

**SULPHUR SPRINGS  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2023**

**RUTHERFORD, TAYLOR & COMPANY, P.C.**  
*Certified Public Accountants*  
3500 Joe Ramsey Blvd.  
Greenville, Texas 75401  
(903) 455-6252

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2023

**TABLE OF CONTENTS**

	<u>Page</u>	<u>Exhibits</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of Board.....	3	
<b>FINANCIAL SECTION</b>		
<u>Independent Auditor's Reports:</u>		
Report on Basic Financial Statements .....	5	
Report on Internal Controls and Compliance ( <i>Government Auditing Standards</i> ).....	8	
Report on Internal Control over Compliance in Accordance with OMB Circular A-133.....	10	
Schedule of Findings and Questioned Costs .....	12	
Management's Discussion and Analysis (Required Supplementary Information) .....	17	
<u>Basic Financial Statements:</u>		
<u>Government-wide Financial Statements:</u>		
Statement of Net Position .....	26	A-1
Statement of Activities .....	27	B-1
<u>Fund Financial Statements:</u>		
Balance Sheet – Governmental Funds.....	28	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position .....	29	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Governmental Funds .....	30	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities .....	31	C-4
Statement of Fund Net Position – Proprietary Funds .....	32	D-1
Statement of Revenues, Expenses and Changes in		
Net Position – Proprietary Funds.....	33	D-2
Statement of Cash Flows – Proprietary Funds.....	34	D-3
Statement of Fiduciary Net Position – Fiduciary Funds.....	35	E-1
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	36	E-2
Notes to the Basic Financial Statements.....	37	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund .....	63	G-1
Schedule of District's Proportionate Share of the Net Pension Liability .....	64	G-2
Schedule of District Pension Contributions .....	65	G-3
Schedule of District's Proportionate Share of the OPEB Liability .....	66	G-4
Schedule of District OPEB Contributions .....	67	G-5
Notes to Required Supplementary Information .....	68	
<u>Other Information Section:</u>		
Schedule of Delinquent Taxes Receivable.....	72	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	71	J-3
Debt Service Fund.....	72	J-4
Schedule of Required Responses to Selected School FIRST Indicators.....	73	J-5
Schedule of Required Responses to State Mandated Program Requirements .....	74	J-6
<b>FEDERAL AWARDS SECTION</b>		
Schedule of Expenditures of Federal Awards .....	76	K-1
Notes to Schedule of Expenditures of Federal Awards .....	78	K-2

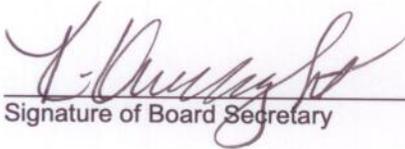
**CERTIFICATE OF BOARD**

Sulphur Springs Independent School District  
Name of School District

Hopkins  
County

112-901  
Co. Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and X **approved**/ \_\_\_\_\_ **disapproved** for the year ended August 31, 2023, at a meeting of the board of school trustees of such school district on December 18, 2023.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

## FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

---

Members of the Board  
Sulphur Springs Independent School District

**Report on 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 the Sulphur Springs Independent School District (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 the Sulphur Springs 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 the 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement 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 judgement 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 including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charges 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, budgetary comparison information and schedules related to pension and other post-employment benefit activities 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 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 the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



December 12, 2023  
Greenville, Texas

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

---

Members of the Board  
Sulphur Springs Independent School District

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 the Sulphur Springs Independent School District (District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2023.

***Report on Internal Control over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

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

Report on Internal Control – Continued

***Purpose of This Report***

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

*Rutherford, Taylor & Company PC*

December 12, 2023  
Greenville, Texas

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

---

Members of the Board  
Sulphur Springs Independent School District

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

Internal Control over Compliance with the Uniform Guidance – Continued

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

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

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

**Report on Internal Control over Compliance**

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

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

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

**Purpose of This Report**

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



December 12, 2023  
Greenville, Texas

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2023

**Summary of Auditor's Results (Section I)**

---

*Financial Statements –*

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting:	
Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

*Federal Awards –*

Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of major programs	Education Stabilization Fund Cluster: ESSER – II (84.425d) ESSER – III (84.425u) Special Education Cluster: IDEA – B Formula (84.027a) IDEA – B Preschool (84.173a) IDEA – B Preschool – ARP (84.173x)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2023

**Financial Statement Findings (Section II)**

---

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2023

**Federal Award Findings and Questioned Costs (Section III)**

---

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2023

**Prior Year Findings (Section IV)**

---

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2023

**Corrective Action Plans (Section V)**

---

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

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

**FINANCIAL HIGHLIGHTS**

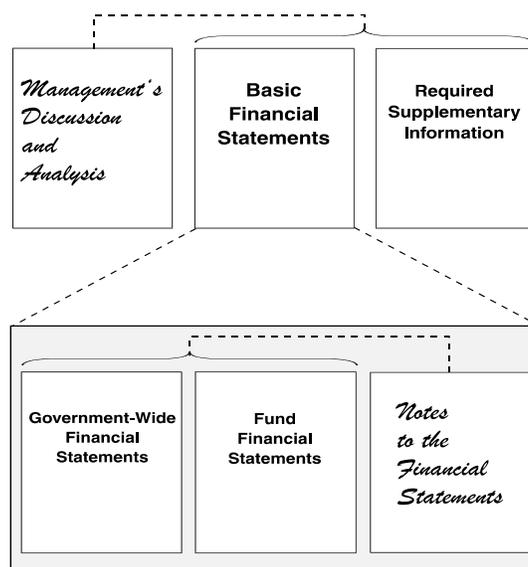
- The District's Net Position was \$ 15,874,973 at year end.
- During the year, the District's expenses were \$ 6,160,313 less than the \$ 60,957,436 in taxes and other revenues for governmental activities.
- Total expenses for the year increased 2.76% over the prior year total with current year revenues increasing 6.37%.
- The General Fund reported a fund balance this year of \$ 13,520,450, an increase of \$ 1,708,635 from the prior year.
- Leases valued at \$ 22,336 were executed to provide copier equipment for use.
- The District defeased \$ 5,950,000 of future debt maturities to save interest over the life of the debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



The basic financial statements also include notes that explain some of the information in the basic 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 basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

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

Figure A-2 summarizes the major features of the District's basic 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.

**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.

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

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

**FUND FINANCIAL STATEMENTS**

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

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

The District has 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 to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explain the relationship (or differences) between them.
- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$ 15,874,973 at August 31, 2023.

<b>Sulphur Springs Independent School District's Net Position</b>			<b>Table A-1</b>
	Governmental Activities		Total Percentage Change
	2023	2022	2022-2023
<b>Assets:</b>			
Cash and Investments	\$ 20,739,960	\$ 20,002,916	3.68%
Other Assets	3,449,718	5,721,805	-39.71%
Capital Assets less Accumulated Depreciation	61,667,087	64,081,840	-3.77%
<b>Total Assets</b>	<b>\$ 85,856,765</b>	<b>\$ 89,806,561</b>	<b>-4.40%</b>
Total Deferred Outflows of Resources	\$ 11,260,839	\$ 9,379,383	20.06%
<b>Liabilities:</b>			
Current Liabilities	\$ 2,488,088	\$ 3,403,541	-26.90%
Long-term Liabilities	63,327,060	68,722,263	-7.85%
<b>Total Liabilities</b>	<b>\$ 65,815,148</b>	<b>\$ 72,125,804</b>	<b>-8.75%</b>
Total Deferred Inflows of Resources	\$ 15,427,483	\$ 17,345,685	-11.06%
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 22,233,443	\$ 16,005,935	38.91%
Restricted	6,587,685	8,937,502	-26.29%
Unrestricted	(12,946,155)	(15,228,982)	14.99%
<b>Total Net Position</b>	<b>\$ 15,874,973</b>	<b>\$ 9,714,455</b>	<b>63.42%</b>

Approximately \$ 4,998,586 of the District's restricted net position represent funds collected for debt retirement. These funds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

**CHANGES IN NET POSITION**

The District's total revenues were \$ 60,957,436. 37% of the District's revenue comes from local property taxes (See Table A-2). 55% comes from state aid and federal grants, while 8% relates to charges for services and other sources.

The total cost of all programs and services was \$ 54,797,123. 57% of these costs are for instruction and instructional related staff and student services.

The District's current tax collection rate (base tax only – current and delinquent) was 99.80%. The total collection rate (base tax plus penalty and interest) was 101.50%.

