SWEET HOME
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

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Introductory Section

CERTIFICATE OF BOARD

Sweet Home Independent School District	Lavaca	143-905
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 ____day of _____, _____.

_____ Signature of Board Secretary

_____ Signature of Board President

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

Financial Section

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

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Independent Auditors' Report

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

Members of the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sweet Home Independent School District, as of August 31, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sweet Home Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 9 through 15, the budgetary comparison information on page 49, the information related to the District's pension plan on pages 50 through 53, and the information related to the District's other post-employment benefits on pages 54 through 58, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sweet Home Independent School District's basic financial statements. The accompanying supplementary information on pages 60 through 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,

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

Roloff, Hnatek & Co., L.L.P.
January 5, 2024

Management's Discussion and Analysis (Unaudited)

As management of Sweet Home Independent School District ("District"), we offer readers as an introduction to the District's financial statements, this narrative overview and analysis of the District's activities and financial performance for the year ended August 31, 2023. This discussion and analysis is designed to assist readers in concentrating on the significant financial issues and activities and to identify any significant changes in financial position. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The net position of the District at August 31, 2023 was $410,048.
- The District's total net position increased by $176,713, or 76%, from the prior year.
- The general fund had a fund balance of $467,671 at August 31, 2023, an increase of $105,985, or 29%, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Features	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or custodian for someone else's resources
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and 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 position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the fiduciary 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 it has changed. Net position is the difference between the District's assets plus deferred outflow of resources and liabilities plus deferred inflows of resources, and is one way to measure the District's financial health or position.

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Statement of Net Position

The statement of net position serves as a useful indicator over time of the District's financial position. It distinguishes assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as to their expected use for current operations and capital investment. The District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of fiscal year 2023 by $410,048. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2023 and 2022.

	Governmental Activities		$ Change	% Change
	2023	2022	2023 - 2022	2023 - 2022
Assets:				
Current Assets	$ 735,904	$ 511,147	$ 224,757	44%
Capital Assets	580,752	539,485	41,267	8%
Total Assets	1,316,656	1,050,632	266,024	25%
Deferred Outflows of Resources	398,766	345,536	53,230	15%
Liabilities:				
Current Liabilities	227,982	102,907	125,075	122%
Noncurrent Liabilities	606,302	544,449	61,853	11%
Total Liabilities	834,284	647,356	186,928	29%
Deferred Inflows of Resources	471,090	515,477	(44,387)	(9%)
Net Position:				
Net Investment in Capital Assets	549,352	539,485	9,867	2%
Restricted	-	2,070	(2,070)	(100%)
Unrestricted	(139,304)	(308,220)	168,916	55%
Total Net Position	$ 410,048	$ 233,335	$ 176,713	76%

A portion of the District's net position ($549,352) reflects its investment in capital assets (e.g., land, buildings, vehicles, and furniture and equipment) less the remaining balance of the related debt, if any, used to acquire those assets. The District uses these capital assets to provide services to its students and, consequently, these assets are not available for future spending. The remaining balance represents the District's unrestricted net position.

Statement of Activities

The statement of activities serves as a measure to determine how successful the District was during the past year in recovering its costs through property taxes, state and federal grants, charges for services and other revenues. The following condensed statement of activities summarizes the operations of the District for the years ended August 31, 2023 and 2022.

	Governmental Activities		$ Change	% Change
	2023	2022	2023 - 2022	2023 - 2022
Program Revenues:				
Charges for Services	$ 41,476	$ 10,317	$ 31,159	302%
Operating Grants and Contributions	219,560	222,645	(3,085)	(1%)
General Revenues:				
Property Taxes	783,487	775,153	8,334	1%
State Aid-Formula	905,249	942,098	(36,849)	(4%)
Investment Earnings	1,640	1,946	(306)	(16%)
Misc. Local and Intermediate Revenue	55,411	194,788	(139,377)	(72%)
Total Revenues	2,006,823	2,146,947	(140,124)	(7%)
Expenses:				
Instruction	835,996	956,870	(120,874)	(13%)
Instructional Resources and Media Services	11,066	7,628	3,438	45%
Curriculum & Instructional Staff Develop.	9,190	13,652	(4,462)	(33%)
School Leadership	98,394	106,277	(7,883)	(7%)
Guidance, Counseling, and Eval. Services	27,397	21,320	6,077	29%
Health Services	733	16,708	(15,975)	(96%)
Student (Pupil) Transportation	49,272	76,101	(26,829)	(35%)
Food Services	121,073	120,590	483	0%
Extracurricular Activities	44,365	42,586	1,779	4%
General Administration	116,246	140,676	(24,430)	(17%)
Facilities Maintenance and Operations	108,161	85,879	22,282	26%
Security and Monitoring Services	12,490	-	12,490	N/A
Data Processing Services	76,451	43,673	32,778	75%
Debt Service-Interest on Long-Term Debt	1,076	-	1,076	N/A
Payments Related to Shared Services Arrangements	59,708	34,611	25,097	73%
Other Intergovernmental Charges	258,492	266,135	(7,643)	(3%)
Total Expenses	1,830,110	1,932,706	(102,596)	(5%)
Increase (Decrease) in Net Position	$ 176,713	$ 214,241	$ (37,528)	

