.555	178-901	--	34,714
Supply Chain Assistance	10.555	178-901	--	8,355
National School Lunch Program	10.555	71302301	--	203,965
Total ALN Number 10.555			--	247,034
Total Passed Through State Department of Education			--	328,359
Total U. S. Department of Agriculture			--	328,359
Total Child Nutrition Cluster			--	328,359
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	2161010117890	--	24,269
ESEA Title I Part A - Improving Basic Programs	84.010a	2161010117890	--	74,147
ESEA Title I Part A - Improving Basic Programs	84.010A	2261010117890	--	11,268
ESEA Title I Part A - Improving Basic Programs	84.010A	2361010117890	--	47,467
Total ALN Number 84.010a			--	157,151
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	CBMXQL8N2U4	--	31,990
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	2369450117890	--	23,828
Total ALN Number 84.367A			--	23,828
Federally Funded Special Revenue Funds	84.424A	2368010117890	--	10,000
Total ALN Number 84.424A			--	10,000
ESSER Fund III of the American Rescue Plan Act of 2021	84.425U	2152800117890	--	231,579
Total Passed Through State Department of Education			--	454,548
Total U. S. Department of Education			--	454,548
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ --	$ 782,907
TOTAL EXPENDITURES OF FEDERAL AWARDS				782,907
School Health and Related Services (SHARS)				8,324
TOTAL FEDERAL REVENUE EXHIBIT C-2				791,231

The accompanying notes are an integral part of this schedule.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Agua Dulce Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Agua Dulce Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2023

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