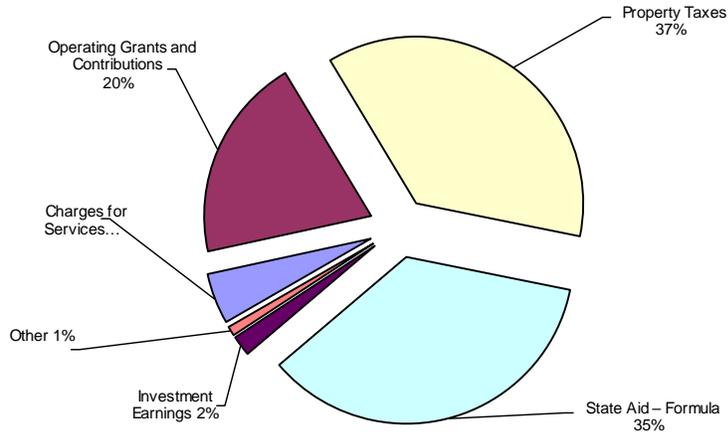
SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

**GOVERNMENTAL ACTIVITIES**

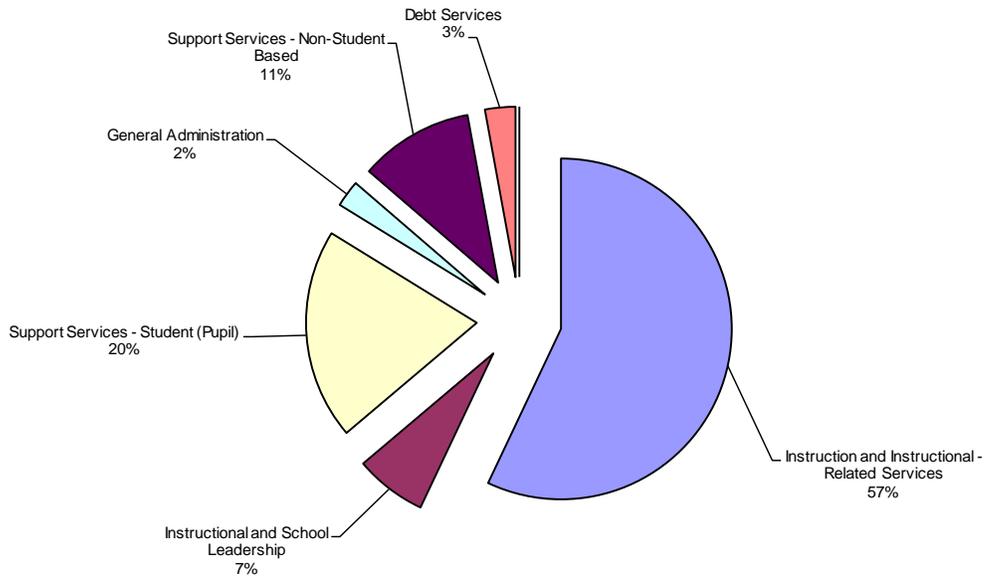
<b>Changes in Sulphur Springs Independent School District's Net Position</b>			<b>Table A-2</b>
	Governmental Activities		Total Percentag Change
	2023	2022	2022-2023
<b>Program Revenues:</b>			
Charges for Services	\$ 3,001,627	\$ 1,387,979	116.26%
Operating Grants and Contributions	12,071,953	12,541,017	-3.74%
<b>General Revenues:</b>			
Property Taxes	22,415,930	19,956,015	12.33%
State Aid – Formula	21,707,246	23,234,637	-6.57%
Investment Earnings	1,200,714	107,663	1015.25%
Other	559,966	82,036	582.59%
<b>Total Revenues</b>	<b>\$ 60,957,436</b>	<b>\$ 57,309,347</b>	<b>6.37%</b>
<b>Expenses:</b>			
Instruction	\$ 29,888,082	\$ 30,205,794	-1.05%
Instructional Resources and Media Services	531,853	468,681	13.48%
Curriculum and Staff Development	717,762	666,772	7.65%
Instructional Leadership	2,010,505	1,911,568	5.18%
School Leadership	1,699,042	1,550,553	9.58%
Guidance, Counseling and Evaluation Services	1,281,507	1,248,859	2.61%
Social Work Services	242,120	237,117	2.11%
Health Services	601,474	560,866	7.24%
Student Transportation	1,797,090	1,618,625	11.03%
Food Services	2,906,343	2,546,889	14.11%
Cocurricular/Extracurricular Activities	4,091,131	3,533,894	15.77%
General Administration	1,377,982	1,395,786	-1.28%
Facilities Maintenance and Operations	4,645,167	4,519,393	2.78%
Security and Monitoring Services	741,711	706,320	5.01%
Data Processing Services	507,323	453,479	11.87%
Community Services	7,989	1,591	402.14%
Debt Service	1,569,443	1,698,110	-7.58%
Capital Outlay	180,599	-	100.00%
<b>Total Expenses</b>	<b>\$ 54,797,123</b>	<b>\$ 53,324,297</b>	<b>2.76%</b>
<b>Excess (Deficiency) Before Other Resources, Uses and Transfers</b>	<b>\$ 6,160,313</b>	<b>\$ 3,985,050</b>	<b>54.59%</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 6,160,313</b>	<b>\$ 3,985,050</b>	<b>54.59%</b>
<b>Net Position - Beginning (September 1)</b>	<b>\$ 9,714,455</b>	<b>\$ 5,729,405</b>	<b>69.55%</b>
<b>Prior Period Adjustment</b>	<b>205</b>	<b>-</b>	<b>100.00%</b>
<b>Net Position - Beginning as restated</b>	<b>\$ 9,714,660</b>	<b>\$ 5,729,405</b>	<b>69.56%</b>
<b>Net Position - Ending (August 31)</b>	<b>\$ 15,874,973</b>	<b>\$ 9,714,455</b>	<b>63.42%</b>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED AUGUST 31, 2023

**Sources of Revenue for Fiscal Year 2023- See Table A-2**



**Functional Expenses for Fiscal Year 2023 - See Table A-2**



SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED AUGUST 31, 2023

- Table A-3 presents the cost of selected District functions as well as the selected functions' net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 54,797,123.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 22,415,930.
- Some of the cost was paid by those who directly benefited from the programs, \$ 3,001,627, or
- By grants and contributions, \$ 12,071,953.

<b>Sulphur Springs Independent School District's Net Cost of Selected District Functions</b>							<b>Table A-3</b>
	<u>Total Cost of Services</u>		%	<u>Net Cost of Services</u>		%	
	2023	2022		Change	2023		2022
Instruction	\$ 29,888,082	\$ 30,205,794	-1.05%	\$ 24,472,244	\$ 23,594,198	3.72%	
School Leadership	1,699,042	1,550,553	9.58%	1,571,382	1,492,981	5.25%	
General Administration	1,377,982	1,395,786	-1.28%	1,346,507	1,397,459	-3.65%	
Facilities Maintenance and Operations	4,645,167	4,519,393	2.78%	1,213,131	2,625,407	-53.79%	
Debt Service	1,569,443	1,698,110	-7.58%	1,397,212	1,616,586	-13.57%	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$ 62,494,925, which represents a \$ 2,373,048 increase over the prior year revenues of \$ 60,121,877. This increase reflects increased state aid related to student enrollment and attendance as provided by HB3. Additional federal funding received for pandemic learning loss also contributed to the increase.

Expenditures of governmental fund types totaled \$ 57,207,051 for the year. This is an increase of \$ 223,109 from the prior year total of \$ 56,983,942. The increase reflects additional payments for increased salaries to personnel related to state changes in HB3 as well as overall operating costs throughout the District. Costs related to pandemic learning loss funded through grants also increased the total expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 2,197,116 below General Fund final budget amounts. The largest positive variances are reflective of lower than anticipated expenditures incurred in instruction as well as student transportation.

Resources available were \$ 1,026,672 above the final General Fund budgeted amount. The favorable variance was due to better than anticipated local revenues related to property tax collections and section 313 agreements. Both state and federal resources were short of budget estimates.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At year end, the District had invested \$ 110,855,265 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

<b>Sulphur Springs Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total Percentage Change
	2023	2022	2022-2023
Land	\$ 862,613	\$ 862,613	0.00%
Buildings and Improvements	99,880,047	99,688,824	0.19%
Equipment	4,291,905	3,388,919	26.65%
Vehicles	5,557,939	5,369,110	3.52%
Right of Use Leases	262,761	226,690	15.91%
Totals at Historical Cost	\$ 110,855,265	\$ 109,536,156	1.20%
Less Accumulated Depreciation	(49,188,178)	(45,454,316)	8.21%
Net Capital Assets	<u>\$ 61,667,087</u>	<u>\$ 64,081,840</u>	-3.77%

**DEBT**

At year end the District had \$ 39,540,464 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

**Bond Ratings -**  
The District's bonds presently carry "AAA" ratings.

<b>Sulphur Springs Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total Percentage Change
	2023	2022	2022-2023
General Obligation Bonds	\$ 31,475,000	\$ 39,115,000	-19.53%
Direct Borrowings Payable	5,208,900	5,548,900	-6.13%
Right of Use Leases Payable	82,181	165,850	-50.45%
Other Debt Payable	2,774,383	3,334,695	-16.80%
Total Debt Payable	<u>\$ 39,540,464</u>	<u>\$ 48,164,445</u>	-17.91%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2023

**ECONOMIC FACTORS**

The District's property valuation has continued to increase as economic conditions have improved following the Covid pandemic. This has provided stable tax revenues to the District. Local property tax rates for maintenance and operations are restricted by statute to \$ .97, without local elections. In prior years, the State Legislature passed House Bill 2 (HB2) which included various changes to the property tax rate structure limiting school districts' opportunities for tax modifications and compressing the rates charged to taxpayers. During the latest special session of the Texas Legislature, the bodies passed Senate Bill 2 (SB2) which provides a mandatory increase in the homestead exemption to \$100,000. This exemption is to be put into effect after a constitutional election slated for November 2023. If the measure is approved, tax revenues will be reduced. This and additional changes required under SB2 could impact the District's financial operations, including cash flows.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be fairly stable, as indicated by property value increases in prior years. Housing has not expanded at the rate of other north central Texas communities. These economic conditions should allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2023 - 2025 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased but the tax rate compression and expanded homestead exemption will reduce the local effort for revenues. This reduction is to be funded by the State in its annual foundation support. With these changes in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2023