The District's total revenues and expenses decreased by 7% and 5%, respectively. There were significant decreases in revenues from state aid-formula grants and miscellaneous local & intermediate revenues, while there was a significant increase in charges for services. There were significant increases in expenses in the functional categories of facilities maintenance & operations, data processing services, and payments related to shared services arrangements, while there were significant decreases in the functional categories of instruction, student (pupil) transportation, and general administration. The fiscal year operations resulted in an increase in net position of $176,713.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $2,005,492, a decrease of approximately 8% from the preceding year. Local revenues decreased by approximately 12% while the state and federal revenues decreased in total by approximately 6%. Expenditures from governmental fund types totaled $1,894,791, a decrease of approximately 21% from the preceding year. There were significant increases in expenditures in the functional categories of facilities maintenance & operations, security & monitoring services, data processing services, and payments to fiscal agent/member districts of SSA, while there were significant decreases in the functional categories of instruction, student (pupil) transportation, general administration, and facilities acquisition and construction.

General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. However, there were no significant changes in the budgeted revenues and expenditures by the budget amendments that were made to accommodate unanticipated increases and decreases in revenues and expenditures subsequent to the adoption of the original budget.

Total actual revenues were $58,123 less than the final budgeted amount due primarily to local and intermediate sources being less than anticipated. Total actual expenditures were $146,722 below final budget amounts due primarily to significant favorable variances in functions 11 (Instruction) and 51 (Facilities Maintenance and Operations) combined with other insignificant favorable variances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of August 31, 2023 was $580,752 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, vehicles, furniture and equipment, and right-to-use assets. This amount represents a net increase (including additions, deletions, depreciation and amortization expense) of $41,267 from fiscal year 2022. Additional information regarding the District's capital assets can be found in Note C to the financial statements. The following table summarizes the District's capital assets (net of accumulated depreciation) as of August 31, 2023 and 2022.

	Governmental Activities		$ Change	% Change
	2023	2023	2023 - 2022	2023 - 2022
Land	$ 261,133	$ 255,083	$ 6,050	2%
Buildings and Improvements	1,004,970	1,004,970	-	0%
Vehicles, Furniture and Equipment	449,053	407,897	41,156	10%
Right-to-Use Assets	37,474	-	37,474	N/A
Totals at Historical Cost	1,752,630	1,667,950	84,680	5%
Total Accumulated Depr./Amort.	(1,171,878)	(1,128,465)	(43,413)	4%
Net Capital Assets	$ 580,752	$ 539,485	$ 41,267	8%

Long-term Obligations

As of August 31, 2023, the District had long-term debt outstanding of $31,400. This amount is comprised entirely of a lease liability. Additional information regarding the District's long-term obligations can be found in Note E to the financial statements. The following table summarizes the District's long-term obligations outstanding at August 31, 2023 and 2022.

	Governmental Activities		$ Change	% Change
	2023	2022	2023 - 2022	2023 - 2022
Lease Liability	$ 31,400	$ -	$ 31,400	N/A

ECONOMIC OUTLOOK

- The total property tax value used for the fiscal year 2024 budget decreased approximately 25% from that of 2023. The Board of Trustees has adopted a property tax rate of $0.6828 for the fiscal year 2024 based on its approved budget and total assessed taxable property values.
- The District's average daily attendance is expected to be approximately 115 for the fiscal year 2024.

These factors were taken into account when adopting the general fund budget for fiscal year 2024. Based on this budget, the District does not expect a significant change in fund balance.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

EXHIBIT A-1

SWEET HOME INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 640,160
1220	Property Taxes - Delinquent	86,142
1230	Allowance for Uncollectible Taxes	(45,891)
1240	Due from Other Governments	55,278
1290	Other Receivables, Net	215
	Capital Assets:	
1510	Land	261,133
1520	Buildings, Net	148,795
1530	Furniture and Equipment, Net	139,893
1550	Right-to-Use Assets, Net	30,931
1000	Total Assets	1,316,656
DEFERRED OUTFLOWS OF RESOURCES		
1702	Deferred Outflow - State Foundation Program	94,157
1705	Deferred Outflow Related to TRS Pension	149,425
1706	Deferred Outflow Related to TRS OPEB	155,184
1700	Total Deferred Outflows of Resources	398,766
LIABILITIES		
2110	Accounts Payable	17,438
2150	Payroll Deductions and Withholdings	4,780
2160	Accrued Wages Payable	72,744
2180	Due to Other Governments	131,163
2200	Accrued Expenses	1,857
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	6,844
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	24,556
2540	Net Pension Liability (District's Share)	323,259
2545	Net OPEB Liability (District's Share)	251,643
2000	Total Liabilities	834,284
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	40,531
2606	Deferred Inflow Related to TRS OPEB	430,559
2600	Total Deferred Inflows of Resources	471,090
NET POSITION		
3200	Net Investment in Capital Assets	549,352
3900	Unrestricted	(139,304)
3000	Total Net Position	$ 410,048

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 835,996	$ -	$ 118,961	$ (717,035)
12	Instructional Resources and Media Services	11,066	-	541	(10,525)
13	Curriculum and Instructional Staff Development	9,190	-	-	(9,190)
23	School Leadership	98,394	-	4,834	(93,560)
31	Guidance, Counseling, and Evaluation Services	27,397	-	29,899	2,502
33	Health Services	733	-	-	(733)
34	Student (Pupil) Transportation	49,272	-	511	(48,761)
35	Food Services	121,073	41,476	43,020	(36,577)
36	Extracurricular Activities	44,365	-	2,235	(42,130)
41	General Administration	116,246	-	2,668	(113,578)
51	Facilities Maintenance and Operations	108,161	-	1,003	(107,158)
52	Security and Monitoring Services	12,490	-	1,905	(10,585)
53	Data Processing Services	76,451	-	13,983	(62,468)
72	Debt Service - Interest on Long-Term Debt	1,076	-	-	(1,076)
93	Payments Related to Shared Services Arrangements	59,708	-	-	(59,708)
99	Other Intergovernmental Charges	258,492	-	-	(258,492)
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 1,830,110	$ 41,476	$ 219,560	(1,569,074)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	783,487
SF	State Aid - Formula Grants	905,249
IE	Investment Earnings	1,640
MI	Miscellaneous Local and Intermediate Revenue	55,411
TR	Total General Revenues	1,745,787
CN	Change in Net Position	176,713
NB	Net Position - Beginning	233,335
NE	Net Position - Ending	$ 410,048

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	ASSETS			
1110	Cash and Cash Equivalents	$ 614,067	$ 26,093	$ 640,160
1220	Property Taxes - Delinquent	86,142	-	86,142
1230	Allowance for Uncollectible Taxes	(45,891)	-	(45,891)
1240	Due from Other Governments	-	55,278	55,278
1260	Due from Other Funds	51,728	-	51,728
1290	Other Receivables	215	-	215
1000	Total Assets	$ 706,261	$ 81,371	$ 787,632
	LIABILITIES			
2110	Accounts Payable	$ 7,397	$ 10,041	$ 17,438
2150	Payroll Deductions and Withholdings Payable	4,780	-	4,780
2160	Accrued Wages Payable	66,423	6,321	72,744
2170	Due to Other Funds	-	51,728	51,728
2180	Due to Other Governments	118,293	12,870	131,163
2200	Accrued Expenditures	1,446	411	1,857
2000	Total Liabilities	198,339	81,371	279,710
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	40,251	-	40,251
2600	Total Deferred Inflows of Resources	40,251	-	40,251
	FUND BALANCES			
	Committed Fund Balance:			
3510	Construction	171,000	-	171,000
3600	Unassigned Fund Balance	296,671	-	296,671
3000	Total Fund Balances	467,671	-	467,671
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 706,261	$ 81,371	$ 787,632

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds		$	467,671
1	Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		580,752
2	Long-term obligations are not due and payable in the current period, therefore, are not reported as liabilities in the governmental funds. Long-term obligations at year-end consist of a lease liability of $31,400.		(31,400)
3	Property taxes are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.		40,251
4	State Foundation Program revenues receivable, but not yet available, are not financial resources and, therefore, are not reported in the governmental funds.		94,157
5	The District's proportionate share of the net pension liability of $323,259, deferred inflows of resources of $40,531, and deferred outflows of resources of $149,425 related to the net pension liability do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.		(214,365)
6	The District's proportionate share of the net OPEB liability of $251,643, deferred inflows of resource of $430,559, and deferred outflows of resources of $155,184 related to the net OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.		(527,018)
19	**Net Position of Governmental Activities**	$	410,048