Data Control Codes		1 <u>Governmental Activities</u>
	<b>ASSETS</b>	
1110	Cash and Investments	\$ 20,739,960
1225	Property Taxes Receivable, Net	900,614
1240	Due from Other Governments	2,504,874
1300	Inventories, at Cost	44,230
	Capital Assets:	
1510	Land	862,613
1520	Buildings and Improvements, Net	57,428,374
1530	Furniture and Equipment, Net	3,296,547
1550	Right of Use Assets, Net	<u>79,553</u>
<b>1000</b>	<b>Total Assets</b>	<b><u>\$ 85,856,765</u></b>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701	Deferred Outflows - Refunding	\$ 2,110,849
1705	Deferred Outflows - Pensions	6,440,460
1706	Deferred Outflows - OPEB	<u>2,709,530</u>
<b>1700</b>	<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 11,260,839</u></b>
	<b>LIABILITIES</b>	
2110	Accounts Payable	\$ 235,642
2140	Interest Payable	58,369
2165	Accrued Liabilities	2,101,036
2180	Due to Other Governments	300
2300	Unearned Revenues	92,741
	Noncurrent Liabilities:	
2501	Due within one year	2,073,608
2502	Due in more than one year	37,466,856
2540	Net Pension Liability	14,847,994
2545	OPEB Liability	<u>8,938,602</u>
<b>2000</b>	<b>Total Liabilities</b>	<b><u>\$ 65,815,148</u></b>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605	Deferred Inflows - Pensions	\$ 1,460,760
2606	Deferred Inflows - OPEB	<u>13,966,723</u>
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 15,427,483</u></b>
	<b>NET POSITION</b>	
3200	Net Investments in Capital Assets	\$ 22,233,443
	Restricted For:	
3820	Federal and State Programs	1,584,821
3850	Debt Service	4,998,586
3890	Other Programs	4,278
3900	Unrestricted	<u>(12,946,155)</u>
<b>3000</b>	<b>Total Net Position</b>	<b><u>\$ 15,874,973</u></b>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2023

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Program Revenues		
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 29,888,082	\$ 76,461	\$ 5,339,377	\$ (24,472,244)
12	Instructional Resources and Media Services	531,853	29,712	31,151	(470,990)
13	Curriculum and Staff Development	717,762	-	109,526	(608,236)
21	Instructional Leadership	2,010,505	-	623,341	(1,387,164)
23	School Leadership	1,699,042	-	127,660	(1,571,382)
31	Guidance, Counseling and Evaluation Services	1,281,507	-	223,201	(1,058,306)
32	Social Work Services	242,120	-	103,988	(138,132)
33	Health Services	601,474	10,559	118,548	(472,367)
34	Student Transportation	1,797,090	-	147,846	(1,649,244)
35	Food Services	2,906,343	257,692	2,973,836	325,185
36	Cocurricular/Extracurricular Activities	4,091,131	1,177,687	18,285	(2,895,159)
41	General Administration	1,377,982	-	31,475	(1,346,507)
51	Facilities Maintenance and Operations	4,645,167	1,449,516	1,982,520	(1,213,131)
52	Security and Monitoring Services	741,711	-	44,473	(697,238)
53	Data Processing Services	507,323	-	21,679	(485,644)
61	Community Services	7,989	-	2,816	(5,173)
72	Interest on Long-term Debt	1,559,893	-	172,231	(1,387,662)
73	Debt Issuance Costs and Fees	9,550	-	-	(9,550)
81	Capital Outlay	180,599	-	-	(180,599)
TG	Total Governmental Activities	<u>\$ 54,797,123</u>	<u>\$ 3,001,627</u>	<u>\$ 12,071,953</u>	<u>\$ (39,723,543)</u>
TP	Total Primary Government	<u>\$ 54,797,123</u>	<u>\$ 3,001,627</u>	<u>\$ 12,071,953</u>	<u>\$ (39,723,543)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				\$ 16,426,633
DT	Property Taxes, Levied for Debt Service				5,989,297
IE	Investment Earnings				1,200,714
GC	Grants and Contributions Not Restricted to Specific Programs				21,707,246
MI	Miscellaneous				559,966
TR	Total General Revenues				<u>\$ 45,883,856</u>
CN	Change in Net Position				<u>\$ 6,160,313</u>
NB	Net Position - Beginning (September 1)				\$ 9,714,455
PA	Prior Period Adjustment				205
	Net Position - Beginning, as Restated				<u>\$ 9,714,660</u>
NE	Net Position - Ending (August 31)				<u>\$ 15,874,973</u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AUGUST 31, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Investments	\$ 14,199,310	\$ 4,860,300	\$ 1,486,171	\$ 20,545,781
1225	Property Taxes Receivable, Net	674,208	226,406	-	900,614
1240	Due from Other Governments	1,346,082	-	1,158,792	2,504,874
1260	Due from Other Funds	11,255	-	91,426	102,681
1300	Inventories	44,230	-	-	44,230
<b>1000</b>	<b>Total Assets</b>	<b><u>\$ 16,275,085</u></b>	<b><u>\$ 5,086,706</u></b>	<b><u>\$ 2,736,389</u></b>	<b><u>\$ 24,098,180</u></b>
<b>LIABILITIES</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 32,320	\$ -	\$ 107,835	\$ 140,155
2150	Payroll Deductions and Withholdings	263,996	-	-	263,996
2160	Accrued Wages Payable	1,652,167	-	130,205	1,782,372
2170	Due to Other Funds	92,590	-	11,255	103,845
2180	Due to Other Governments	-	-	300	300
2200	Accrued Expenditures	39,354	-	15,314	54,668
2300	Unearned Revenue	-	35,006	57,735	92,741
<b>2000</b>	<b>Total Liabilities</b>	<b><u>\$ 2,080,427</u></b>	<b><u>\$ 35,006</u></b>	<b><u>\$ 322,644</u></b>	<b><u>\$ 2,438,077</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2610	Deferred Property Taxes	\$ 674,208	\$ 226,406	\$ -	\$ 900,614
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 674,208</u></b>	<b><u>\$ 226,406</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 900,614</u></b>
<b>FUND BALANCES</b>					
Nonspendable Fund Balances:					
3410	Inventories	\$ 44,230	\$ -	\$ -	\$ 44,230
Restricted Fund Balances:					
3450	Federal/State Funds Grants	-	-	960,297	960,297
3480	Retirement of Long-Term Debt	-	4,825,294	-	4,825,294
3490	Other Restrictions of Fund Balance	36,056	-	180,290	216,346
Committed Fund Balances:					
3545	Other Committed Fund Balance	-	-	1,273,158	1,273,158
Assigned Fund Balances:					
3590	Other Assigned Fund Balance	1,436,155	-	-	1,436,155
3600	Unassigned	12,004,009	-	-	12,004,009
<b>3000</b>	<b>Total Fund Balances</b>	<b><u>\$ 13,520,450</u></b>	<b><u>\$ 4,825,294</u></b>	<b><u>\$ 2,413,745</u></b>	<b><u>\$ 20,759,489</u></b>
<b>4000</b>	<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 16,275,085</u></b>	<b><u>\$ 5,086,706</u></b>	<b><u>\$ 2,736,389</u></b>	<b><u>\$ 24,098,180</u></b>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2023

Total fund balances - Balance Sheet (governmental funds)	\$	20,759,489
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		61,667,087
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		900,614
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		99,856
Payables for bond principal which are not due in the current period are not reported in the funds.		(31,475,000)
Payables for right of use leases which are not due in the current period are not reported in the funds.		(82,181)
Payables for debt interest which are not due in the current period are not reported in the funds.		(58,369)
Payables for direct borrowings which are not due in the current period are not reported in the funds.		(5,208,900)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(106,820)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		2,110,849
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(14,847,994)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(1,460,760)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		6,440,460
Bond premiums are amortized in the SNA but not in the funds.		(2,667,563)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(8,938,602)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(13,966,723)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		2,709,530
		2,709,530
Net position of governmental activities - Statement of Net position	\$	15,874,973