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

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

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 833,795	$ 41,475	$ 875,270
5800	State Program Revenues	955,437	6,776	962,213
5900	Federal Program Revenues	-	168,009	168,009
5020	Total Revenues	1,789,232	216,260	2,005,492
	EXPENDITURES:			
	Current:			
0011	Instruction	753,980	84,105	838,085
0012	Instructional Resources and Media Services	11,921	-	11,921
0013	Curriculum and Instructional Staff Development	9,190	-	9,190
0023	School Leadership	106,580	-	106,580
0031	Guidance, Counseling, and Evaluation Services	3,164	29,899	33,063
0033	Health Services	733	-	733
0034	Student (Pupil) Transportation	39,178	-	39,178
0035	Food Services	-	124,929	124,929
0036	Extracurricular Activities	48,426	-	48,426
0041	General Administration	120,790	-	120,790
0051	Facilities Maintenance and Operations	114,241	-	114,241
0052	Security and Monitoring Services	39,001	1,905	40,906
0053	Data Processing Services	62,469	13,982	76,451
	Capital Outlay:			
0081	Facilities Acquisition and Construction	12,098	-	12,098
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	59,708	-	59,708
0099	Other Intergovernmental Charges	258,492	-	258,492
6030	Total Expenditures	1,639,971	254,820	1,894,791
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	149,261	(38,560)	110,701
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	38,560	38,560
8911	Transfers Out (Use)	(38,560)	-	(38,560)
8949	Other (Uses)	(4,716)	-	(4,716)
7080	Total Other Financing Sources (Uses)	(43,276)	38,560	(4,716)
1200	Net Change in Fund Balances	105,985	-	105,985
0100	Fund Balance - September 1 (Beginning)	361,686	-	361,686
3000	Fund Balance - August 31 (Ending)	$ 467,671	$ -	$ 467,671

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

Total Net Change in Fund Balances - Governmental Funds	$	105,985
Governmental funds report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. Current year capital outlay, depreciation expense, and amortization expense totaled $47,206, $36,870, and $6,543, respectively, for a net effect of $3,793.		3,793
The change in deferred tax revenue is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		11,460
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but is reported as a reduction to the long-term liabilities in the Statement of Net Position.		6,074
The change in State Foundation Program revenues receivable, but not yet available, is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		28,981
The net change in the net pension liability, deferred inflows of resources and deferred outflows of resources related to the net pension liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net pension liability increased by $175,651 deferred inflows of resources decreased by $128,328, and deferred outflows of resources increased by $35,511, for a net effect of $11,812.		(11,812)
The net change in the net OPEB liability, deferred inflows of resources and deferred outflows of resources related to the net OPEB liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net OPEB liability decreased by $145,198, deferred inflows of resources increased by $101,704, and deferred outflows of resources decreased by $11,262, for a net effect of $32,232.		32,232
Change in Net Position of Governmental Activities	$	176,713

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	$ 3,094
Total Assets	3,094
NET POSITION	
Unrestricted Net Position	3,094
Total Net Position	$ 3,094

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

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

	Custodial Fund
ADDITIONS:	
Cocurricular Services or Activities	$ 23,655
Total Additions	23,655
DEDUCTIONS:	
Supplies and Materials	21,495
Total Deductions	21,495
Change in Fiduciary Net Position	2,160
Total Net Position - September 1 (Beginning)	934
Total Net Position - August 31 (Ending)	$ 3,094

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

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

A. Summary of Significant Accounting Policies (Continued)

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

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

A. Summary of Significant Accounting Policies (Continued)

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

Financial Statement Amounts

a. Property Taxes

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

The allowance for uncollectible tax receivable within the General Fund is based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of August 31, 2023.

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

A. Summary of Significant Accounting Policies (Continued)

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

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

d. Right-to-Use Assets and Lease Liabilities

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

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

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

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

A. Summary of Significant Accounting Policies (Continued)

g. Use of Estimates

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

h. Data Control codes

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

Fund Balance Policy

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

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

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

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

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

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

A. Summary of Significant Accounting Policies (Concluded)

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

B. Deposits and Investments

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

Cash Deposits

At August 31, 2023, the carrying amount of the District's deposits was $643,254 and the bank balance was $650,309. The District's cash deposits at 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.

Investments

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

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

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

Fair Value Measurements

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

B. Deposits and Investments (Continued)

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

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

The District held no investments as of August 31, 2023.

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

B. Deposits and Investments (Concluded)

Investment Accounting Policy

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

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	$ 255,083	$ 6,050	$ -	$ 261,133
Capital Assets Being Depreciated				
Building and Improvements	1,004,970	-	-	1,004,970
Vehicles, Furniture and Equipment	407,897	41,156	-	449,053
Right-to-Use Assets	-	37,474	-	37,474
Total Capital Assets at Historical Cost	1,667,950	84,680	-	1,752,630
Less Accumulated Depreciation and Amortization for:				
Buildings and Improvements	833,491	22,684	-	856,175
Vehicles, Furniture and Equipment	294,974	14,186	-	309,160
Right-to-Use Assets	-	6,543	-	6,543
Total Accumulated Depr. & Amort.	1,128,465	43,413	-	1,171,878
Governmental Activities Capital Assets, Net	$ 539,485	$ 41,267	$ -	$ 580,752

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

Instruction	$ 29,524
Student (Pupil) Transportation	10,900
Food Services	618
Facilities Maintenance and Operations	2,371
Total	$ 43,413

D. Interfund Balances and Activities

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	Other Funds	$ 51,728	Short-term Loans

All amounts are scheduled to be repaid within one year.

Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
General Fund	Other Funds	$ 38,560	Supplement Other Funds

E. Long-Term Obligations

Leases

During the year ended August 31, 2023, the District entered into a sixty-three month lease as lessee for the use of multiple copy machines. An initial lease liability was recorded in the amount of $37,474. As of August 31, 2023, the value of the lease liability is $31,400. In accordance with the lease agreement, the District is required to make monthly fixed payments of $650. The District used a 3.38% discount rate for this arrangement based on the estimated incremental borrowing rate. The value of the right-to-use assets as of August 31, 2023, was $37,474 with accumulated amortization of $6,543.

Long Term Debt Activity

Changes in long-term obligations for the year ended August 31, 2023, are as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balances	Due Within One Year
Right-to-Use Assets	$ -	$ 37,474	$ 6,074	$ 31,400	$ 6,844

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

	Lease Liability		
Year Ending August 31,	Principal	Interest	Total
2024	$ 6,844	$ 956	$ 7,800
2025	7,079	721	7,800
2026	7,322	478	7,800
2027	7,573	227	7,800
2028	2,582	18	2,600
Total	$ 31,400	$ 2,400	$ 33,800

Interest expense was $1,076 for the year ended August 31, 2023.

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 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.

G. Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five-highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

G. Pension Plan (Continued)

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

Contributions

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

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

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

Current Fiscal Year Employer Contributions	$	26,982
Current Fiscal Year Member Contributions	$	76,017
Measurement Year NECE On-Behalf Contributions	$	70,888

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

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

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

G. Pension Plan (Continued)

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2021 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 2020	3.91%. The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last Year Ending August 31 in Projection Period (100 Years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 12, 2021.

Discount Rate

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

G. Pension Plan (Continued)

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

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

Asset Class*	Target Allocation Percentage**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.A.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
Stable Value:			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	-	3.70%	-
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return:			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities	-	3.60%	-
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage:			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	(6.00%)	3.60%	(0.05%)
Inflation Expectation			2.70%
Volatility Drag****	-		(0.91%)
	100.00%		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 08/31/22).
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

G. Pension Plan (Continued)

Discount Rate Sensitivity Analysis

The following table presents the net pension liability of the plan using the discount rate of 7.00% and what the net pension liability would be if it were calculated using a discount rate that was 1% less (6.00%) or 1% greater (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate Share of the Net Pension Liability	$ 502,868	$ 323,259	$ 177,677

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

At August 31, 2023, the District reported a liability of $323,259 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	$ 323,259
State's Proportionate Share that is Associated with the District	901,884
Total	$ 1,225,143

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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the Plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022, the employer's proportionate share of the collective net pension liability was 0.0005445054%, a decrease of 0.0000351109% from its proportionate share measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year's net pension liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was lowering of the single discount rate from 7.25% to 7.00%.

For the year ended August 31, 2023, the District recognized pension expense of $125,004 and revenue of $86,210 for support provided by the State.