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 19,277,637	\$ 6,440,372	\$ 1,359,442	\$ 27,077,451
5800 State Program Revenues	24,010,467	172,231	37,515	24,220,213
5900 Federal Program Revenues	529,936	-	10,667,325	11,197,261
<b>5020 Total Revenues</b>	<b>\$ 43,818,040</b>	<b>\$ 6,612,603</b>	<b>\$ 12,064,282</b>	<b>\$ 62,494,925</b>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	\$ 25,756,196	\$ -	\$ 4,525,495	\$ 30,281,691
0012 Instructional Resources and Media Services	518,191	-	41,549	559,740
0013 Curriculum and Staff Development	664,344	-	92,848	757,192
0021 Instructional Leadership	1,563,622	-	573,628	2,137,250
0023 School Leadership	1,712,542	-	83,493	1,796,035
0031 Guidance, Counseling and Evaluation Services	1,195,297	-	178,223	1,373,520
0032 Social Work Services	162,500	-	81,646	244,146
0033 Health Services	541,329	-	94,783	636,112
0034 Student Transportation	1,547,789	-	217,977	1,765,766
0035 Food Services	5,259	-	2,942,325	2,947,584
0036 Cocurricular/Extracurricular Activities	1,842,316	-	1,056,882	2,899,198
0041 General Administration	1,401,092	-	12,947	1,414,039
0051 Facilities Maintenance and Operations	2,847,970	-	1,927,986	4,775,956
0052 Security and Monitoring Services	728,708	-	24,385	753,093
0053 Data Processing Services	535,492	-	7,236	542,728
0061 Community Services	5,554	-	2,662	8,216
0071 Principal on Long-term Debt	458,108	1,690,000	-	2,148,108
0072 Interest on Long-term Debt	142,502	1,524,481	-	1,666,983
0073 Debt Issuance Cost and Fees	500	9,050	-	9,550
0081 Capital Outlay	468,902	-	21,242	490,144
<b>6030 Total Expenditures</b>	<b>\$ 42,098,213</b>	<b>\$ 3,223,531</b>	<b>\$ 11,885,307</b>	<b>\$ 57,207,051</b>
<b>1100 Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 1,719,827</b>	<b>\$ 3,389,072</b>	<b>\$ 178,975</b>	<b>\$ 5,287,874</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
7913 Right of Use Lease Proceeds	\$ 22,336	\$ -	\$ -	\$ 22,336
7915 Transfers In	-	-	33,528	33,528
8911 Transfers Out	(33,528)	-	-	(33,528)
8949 Other Uses	-	(6,018,633)	-	(6,018,633)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ (11,192)</b>	<b>\$ (6,018,633)</b>	<b>\$ 33,528</b>	<b>\$ (5,996,297)</b>
<b>1200 Net Changes in Fund Balances</b>	<b>\$ 1,708,635</b>	<b>\$ (2,629,561)</b>	<b>\$ 212,503</b>	<b>\$ (708,423)</b>
0100 Fund Balance - Beginning (September 1)	11,811,815	7,454,855	2,201,242	21,467,912
<b>3000 Fund Balance - Ending (August 31)</b>	<b>\$ 13,520,450</b>	<b>\$ 4,825,294</b>	<b>\$ 2,413,745</b>	<b>\$ 20,759,489</b>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED AUGUST 31, 2023

Net change in fund balances - total governmental funds	\$	(708,423)
<p>Amounts reported for governmental activities in the statement  of activities ("SOA") are different because:</p>		
Capital outlays are not reported as expenses in the SOA.		1,305,374
The depreciation of capital assets used in governmental activities is not reported in the funds.		(3,732,436)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		116,898
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		6,114,892
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,690,000
Repayment of right of use lease principal is an expenditure in the funds but not an expense in the SOA.		118,108
Repayment of direct borrowings principal is an expenditure in the funds but not an expense in the SOA.		340,000
(Increase) decrease in accrued interest from beginning of period to end of period.		10,831
The net revenue (expense) of internal service funds is reported with governmental activities.		(38,895)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		(18,280)
Proceeds of right of use leases do not provide revenue in the SOA, but are reported as current resources in the funds.		(22,336)
Pension contributions in the CY are de-expended and recorded as deferred resource outflows.		1,297,626
Pension contributions deferred in the PY are expended in the CY.		(1,166,482)
Pension expense is recorded in the SOA but not in the funds.		(586,046)
OPEB contributions in the CY are de-expended and recorded as deferred resource outflows.		316,753
OPEB contributions deferred in the PY were expended in the CY.		(306,482)
OPEB expense is recorded in the SOA but not in the funds.		<u>1,429,211</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>6,160,313</u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AUGUST 31, 2023

Data Control Codes		Internal Service Fund
	<b>ASSETS</b>	
	Current Assets:	
1110	Cash and Investments	\$ 194,179
	Receivables:	
1260	Due from Other Funds	1,164
	Total Current Assets	<u>\$ 195,343</u>
<b>1000</b>	<b>Total Assets</b>	<b><u>\$ 195,343</u></b>
	<b>LIABILITIES</b>	
	Current Liabilities:	
2110	Accounts Payable	<u>\$ 95,487</u>
	Total Current Liabilities	<u>\$ 95,487</u>
<b>2000</b>	<b>Total Liabilities</b>	<b><u>\$ 95,487</u></b>
	<b>NET POSITION</b>	
3900	Unrestricted Net Position	<u>\$ 99,856</u>
<b>3000</b>	<b>Total Net Position</b>	<b><u><u>\$ 99,856</u></u></b>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2023

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
5700 Local and Intermediate Sources	\$ 157,916
<b>5020 Total Operating Revenues</b>	<b>\$ 157,916</b>
<b>OPERATING EXPENSES</b>	
6100 Payroll Costs	\$ 29,413
6200 Professional and Contracted Services	66,292
6400 Other Operating Costs	101,106
<b>6030 Total Operating Expenses</b>	<b>\$ 196,811</b>
1200 Change in Net Position	\$ (38,895)
0100 Total Net Position - Beginning (September 1)	138,751
<b>3000 Total Net Position - Ending (August 31)</b>	<b>\$ 99,856</b>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2023

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Operating Interest	\$ 7,895
Cash Receipts from Others	9,100
Cash Receipts from Quasi-External Operating Transfers	140,921
Cash Payments for Claims	(105,304)
Cash Payments for Administration/Reinsurance	(48,952)
Cash Payments for Contracted Services	(17,340)
Cash Payments to Employees and Related Benefits	(29,414)
Net Cash Provided by (Used for) Operating Activities	\$ (43,094)
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ (43,094)
Cash and Investments - Beginning (September 1)	237,273
<b>Cash and Investments - Ending (August 31)</b>	<b>\$ 194,179</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Increase (Decrease) in Net Position	\$ (38,895)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Accounts Payable	(4,199)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (43,094)</b>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
 AUGUST 31, 2023

Data Control Codes		Private-Purpose Trust Fund <hr/> Scholarship Fund <hr/>
<b>ASSETS</b>		
1110	Cash and Investments	<u>\$ 5,077</u>
<b>1000</b>	<b>Total Assets</b>	<u><b>\$ 5,077</b></u>
<b>LIABILITIES</b>		
2110	Accounts Payable	<u>\$ -</u>
<b>2000</b>	<b>Total Liabilities</b>	<u><b>\$ -</b></u>
<b>NET POSITION</b>		
3800	Held in Trust	<u>\$ 5,077</u>
<b>3000</b>	<b>Total Net Position</b>	<u><u><b>\$ 5,077</b></u></u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
 YEAR ENDED AUGUST 31, 2023

Data Control Codes	Private-Purpose Trust Fund <hr/> Scholarship Fund <hr/>
<b>ADDITIONS</b>	
5742 Investment Earnings - Interest Revenue	\$ 37
5744 Donations	<hr/> 12,000
<b>5020 Total Revenues</b>	<hr/> <b>\$ 12,037</b> <hr/>
<b>DEDUCTIONS</b>	
6400 Scholarship Payments	<hr/> \$ 12,750
<b>6030 Total Expenses</b>	<hr/> <b>\$ 12,750</b> <hr/>
<b>1200 Changes in Net Position</b>	\$ (713)
0100 Net Position - Beginning (September 1)	<hr/> 5,790
<b>3000 Net Position - Ending (August 31)</b>	<hr/> <b>\$ 5,077</b> <hr/>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies

The basic financial statements of the Sulphur Springs Independent School District (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 (Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate 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 (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest, and related costs.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Capital Projects Fund – This fund accounts for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. The District dedicated a portion of athletic gate receipts to be restricted for capital improvements. These funds are considered a capital project fund.

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

Custodial Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in a custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus – Basis of Accounting

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

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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 measurable until 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 long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service 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.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Total	\$	-0-

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

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

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

*Assigned fund balance* – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Other Governmental	Total
Nonspendable				
Inventory	\$ 44,230	\$ -	\$ -	\$ 44,230
Restricted				
Child Nutrition Program	-	-	872,880	872,880
Summer Feeding Program	-	-	87,416	87,416
Law Enforcement Training	-	-	4,278	4,278
Retirement of Long Term Debt	-	4,825,294	-	4,825,294
Athletic Capital Project	-	-	176,013	176,013
Childrens Fund	31,635	-	-	31,635
Special Services Fund	4,421	-	-	4,421
Committed				
Campus Activity Funds	-	-	648,633	648,633
Future Budget Deficit	-	-	624,525	624,525
Assigned				
Insurance Claim Projects	1,436,155	-	-	1,436,155
Unassigned	12,004,009	-	-	12,004,009
Totals	<u>\$ 13,520,450</u>	<u>\$ 4,825,294</u>	<u>\$ 2,413,745</u>	<u>\$ 20,759,489</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment, and food products. Under this method, supplies and materials are debited as expenditures when purchased.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures when the items are consumed or occur.

Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

Right of Use Assets and Liabilities

GASB Statement 87, *Leases* created new financial statement accounts "Right of Use" assets and similar offsetting liabilities. A "right of use" asset accounts for the net present value of future payments attached to a leased asset. Common examples of "Right of Use" assets are copiers, printers, and other types of equipment that the District does not take ownership of but uses under the lease agreement. The assets value will be amortized over the life of the lease using a straight-line method. The liability offsetting the "Right of Use" is presented as lease payable.

Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement 96, *Subscription-Based Information Technology Arrangements* created new financial statement assets and offsetting liabilities. A SBITA asset accounts for the net present value of future payments required for right of use subscription assets. To the extent relevant, the standards for SBITA's are based on the standards established by GASB Statement 87, *Leases*. A SBITA is defined as a contract that conveys control of the right of use of another party's information technology (software) as specified in the contract for a period of time in an exchange or exchange-like transaction. The asset will be amortized over the life of the contract allowing the use of the information technology over a straight line method. The asset is included in the financial statement caption right of use asset with the offsetting liability identified as SBITA payable.

Unearned Revenues

Unearned revenues include state funds received but have not been earned in the year. The balance will be earned in the future period and not reported as liabilities.