G. Pension Plan (Concluded)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experiences	$ 4,687	$ 7,048
Changes in Actuarial Assumptions	60,234	15,012
Difference Between Projected and Actual Investment Earnings	31,937	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	25,585	18,471
Contributions Paid to TRS Subsequent to the Measurement Date	26,982	-
Total as of August 31, 2023	$ 149,425	$ 40,531

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

Year ended August 31:	Pension Expense Amount
2024	$ 20,315
2025	$ 14,464
2026	$ 6,825
2027	$ 36,856
2028	$ 3,453
Thereafter	-

For the year ended August 31, 2023, the changes to the TRS net pension liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	$ 147,608	$ 201,059	$ 25,408	$ 323,259

H. Defined Other Post-Employment Benefit Plan

Plan Description

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

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

H. Defined Other Post-Employment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

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

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a "pay-as-you-go" basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

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

H. Defined Other Post-Employment Benefit Plan (Continued)

	Contribution Rates	
	2022	2023
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

Current Fiscal Year Employer Contributions	$ 7,997
Current Fiscal Year Member Contributions	$ 5,989
Measurement Year NECE On-Behalf Contributions	$ 10,530

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19 related health care costs during fiscal year 2022.

Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022: rates of mortality, rates of retirement, rates of termination, rates of disability, general inflation, and wage inflation.

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, with full generational projection using the ultimate improvement rates from the 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 age-adjusted claim costs.

H. Defined Other Post-Employment Benefit Plan (Continued)

Salary Increases	3.05% - 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

A single discount rate of 3.91% was used to measure the total OPEB liability. There was an increase of 1.96% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The 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, 2021 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's Proportionate Share of the Net OPEB Liability	$ 296,707	$ 251,643	$ 215,135

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

At August 31, 2023, the District reported a liability of $251,643 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	$ 251,643
State's Proportionate Share that is Associated with the District	306,965
Total	$ 558,608

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 employer's proportionate share of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

H. Defined Other Post-Employment Benefit Plan (Continued)

At August 31, 2022, the employer's proportionate share of the collective Net OPEB Liability was 0.0010509644%, an increase of 0.0000221983% from its proportionate share measured as of August 31, 2021.

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate Share of the Net OPEB Liability	$ 207,355	$ 251,643	$ 309,057

Changes Since the Prior Actuarial Valuation

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

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

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

For the year ended August 31, 2023, the District recognized OPEB Expense of ($67,796) and revenue of ($43,561) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experiences	$ 13,990	$ 209,641
Changes in Actuarial Assumptions	38,330	174,827
Difference Between Projected and Actual Investment Earnings	749	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	94,118	46,091
Contributions Paid to TRS Subsequent to the Measurement Date	7,997	-
Total as of August 31, 2023	$ 155,184	$ 430,559

H. Defined Other Post-Employment Benefit Plan (Concluded)

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

Year ended August 31:	OPEB Expense Amount
2024	$ (52,896)
2025	$ (52,894)
2026	$ (42,222)
2027	$ (27,775)
2028	$ (31,575)
Thereafter	$ (76,010)

For the year ended August 21, 2022, the changes to the TRS net OPEB liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	$ 396,841	$ -	$ 145,198	$ 251,643

I. Health Care Coverage – Retirees and Active Employees

Retiree Health Care Coverage

Plan Description

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

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The contribution rate for the active employees was 0.65% for the years ended August 31, 2023, 2022, and 2021. The contribution rate for the State was 1.25% for the years ended August 31, 2023, 2022, and 2021. The contribution rate for the District was 0.75% for the years ended August 31, 2023, 2022, and 2021. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

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

Contributions

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

Contribution Rates and Contribution Amounts

	Member		State		District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2023	0.65%	$ 6,178	1.25%	$ 11,315	0.75%	$ 7,129
2022	0.65%	$ 6,776	1.25%	$ 12,316	0.75%	$ 7,819
2021	0.65%	$ 6,536	1.25%	$ 12,600	0.75%	$ 7,543

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2023, 2022, and 2021, the subsidy payments received by TRS-Care on behalf of the District were $5,221, $4,549, and $4,599, respectively.

Active Employee Health Care Coverage

Plan Description

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

J. Commitments and Contingencies

Contingencies

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

K. Shared Services Arrangements

The District participates in a shared services arrangement ("SSA") with several other school districts for special education services. The District does not account for revenues or expenditures in this program and does not disclose them in its financial statements. The District has neither a joint ownership interest in capital assets purchased by the fiscal agent, Yoakum I.S.D., nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. In accordance with the Resource Guide, the payments to the fiscal agent are recorded as expenditures in Function 93, "Payments Related to Shared Services Arrangements." Latest financial statements for the SSA are available for year ended August 31, 2022, from the fiscal agent.

L. Local and Intermediate Revenue

During the year ended August 31, 2023, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General Fund	$ 772,027
Interest Income from Temporary Investments	General Fund	1,640
Tuition and Fees	General Fund	42,593
Gifts and Bequests	General Fund	15,000
Other Miscellaneous Revenues	General Fund	2,535
Total General Fund		833,795
Revenues From Meals Served	Special Revenue Fund	41,475
Total Governmental Funds		875,270
Revenues From Cocurricular Activities	Custodial Funds	23,655
Total Local and Intermediate Revenues		$ 898,925

M. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS retirement and TRS Care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the accompanying statement of activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to significant changes in benefits within the TRS plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. According to guidance provided directly from GASB, this is the proper reporting for these negative revenues and expenses.

M. Negative Operating Grants and Contributions – Statement of Activities (Concluded)

Following are the effects on the operating grants and contributions on the accompanying statement of activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On-Behalf Accruals)
Governmental Activities:			
11 - Instruction	$ 118,961	$ (30,775)	$ 149,736
12 - Instructional Resources and Media Services	541	(478)	1,019
23 - School Leadership	4,834	(4,269)	9,103
31 - Guidance, Counseling, and Evaluation Services	29,899	-	29,899
34 - Student (Pupil) Transportation	511	(451)	962
35 - Food Services	43,020	(2,374)	45,394
36 - Extracurricular Activities	2,235	(1,973)	4,208
41 - General Administration	2,668	(2,356)	5,024
51 - Facilities Maintenance and Operations	1,003	(885)	1,888
52 - Security and Monitoring Services	1,905	-	1,905
53 - Data Processing Services	13,983	-	13,983
Total Governmental Activities	$ 219,560	$ (43,561)	$ 263,121

Required Supplementary Information

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

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

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 863,461	$ 878,461	$ 833,795	$ (44,666)
5800	State Program Revenues	968,894	968,894	955,437	(13,457)
5020	Total Revenues	1,832,355	1,847,355	1,789,232	(58,123)
	EXPENDITURES:				
	Current:				
0011	Instruction	801,392	816,392	753,980	62,412
0012	Instructional Resources and Media Services	19,054	14,054	11,921	2,133
0013	Curriculum and Instructional Staff Development	11,205	11,206	9,190	2,016
0023	School Leadership	110,043	110,043	106,580	3,463
0031	Guidance, Counseling, and Evaluation Services	7,000	5,000	3,164	1,836
0033	Health Services	1,500	1,500	733	767
0034	Student (Pupil) Transportation	52,947	52,947	39,178	13,769
0036	Extracurricular Activities	45,173	50,173	48,426	1,747
0041	General Administration	148,804	138,804	120,790	18,014
0051	Facilities Maintenance and Operations	145,441	135,441	114,241	21,200
0052	Security and Monitoring Services	42,600	42,600	39,001	3,599
0053	Data Processing Services	77,233	69,233	62,469	6,764
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	15,000	12,098	2,902
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	51,800	59,800	59,708	92
0099	Other Intergovernmental Charges	269,500	264,500	258,492	6,008
6030	Total Expenditures	1,783,692	1,786,693	1,639,971	146,722
1100	Excess of Revenues Over Expenditures	48,663	60,662	149,261	88,599
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	(48,663)	(58,663)	(38,560)	20,103
8949	Other (Uses)	-	-	(4,716)	(4,716)
7080	Total Other Financing Sources (Uses)	(48,663)	(58,663)	(43,276)	15,387
1200	Net Change in Fund Balances	-	1,999	105,985	103,986
0100	Fund Balance - September 1 (Beginning)	361,686	361,686	361,686	-
3000	Fund Balance - August 31 (Ending)	$ 361,686	$ 363,685	$ 467,671	$ 103,986

SWEET HOME INDEPENDENT SCHOOL DISTRICT

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

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE YEAR ENDED AUGUST 31, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.000544505%	0.000579616%	0.0005612%
District's Proportionate Share of Net Pension Liability (Asset)	$ 323,259	$ 147,608	$ 300,590
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	901,884	353,543	945,128
Total	$ 1,225,143	$ 501,151	$ 1,245,718
District's Covered Payroll	$ 1,042,521	$ 1,005,667	$ 963,639
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	31.01%	14.68%	31.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

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

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

	2023	2022	2021
Contractually Required Contribution	$ 26,982	$ 26,237	$ 24,152
Contribution in Relation to the Contractually Required Contribution	(26,982)	(26,237)	(24,152)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 975,555	$ 1,042,521	$ 1,005,667
Contributions as a Percentage of Covered Payroll	2.77%	2.52%	2.40%