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resource for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

8. Interfund Activities

Interfund activity results from loans, service 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 "Transfer" 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.

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave vests, accumulates, and is recorded as expense as it is incurred. Sick leave is paid upon separation from the District.

10. 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, 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.

11. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expenses, 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 term. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

13. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued various new accounting standards to better meet the information needed for users of financial statements by improving accounting and financial reporting. The GASB does this by issuing statements that cover various issues identified as needing additional clarification or direction to maintain standardization and comparability of financial information. During the year, the GASB issued no new standards. The following statements with varying effective dates noted are to be implemented in the coming periods:

Statement 99: *Omnibus 2023* (Effective upon issuance with some effective FY beginning after June 15, 2023)

Statement 100: *Accounting Changes and Error Corrections* (Effective FY beginning after June 15, 2023)

Statement 101: *Compensated Absences* (Effective FY beginning after December 15, 2023)

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

14. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

15. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities, and Investments

*Cash Deposits*

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance District (FDIC) insurance. At year end, all District cash deposits appear to have been adequately covered by FDIC insurance or by pledged collateral held by the District or the depository in the District's name. The District's deposits appear to have been properly secured throughout the year.

*Investments*

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with all the requirements of the Act.

The PFIA (Government Code Chapter 256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement and publicize an investment policy. That policy must address the following areas (1) safety of principal and liquidity, (2) portfolio diversifications, (3) allowable investments, (4) acceptable risk level, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date of portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preference for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The PFIA governs the District's investment policies and types of investments.

The District's management believes that it complies with the requirements of the PFIA and the District's investment policies.

District investments include investments in TexPool and Lone Star Investment Pool, local government investment pools. money market accounts. All investments are reported at fair value and are presented as cash and investments.

The following table lists the District's investments at year end:

	<u>Fair/Value Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Governmental Activities:		
Investments:		
TexPool	15,158,602	31
Lone Star Investment Pool	1,565,133	18
Totals	<u>\$ 16,723,735</u>	

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

B. Deposits, Securities, and Investments (Continued)

*TexPool*

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard and Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average of \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

*Lone Star Investment Pool*

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the PFIA, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAM by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Corporate Overnight Plus Fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net Asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments at amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72.

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized 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 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.

The largest combined balances of cash, saving and time deposit accounts amounted to \$ 5,899,755 and occurred in January 2023. The market value of bonds or other securities used to secure cash on the date of the highest combined cash balance was \$ 8,000,000. The total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000. City National Bank, Sulphur Springs, Texas is the District's depository.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

B. Deposits, Securities, and Investments (Continued)

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. District investments are limited to short term maturities to limit any potential interest rate risk. 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. State statutes do not allow for foreign investments, this eliminating foreign currency rate risk. The District was not exposed to foreign currency risk.

f. Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as practical expedient are not classified in the fair value hierarchy below.

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

C. Property Taxes

Property taxes are levied by October 1, 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 October 1 levy date. 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 collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting these criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 0.854600 to fund general operations and \$ 0.310500 for the payment of principal and interest on long-term debt. The rates were levied on property assessed totaling \$ 1,893,125,225. The District contracts with a tax attorney for the collection of all delinquent taxes. Delinquent taxes are subject to both penalty and interest plus a 20% delinquent tax attorney collection fee.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 862,613	\$ -	\$ -	\$ 862,613
Total Capital Assets not being depreciated	\$ 862,613	\$ -	\$ -	\$ 862,613
Capital Assets being depreciated:				
Buildings and Improvements	\$ 99,688,824	\$ 191,223	\$ -	\$ 99,880,047
Vehicles	5,369,110	188,829	-	5,557,939
Equipment	3,388,919	902,986	-	4,291,905
Right for Use Lease Assets	240,425	22,336	-	262,761
Total Capital Assets being depreciated	\$ 108,687,278	\$ 1,305,374	\$ -	\$ 109,992,652
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 39,350,843	\$ 3,100,830	\$ -	\$ 42,451,673
Vehicles	3,893,490	288,116	-	4,181,606
Equipment	2,146,927	224,764	-	2,371,691
Right for Use Lease Assets	64,482	118,726	-	183,208
Total Accumulated Depreciation	\$ 45,455,742	\$ 3,732,436	\$ -	\$ 49,188,178
Total Capital Assets Being Depreciated, Net	\$ 63,231,536	\$ (2,427,062)	\$ -	\$ 60,804,474
Governmental Activities Capital Assets, Net	\$ 64,094,149	\$ (2,427,062)	\$ -	\$ 61,667,087

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

Instruction	\$ 1,965,068
School Leadership	25,749
Health Services	4,340
Student (Pupil) Transportation	220,706
Food Services	71,116
Cocurricular/Extracurricular Activities	1,307,414
General Administration	16,546
Plant Maintenance and Operations	85,842
Security and Monitoring Services	35,655
Total	<u>\$ 3,732,436</u>

E. Long-term Obligations

Long-term Obligation Activity

Long-term obligation activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 39,115,000	\$ -	\$ 7,640,000	\$ 31,475,000	\$ 1,655,000
Direct Borrowings Payable	5,548,900	-	340,000	5,208,900	358,900
Right of Use Leases Payable	177,953	22,336	118,108	82,181	59,708
Unamortized Premium (Discount)	3,246,155	-	578,592	2,667,563	-
Retirement Benefits	88,540	39,480	21,200	106,820	-
Total Governmental Activities	\$ 48,176,548	\$ 61,816	\$ 8,697,900	\$ 39,540,464	\$ 2,073,608

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

E. Long-term Obligations (Continued)

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The District used available resources of \$ 6,018,633 to refund \$ 5,950,000 maturities of the following outstanding series:

Unlimited Tax Refunding Bonds, Series 2017

The resources were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance, and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 15, 2027.

As a result of the refunding, the District decreased its debt service requirements by \$ 876,650. The refunding was authorized to reduce debt requirements on previously issued debt. The refund resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 423,289.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Value	Outstanding Amount
Unlimited Tax School Refunding Bonds, Series 2013	1.61%	\$ 7,990,000	\$ 705,000
Unlimited Tax Refunding Bond, Series 2017	2.99%	40,870,000	30,770,000
Totals			<u>\$ 31,475,000</u>

Maturity requirements on bonded debt at year end, are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2024	1,655,000	1,274,744	2,929,744
2025	1,720,000	1,206,093	2,926,093
2026	1,805,000	1,120,094	2,925,094
2027	1,900,000	1,029,843	2,929,843
2028	1,995,000	934,844	2,929,844
2029-2033	11,535,000	3,099,919	14,634,919
2034-2038	10,865,000	851,632	11,716,632
Totals	<u>\$ 31,475,000</u>	<u>\$ 9,517,169</u>	<u>\$ 40,992,169</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year-end.

Direct Borrowings

The District issued various agreements identified here as direct borrowings. These direct borrowings include financing arrangements such as loans, maintenance tax notes, and leases that transfer ownership.

Terms of the various direct borrowing agreements vary with length of term not exceeding 20 years. Each agreement requires different payment terms, but all include both principal and interest amounts. Some of the agreements call for monthly payments while others require semiannual or annual. Maturity dates vary with the length of terms and final maturity dates are presented in the following table. Interest rates vary with each agreement and are presented in the table below.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

E. Long-term Obligations (Continued)

The following schedule lists the outstanding direct borrowings at year end:

Description	Maturity Date	Interest Rate	Original Value	Outstanding Amount
Tax Maintenance Note, Series 2016	02/15/2036	2.533%	\$ 7,380,060	\$ 5,200,000
Avon Financial - Taser	03/15/2024	0.000%	22,450	8,900
Totals				\$ 5,208,900

Maturity requirement on the direct borrowings at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2024	\$ 358,900	\$ 120,863	\$ 479,763
2025	360,000	112,013	472,013
2026	365,000	104,763	469,763
2027	370,000	97,412	467,412
2028	380,000	89,912	469,912
2029-2033	2,025,000	321,149	2,346,149
2034-2038	1,350,000	61,106	1,411,106
Totals	\$ 5,208,900	\$ 907,218	\$ 6,116,118

Right of Use Leases

The District has executed an agreement identified here as a lease. Leases are defined as obligations that are valued at the net present value of the obligation to be paid over a specified term with no transfer of ownership upon completion of the term.

The District executed various agreements for the use of copiers that are placed throughout the District. The agreements require monthly, semiannual, or annual payments with a final maturity date as presented in the following table. These lease agreements incur implicit rates of interest as presented in the table below.

The following schedule lists the outstanding right of use leases at year end.

Description	Maturity Date	Term	Implicit Interest Rate	Original Property Value	Outstanding Balance
Wells Fargo Financial - Copiers	1/31/2024	2 years	7.00%	\$ 213,101	\$ 46,610
DeLange Laden - Copiers	4/13/2027	5 years	7.00%	5,766	4,219
Marlin Capital SOL - Copiers	6/14/2027	5 years	7.00%	7,823	6,197
Konica Minolta - Copiers	2/1/2026	5 years	7.00%	9,753	5,270
Wells Fargo - Copiers	5/1/2025	3 years	7.00%	5,407	3,272
Wells Fargo - Copiers	8/1/2025	3 years	7.00%	6,255	4,288
Wells Fargo - Printers	12/1/2026	5 years	7.00%	3,475	2,683
Wells Fargo - Printers	11/1/2025	3 years	7.00%	12,607	9,642
Totals					\$ 82,181

Maturity requirements on the right of use lease agreements at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2024	\$ 59,708	\$ 2,913	\$ 62,621
2025	13,542	1,152	14,694
2026	5,850	411	6,261
2027	3,081	123	3,204
Totals	\$ 82,181	\$ 4,599	\$ 86,780

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan

1. Plan Description

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

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

2. *Pension Plan Fiduciary Net Position*

Detailed information about the System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required information. That report may be obtained on the internet at [http://www.trs.texas.gov/pages/about\\_publications.aspx](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. The information provided in the Notes to the Financial Statements in the 2022 ACFR for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2022, and 2021.

Net Pension Liability	2022	2021
Total Pension Liability	\$ 243,553,045,455	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	<u>(184,185,617,196)</u>	<u>(201,807,002,496)</u>
Net Pension Liability	<u>\$ 59,367,428,259</u>	<u>\$ 25,466,461,134</u>
 Net Position as percentage of Total Pension Liability	 75.62%	 88.79%

3. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There is no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

4. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% 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 TRS during the fiscal year.

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

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
Current Year Employer Contributions		\$ 1,297,626
Current year Member Contributions		\$ 2,660,737
Measurement Period NECE On-Behalf Contributions		\$ 1,806,444

Contributors to the plan include members, employers, and the State of Texas (State) 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 TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any 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.

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

- 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.
- A Public Education Employer contribution surcharge of 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025 on all covered payroll.

5. *Actuarial Assumptions*

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

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate	7.00%
Municipal Bond Rate as of August 31, 2022	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 including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For full description of these assumption 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.

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 percent. 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation %**	Long -Term Expected Geometric Real Rate of Return***	Expected Contribution to Long Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	4.60%	1.12%
Non-US Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity*	14.00%	7.70%	1.55%
<b>Stable Value</b>			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return*	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
<b>Real Return</b>			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
<b>Risk Parity</b>	8.00%	4.60%	0.43%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	(6.00%)	3.60%	(0.05%)
Inflation Expectation			2.70%
Volatility Drag****			(0.91%)
<b>Expected Return</b>	<u>100%</u>		<u>8.19%</u>

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocations are based on the FY2022 policy model.

\*\*\* Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

6. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 7.00% as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (6.00%) or 1 – percentage point higher (8.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 23,097,850	\$ 14,847,994	\$ 8,161,100

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

At year end, the District reported a liability of \$ 14,847,994 for its proportionate share of the System'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	\$ 14,847,994
State's proportionate share that is associated with the District	<u>22,982,670</u>
 Total	 <u>\$ 37,830,664</u>

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

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.0250103380%, which was an increase of 0.0012013056% from its proportion 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 the lowering of the single discount rate from 7.25% to 7.00%.

*Pension Expense*

For the current year, the District recognized pension expense of \$ 3,949,411 and revenue of \$ 2,196,883 for support provided by the State.

The District reported its proportionate share of the system's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at year end:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 215,295	\$ 323,714
Changes of actuarial assumptions	2,766,665	689,530
Differences between projected and actual investment earnings	1,466,934	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>693,940</u>	<u>447,516</u>
 Total as of August 31, 2022 measurement date	 \$ 5,142,834	 \$ 1,460,760
Contributions paid to TRS subsequent to the measurement date	<u>1,297,626</u>	<u>-</u>
 Total at fiscal year end	 <u>\$ 6,440,460</u>	 <u>\$ 1,460,760</u>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

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:

<u>Year Ending August 31</u>	<u>Amount</u>
2024	952,562
2025	519,437
2026	136,956
2027	1,772,922
2028	300,198
Thereafter	(1)

G. Other Post-Employment Defined Benefit Plans

1. *Plan Description*

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

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

2. *OPEB Plan Fiduciary Net Position*

Detailed Information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required information. That report may be obtained on the internet at [http://www.trs.texas.gov/pages/about\\_publications.aspx](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.

The components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2022, and 2021 are as follows:

<u>Net OPEB Liability</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability	\$ 27,061,942,520	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	<u>(3,117,937,218)</u>	<u>(2,539,242,470)</u>
Net OPEB Liability	<u>\$ 23,944,005,302</u>	<u>\$ 38,574,468,613</u>
Net Position as percentage of Total OPEB Liability	11.52%	6.18%

3. *Benefits Provided*

TRS-Care provides health insurance coverage for 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 COLAs.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Benefit Plans (Continued)

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

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

4. *Contributions*

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and 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 (public school) contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual employer contribution rate is prescribed by the State Legislature in the General Appropriations Act. The following table shows contribution rates and amounts provided to the TRS-Care plan by type of contributor.

<b>Contribution Rates</b>		
	<u>2022</u>	<u>2023</u>
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 Year Employer Contributions		\$ 316,753
Current Year Member Contributions		\$ 216,189
Measurement Period NECE On-Behalf Contributions		\$ 374,025

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 employers hire 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Benefit Plans (Continued)

5. *Actuarial Assumptions*

The actuarial valuation was performed as of August 31, 2021. Updated procedures were used to roll forward the total OPEB liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, rates of retirement, termination, and disability including general inflation and salary increases are identical to those used in the respective TRS Pension valuation. These assumptions were developed in the experience study performed for TRS for the measurement period ended 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	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, 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%
Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

*Health Care Trend Rates*

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

*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 statutory 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 federal tax-exempt municipal bonds.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Benefit Plans (Continued)

6. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than the discount rate that was used (3.91%) in measuring the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate of 1% less than the rate used.

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 10,539,321	\$ 8,938,602	\$ 7,641,815

7. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.25%), as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 7,365,449	\$ 8,938,602	\$ 10,977,994

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

At August 31, 2023, the District reported a liability of \$ 8,938,602 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	\$ 8,938,602
State's proportionate share that is associated with the District	10,903,691
Total	\$ 19,842,293

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

At August 31, 2022, the District's proportion of the collective net OPEB liability was 0.0373312747%, which was a decrease of 0.0002440980% from its proportion measured as of August 31, 2021.

*Change Since the Prior Actuarial Valuation*

The following were changed 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.

*Changes of Benefit Terms Since the Prior Measurement Date*

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Benefit Plans (Continued)

*OPEB Expense*

The amount of OPEB expense recognized by the District in the reporting period was (\$ 2,670,051) and revenue of (\$ 1,547,322) for support provided by the State.

The District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources at year:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual actuarial experiences	\$ 496,955	\$ 7,446,658
Changes in actuarial assumptions	1,361,526	6,210,009
Differences between projected and actual investment earnings	26,625	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	507,671	310,056
Total as of August 31, 2022 measurement date	\$ 2,392,777	\$ 13,966,723
Contributions paid to TRS subsequent to the measurement date	316,753	-
Total at fiscal year end	\$ 2,709,530	\$ 13,966,723

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

<b>Year Ending August 31</b>	<b>Amount</b>
2024	(2,140,886)
2025	(2,140,789)
2026	(1,761,737)
2027	(1,248,560)
2028	(1,456,411)
Thereafter	(2,825,563)

H. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2023, 2022 and 2021, the subsidy payments received by TRS-Care on behalf of the District were \$ 133,720, \$ 141,614, and \$ 128,994, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

I. Risk Management

*Health Care*

During the year, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 250 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and Blue Cross Blue Shield of Texas is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross Blue Shield of Texas are available for the year ended December 31, 2021 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

I. Risk Management (Continued)

Workers' Compensation

The District established its self-funding workers' compensation program. Creative Risk Funding, Inc., through its actuarial review of the workers' compensation self-insurance program, projected an undiscounted liability of \$ 95,487 as of year-end. District administrative expenses for fiscal year 2023 were \$ 99,494.

The District maintains a self-insured retention of \$ 86,457 per occurrence. The District currently purchases excess coverage to statutory limits from Safety National Casualty Company. The District does not purchase aggregate excess insurance. Claims administration is provided by Creative Risk Funding, Inc.

The accrued liability for workers' compensation self-insurance of \$ 95,487 includes incurred but not reported claims of \$ 86,457. This liability reported in the fund at year end, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Changes in the workers' compensation claims liability amounts in the periods of 2023 and 2022 are represented below:

	2023	2022
Beginning Claims Liability	\$ 99,936	\$ 100,356
Claims Incurred (Reduced)	41,935	27,251
Claim Payments	(46,384)	(27,671)
Ending Claims Liability	\$ 95,487	\$ 99,936

Unemployment Compensation Pool

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

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the current year, the fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the District purchased commercial insurance to cover these liabilities. There were not 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

J. Litigation

The District appears to have no pending litigation as of August 31, 2023.

K. Commitments and Contingencies

The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at year end, 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 combined financial statements for such contingencies.