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

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

2020	2019	2018	2017	2016	2015	2014
$ 22,600	$ 17,432	$ 16,019	$ 16,149	$ 15,826	$ 17,245	$ 4,824
(22,600)	(17,432)	(16,019)	(16,149)	(15,826)	(17,245)	(4,824)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 963,639	$ 867,943	$ 831,710	$ 836,639	$ 819,362	$ 820,192	$ 806,194
2.35%	2.01%	1.93%	1.93%	1.93%	2.10%	0.60%

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

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.001050964%	0.001028766%	0.0011187%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 251,643	$ 396,841	$ 425,273
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	306,965	531,679	571,465
Total	$ 558,608	$ 928,520	$ 996,738
District's Covered Payroll	$ 1,042,521	$ 1,005,667	$ 963,639
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	24.14%	39.46%	44.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

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

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

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.000957%	0.0009158%	0.0009261%
$ 452,573	$ 457,288	$ 402,743
601,369	730,114	678,225
$ 1,053,942	$ 1,187,402	$ 1,080,968
$ 867,943	$ 831,710	$ 836,639
52.14%	54.98%	48.14%
2.66%	1.57%	91.00%

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	2023	2022	2021
Contractually Required Contribution	$ 7,997	$ 8,624	$ 8,058
Contribution in Relation to the Contractually Required Contribution	(7,997)	(8,624)	(8,058)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 975,555	$ 1,042,521	$ 1,005,667
Contributions as a Percentage of Covered Payroll	0.82%	0.83%	0.80%

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

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

2020	2019	2018
$ 8,377	$ 6,694	$ 6,435
(8,377)	(6,694)	(6,435)
$ -	$ -	$ -
$ 963,639	$ 867,943	$ 831,710
0.87%	0.77%	0.77%

Budgetary Data

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

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

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

c. Prior to September 1, the budget is legally enacted through passage of a resolution of the Board.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made during the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended as necessary within all material respects.

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

TRS Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

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

TRS OPEB Plan

Changes of Benefit Terms

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

Changes of Assumptions

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

- The single discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change increased the total OPEB liability.

Other Supplementary Information

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

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31		(1) Tax Rates	(2)	(3) Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2014	and prior years	Various	Various	$ Various
2015		1.040000	0.000000	64,212,213
2016		1.040000	0.000000	64,301,358
2017		1.040000	0.000000	64,474,474
2018		1.040000	0.000000	64,328,353
2019		1.040000	0.000000	67,843,739
2020		0.970000	0.000000	67,808,922
2021		0.966400	0.000000	68,119,065
2022		0.963400	0.000000	81,144,061
2023	(School year under audit)	0.914400	0.000000	87,130,339
1000	TOTALS			
8000	Total Taxes Refunded Under Section 26.115, Tax Code			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
$ 16,291	$ -	$ 5	$ -	$ 1,404	$ 17,690
224	-	-	-	-	224
367	-	-	-	-	367
381	-	-	-	-	381
380	-	-	-	-	380
769	-	391	-	-	378
904	-	387	-	-	517
7,123	-	548	-	-	6,575
6,253	-	1,503	-	(356)	4,394
-	796,720	764,117	-	(17,761)	14,842
$ 32,692	$ 796,720	$ 766,951	$ -	$ (16,713)	$ 45,748
		$ 0.00			

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

Ending Balance per Exhibit J-1	$ 45,748
Accrued Penalties and Interest on Delinquent Property Taxes Receivable	40,394
Property Taxes - Delinquent per Exhibits A-1 and C-1	$ 86,142

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

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 45,000	$ 45,000	$ 41,475	$ (3,525)
5800	State Program Revenues	4,628	4,628	4,871	243
5900	Federal Program Revenues	23,266	23,266	40,023	16,757
5020	Total Revenues	72,894	72,894	86,369	13,475
	EXPENDITURES:				
	Current:				
0035	Food Services	121,557	131,557	124,929	6,628
6030	Total Expenditures	121,557	131,557	124,929	6,628
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,663)	(58,663)	(38,560)	20,103
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	48,663	48,663	38,560	(10,103)
1200	Net Change in Fund Balances	-	(10,000)	-	10,000
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ (10,000)	$ -	$ 10,000

SWEET HOME INDEPENDENT SCHOOL DISTRICT

STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES

FOR THE YEAR ENDED AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$43,659
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	$84,811

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	No
AP6	Does the LEA have written policies and procedures for its bilingual education program?	No
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$-
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	$-

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

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

Members of the Board of Trustees:

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

Report on Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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

Respectfully submitted,

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

Roloff, Hnatek & Co., L.L.P.
January 5, 2024

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2023

There were no findings requiring disclosure noted.

SWEET HOME INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

There were no findings noted during the prior year audit.