The effects of the coronavirus-19 (COVID-19) pandemic continues to affect the District's operations including funding for student attendance and operating programs and cost. Continued funding allowances including additional federal funding will cease in future periods. The operational costs associated with these additional revenues will be evaluated along with the need for these services. The cost of the additional federal funded programs may exceed the available resources and require the District to either eliminate or curtail their existence

L. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate in the District's major funds and aggregate non major funds consisting of the following:

	General	Debt Service	Other Governmental	Totals
Property Tax Collections	\$ 16,345,597	\$ 5,953,434	\$ -	\$ 22,299,031
Investment Income	713,462	486,938	315	1,200,715
Tuition and Fees	33,871	-	-	33,871
Food Service Income	-	-	257,692	257,692
Gifts and Bequests	6,100	-	9,900	16,000
Cocurricular/Extracurricular Activities	161,236	-	1,091,535	1,252,771
Facility Rental	14,660	-	-	14,660
Insurance Recovery	1,434,856	-	-	1,434,856
Section 313 Agreement	399,000	-	-	399,000
Other	168,855	-	-	168,855
<b>Totals</b>	<b>\$ 19,277,637</b>	<b>\$ 6,440,372</b>	<b>\$ 1,359,442</b>	<b>\$ 27,077,451</b>

M. Receivables

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

	General	Debt Service	Other Governmental	Totals
Due from Other Governments:				
State of Texas	\$ 1,346,082	\$ -	\$ 1,092,806	\$ 2,438,888
Federal Government	-	-	65,986	65,986
Property Taxes Receivable	749,120	251,562	-	1,000,682
Less: Allowance for Uncollectible Property Taxes	(74,912)	(25,156)	-	(100,068)
<b>Net Receivables</b>	<b>\$ 2,020,290</b>	<b>\$ 226,406</b>	<b>\$ 1,158,792</b>	<b>\$ 3,405,488</b>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

N. Subsequent Events

Management has evaluated all events or transactions that occurred after August 31, 2023, up through December 12, 2023, the date the financial statements were issued.

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 2,517,678	\$ 19,539,584	Not	\$ 172,231
Prior Year Settle Ups	-	(38,978)	Eligible	-
August Instructional Days Change	(85,847)	(225,191)	-	-
<b>Financial Statement Earnings</b>	<b>\$ 2,431,831</b>	<b>\$ 19,275,415</b>	<b>\$ -</b>	<b>\$ 172,231</b>
Financial Statement Amounts				
SOF Receivable (Overpayment) *	-	\$ 58,228	-	\$ (35,006)
August Instructional Days Receivable	80,455	1,207,399	-	-

\* Overpayments are represented in the financial statements as Unearned Revenue (government-wide and governmental).

P. Interfund Balances and Activities

Transfers Between Funds

Transfers between funds during the year consisted of the following:

Transfers From	Transfers To	Amount	Reason
General	Capital Projects	\$ 33,528	Gate Percentage

Interfund Receivables and Payables

The composition of interfund balances as of year-end is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service	General	\$ 1,164
General	Head Start	11,255
Capital Projects	General	91,426
	Total	<b>\$ 103,845</b>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2023

Q. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Regional Day School for the Deaf	Greenville Independent School District	Deaf Education

R. Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued Statement 96, *Subscription-Based Information Technology Arrangements*, with an effective date of fiscal year beginning after June 15, 2022. This required the District to implement the provisions of the Statement during the year. The Statement requires the recognition of longer than 12 month agreements to utilize other types of subscription based technology. As such there are new financial statement captions on the government wide financial statements. For the fund financial statements, the net present value of the payments is recognized as an expenditure in the initial year of the agreement with subsequent payments represented as debt retirement payments. The Statement requires retroactive restatement of assets and liabilities with the difference modifying the beginning net position.

S. Tax Abatements

The District has entered into agreements with investors to provide tax abatements on solar energy projects in the District. The agreements under Section 313 of the Texas Education Code allow for reduced taxable values assigned to the energy projects assessed value in return for monetary payments. The projects are in process but have yet to be finalized. As such, no reductions have been incurred to date. During the year, Bright Arrow Solar initiated their agreement with an initial fee of \$ 399,000.

T. Prior Period Adjustment

Two additional leases for copiers were identified that were not included in the recognition and implementation of GASB 87 in the previous year. These leases require the inclusion of both asset and liability values that modified the beginning net position. The net position increased \$ 205 from \$ 9,714,455 to \$ 9,714,660. As a correction of an error, the change is presented as an increase for the government-wide financial statements only.

REQUIRED SUPPLEMENTARY INFORMATION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 17,414,201	\$ 17,429,873	\$ 19,277,637	\$ 1,847,764
5800 State Program Revenues	24,756,495	24,756,495	24,010,467	(746,028)
5900 Federal Program Revenues	605,000	605,000	529,936	(75,064)
<b>5020 Total Revenues</b>	<b>\$ 42,775,696</b>	<b>\$ 42,791,368</b>	<b>\$ 43,818,040</b>	<b>\$ 1,026,672</b>
<b>EXPENDITURES</b>				
Instruction and Instructional Related Services:				
0011 Instruction	\$ 26,712,019	\$ 26,755,684	\$ 25,756,196	\$ 999,488
0012 Instructional Resources and Media Services	532,070	537,070	518,191	18,879
0013 Curriculum and Staff Development	643,078	677,078	664,344	12,734
Total Instruction and Instr. Related Services	\$ 27,887,167	\$ 27,969,832	\$ 26,938,731	\$ 1,031,101
Instructional and School Leadership:				
0021 Instructional Leadership	\$ 1,599,659	\$ 1,621,507	\$ 1,563,622	\$ 57,885
0023 School Leadership	1,808,229	1,808,225	1,712,542	95,683
Total Instructional and School Leadership	\$ 3,407,888	\$ 3,429,732	\$ 3,276,164	\$ 153,568
Support Services - Student (Pupil):				
0031 Guidance, Counseling, and Evaluation Services	\$ 1,311,732	\$ 1,281,136	\$ 1,195,297	\$ 85,839
0032 Social Work Services	162,500	165,000	162,500	2,500
0033 Health Services	562,125	612,846	541,329	71,517
0034 Student Transportation	1,669,829	1,833,383	1,547,789	285,594
0035 Food Service	6,000	9,000	5,259	3,741
0036 Cocurricular/Extracurricular Activities	1,703,984	1,871,282	1,842,316	28,966
Total Support Services - Student (Pupil)	\$ 5,416,170	\$ 5,772,647	\$ 5,294,490	\$ 478,157
Administrative Support Services:				
0041 General Administration	\$ 1,575,108	\$ 1,560,908	\$ 1,401,092	\$ 159,816
Total Administrative Support Services	\$ 1,575,108	\$ 1,560,908	\$ 1,401,092	\$ 159,816
Support Services - Nonstudent Based:				
0051 Facilities Maintenance and Operations	\$ 2,701,193	\$ 2,876,811	\$ 2,847,970	\$ 28,841
0052 Security and Monitoring Services	685,424	749,849	728,708	21,141
0053 Data Processing Services	535,707	560,707	535,492	25,215
Total Support Services - Nonstudent Based	\$ 3,922,324	\$ 4,187,367	\$ 4,112,170	\$ 75,197
Ancillary Services:				
0061 Community Services	\$ -	\$ 6,000	\$ 5,554	\$ 446
Total Ancillary Services	\$ -	\$ 6,000	\$ 5,554	\$ 446
Debt Service:				
0071 Principal on Long-Term Debt	\$ 330,000	\$ 330,000	\$ 458,108	\$ (128,108)
0072 Interest on Long-Term Debt	141,263	141,263	142,502	(1,239)
0073 Bond Issuance Costs and Fees	500	200,500	500	200,000
Total Debt Service	\$ 471,763	\$ 671,763	\$ 601,110	\$ 70,653
Capital Outlay:				
0081 Capital Outlay	\$ 97,080	\$ 697,080	\$ 468,902	\$ 228,178
Total Capital Outlay	\$ 97,080	\$ 697,080	\$ 468,902	\$ 228,178
<b>6030 Total Expenditures</b>	<b>\$ 42,777,500</b>	<b>\$ 44,295,329</b>	<b>\$ 42,098,213</b>	<b>\$ 2,197,116</b>
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ (1,804)	\$ (1,503,961)	\$ 1,719,827	\$ 3,223,788
<b>OTHER FINANCING SOURCES (USES)</b>				
7913 Right of Use Lease Proceeds	\$ -	\$ -	\$ 22,336	\$ 22,336
8911 Transfers Out	-	-	(33,528)	(33,528)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (11,192)</b>	<b>\$ (11,192)</b>
1200 Net Change in Fund Balance	\$ (1,804)	\$ (1,503,961)	\$ 1,708,635	\$ 3,212,596
0100 Fund Balance - Beginning (September 1)	11,811,815	11,811,815	11,811,815	-
<b>3000 Fund Balance - Ending (August 31)</b>	<b>\$ 11,810,011</b>	<b>\$ 10,307,854</b>	<b>\$ 13,520,450</b>	<b>\$ 3,212,596</b>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2023

	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0250103380%	0.0238090324%	0.0233843823%	0.0252641015%	0.0245040663%	0.0242798564%	0.0247506559%	0.025678000%	0.0156291000%
District's proportionate share of the net pension liability	\$ 14,847,994	\$ 6,063,318	\$ 12,524,198	\$ 13,133,070	\$ 13,487,633	\$ 7,763,390	\$ 9,352,905	\$ 8,931,831	\$ 4,174,749
State's proportionate share of the net pension liability associated with the District	<u>22,982,670</u>	<u>11,022,838</u>	<u>23,223,982</u>	<u>19,929,161</u>	<u>22,236,112</u>	<u>13,371,829</u>	<u>15,498,440</u>	<u>14,895,686</u>	<u>12,685,986</u>
<b>Total</b>	<b><u>\$ 37,830,664</u></b>	<b><u>\$ 17,086,156</u></b>	<b><u>\$ 35,748,180</u></b>	<b><u>\$ 33,062,231</u></b>	<b><u>\$ 35,723,745</u></b>	<b><u>\$ 21,135,219</u></b>	<b><u>\$ 24,851,345</u></b>	<b><u>\$ 23,827,517</u></b>	<b><u>\$ 16,860,735</u></b>
District's covered-employee payroll (for Measurement Year)	\$ 32,127,280	\$ 31,697,133	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673	\$ 25,285,780	\$ 24,385,593	\$ 23,097,299
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	46.22%	19.13%	40.49%	47.33%	50.00%	29.50%	36.99%	36.63%	18.07%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 68.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,297,626	\$ 1,166,482	\$ 1,015,982	\$ 964,846	\$ 850,008	\$ 825,298	\$ 795,061	\$ 786,507	\$ 748,158
Contributions in relations to the contractual required contributions	<u>(1,297,626)</u>	<u>(1,166,482)</u>	<u>(1,015,982)</u>	<u>(964,846)</u>	<u>(850,008)</u>	<u>(825,298)</u>	<u>(795,061)</u>	<u>(786,507)</u>	<u>(748,158)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 33,259,235	\$ 32,127,280	\$ 31,697,133	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673	\$ 25,285,780	\$ 24,385,593
Contributions as a percentage of covered employee payroll	3.90%	3.63%	3.21%	3.12%	3.06%	3.06%	3.02%	3.11%	3.07%

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2023

	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>
District's proportion of the Net OPEB Liability (Asset)	0.0373312747%	0.0375753727%	0.0373699855%	0.0368826894%	0.0374028204%	0.0366617793%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 8,938,602	\$ 14,494,500	\$ 14,206,019	\$ 17,442,277	\$ 18,675,571	\$ 15,942,833
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>10,903,691</u>	<u>19,419,400</u>	<u>19,089,484</u>	<u>23,176,883</u>	<u>21,418,687</u>	<u>19,415,301</u>
Total	<u>\$ 19,842,293</u>	<u>\$ 33,913,900</u>	<u>\$ 33,295,503</u>	<u>\$ 40,619,160</u>	<u>\$ 40,094,258</u>	<u>\$ 35,358,134</u>
District's covered-employee payroll (for Measurement Year)	\$ 32,127,280	\$ 31,697,133	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	27.82%	45.73%	45.93%	62.87%	69.24%	60.58%
Plan fiduciary net position as a percentage of the Total OPEB Liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only six plementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 75.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 316,753	\$ 306,482	\$ 293,543	\$ 284,038	\$ 258,199	\$ 225,879
Contributions in relations to the contractual required contributions	<u>(316,753)</u>	<u>(306,482)</u>	<u>(293,543)</u>	<u>(284,038)</u>	<u>(258,199)</u>	<u>(255,879)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 33,259,235	\$ 32,127,280	\$ 31,697,133	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779
Contributions as a percentage of covered employee payroll	0.95%	0.95%	0.93%	0.92%	0.93%	0.95%

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2023

A. Budget

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

1. 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.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

B. Defined Benefit Pension Plan

1. Changes of Assumptions Since the Prior Measurement Date

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

2. Changes of Benefit Terms Since the Prior Measurement Date

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

C. OPEB Healthcare Plan

1. Changes of Assumptions Since the Prior Measurement Date

The single discount rate changed from 1.95% as of last year to 3.91% at August 31, 2022. Lower participation rates and updates to the health care trend rate assumptions were also factors then decreased the District's proportion of the total OPEB liability.

2. Changes of Benefit Terms Since the Prior Measurement Date

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

OTHER SUPPLEMENTARY INFORMATION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 YEAR ENDED AUGUST 31, 2023

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2022	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2023
		Maintenance	2 Debt Service							
XXXX	2014 and Prior	Various	Various	Various	\$ 109,993	\$ -	\$ 8,433	\$ 1,779	\$ (13,426)	\$ 86,355
2014	2015	1.040000	0.310480	1,187,248,597	26,733	-	1,825	545	(1,171)	23,192
2015	2016	1.040000	0.310480	1,178,251,066	26,974	-	2,219	663	(632)	23,460
2016	2017	1.040000	0.310480	1,210,166,032	38,774	-	3,138	937	(3,388)	31,311
2017	2018	1.040000	0.310480	1,247,203,165	41,197	-	5,998	1,791	(673)	32,735
2018	2019	1.040000	0.310480	1,294,619,737	56,202	-	11,000	3,284	1,293	43,211
2019	2020	0.970000	0.310480	1,363,318,577	79,881	-	18,129	5,803	943	56,892
2020	2021	0.940900	0.310480	1,471,327,169	122,100	-	80,139	26,444	64,852	80,369
2021	2022	0.872000	0.310480	1,682,070,049	368,941	-	202,638	72,150	57,404	151,557
2022	2023	0.872000	0.310500	1,893,125,225	-	22,056,802	15,817,920	5,747,099	(20,182)	471,601
<b>1000</b>	<b>TOTALS</b>				<b>\$ 870,795</b>	<b>\$ 22,056,802</b>	<b>\$ 16,151,439</b>	<b>\$ 5,860,495</b>	<b>\$ 85,020</b>	<b>\$ 1,000,683</b>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 170,000	\$ 170,000	\$ 257,806	\$ 87,806
5800	State Program Revenues	14,000	101,155	11,985	(89,170)
5900	Federal Program Revenues	2,580,356	2,580,356	2,840,380	260,024
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 2,764,356</b>	<b>\$ 2,851,511</b>	<b>\$ 3,110,171</b>	<b>\$ 258,660</b>
<b>EXPENDITURES</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 2,728,736	\$ 2,941,788	\$ 2,848,100	\$ 93,688
	Total Support Services - Student (Pupil)	\$ 2,728,736	\$ 2,941,788	\$ 2,848,100	\$ 93,688
Support Services - Nonstudent Based:					
0051	Facilities Maintenance and Operations	\$ 42,200	\$ 42,200	\$ 35,262	\$ 6,938
	Total Support Services - Nonstudent Based	\$ 42,200	\$ 42,200	\$ 35,262	\$ 6,938
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 2,770,936</b>	<b>\$ 2,983,988</b>	<b>\$ 2,883,362</b>	<b>\$ 100,626</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (6,580)	\$ (132,477)	\$ 226,809	\$ 359,286
1200	Net Change in Fund Balance	\$ (6,580)	\$ (132,477)	\$ 226,809	\$ 359,286
0100	Fund Balances - Beginning (September 1)	1,270,597	1,270,597	1,270,597	-
<b>3000</b>	<b>Fund Balances - Ending (August 31)</b>	<b>\$ 1,264,017</b>	<b>\$ 1,138,120</b>	<b>\$ 1,497,406</b>	<b>\$ 359,286</b>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 5,976,044	\$ 5,976,044	\$ 6,440,372	\$ 464,328
5800	State Program Revenues	-	-	172,231	172,231
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 5,976,044</b>	<b>\$ 5,976,044</b>	<b>\$ 6,612,603</b>	<b>\$ 636,559</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 3,975,519	\$ 10,002,202	\$ 1,690,000	\$ 8,312,202
0072	Interest on Long-term Debt	1,524,481	1,524,481	1,524,481	-
0073	Debt Issuance Costs and Fees	1,000	1,000	9,050	(8,050)
	Total Debt Service	<u>\$ 5,501,000</u>	<u>\$ 11,527,683</u>	<u>\$ 3,223,531</u>	<u>\$ 8,304,152</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 5,501,000</b>	<b>\$ 11,527,683</b>	<b>\$ 3,223,531</b>	<b>\$ 8,304,152</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 475,044</u>	<u>\$ (5,551,639)</u>	<u>\$ 3,389,072</u>	<u>\$ 8,940,711</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
8949	Other Uses	\$ -	\$ -	\$ (6,018,633)	\$ (6,018,633)
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,018,633)</b>	<b>\$ (6,018,633)</b>
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ 475,044</b>	<b>\$ (5,551,639)</b>	<b>\$ (2,629,561)</b>	<b>\$ 2,922,078</b>
0100	Fund Balance - Beginning (September 1)	<u>7,454,855</u>	<u>7,454,855</u>	<u>7,454,855</u>	<u>-</u>
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b><u>\$ 7,929,899</u></b>	<b><u>\$ 1,903,216</u></b>	<b><u>\$ 4,825,294</u></b>	<b><u>\$ 2,922,078</u></b>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AUGUST 31, 2023

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO  
 STATE MANDATED PROGRAM REQUIREMENTS  
 YEAR ENDED AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Response</u>
<b><u>Section A: Compensatory Education Programs</u></b>		
<u>AP1</u>	Did your District expend any state compensatory education programs state allocated funds during the District's fiscal year?	Yes
<u>AP2</u>	Does the District have written policies and procedures for its state compensatory education program?	Yes
<u>AP3</u>	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 4,350,512
<u>AP4</u>	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 2,337,811
<b><u>Section B: Bilingual Education Programs</u></b>		
<u>AP5</u>	Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
<u>AP6</u>	Does the District have written policies and procedures for its bilingual education program?	Yes
<u>AP7</u>	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 473,064
<u>AP8</u>	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC's 25, 35)	\$ 317,298

FEDERAL AWARDS SECTION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2023

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal ALN Number	(02A) Pass-through Grantor's Number	(03) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs	84.010a	23610101112901	\$ 1,033,582
ESSA Title I Part A - Improving Basic Programs	84.010a	24610101112901	105,865
ESSA Title I Part A - Improving Basic Programs	84.010a	21610141112901	83,537
<i>Total ALN 84.010</i>			<u>1,222,984</u>
IDEA-B, Formula - B	84.027a	236600011129016600	874,286
<i>Total ALN 84.027</i>			<u>874,286</u>
IDEA-B, Preschool - B	84.173a	236610011129016610	18,342
IDEA - B, Preschool - ARP - B	84.173a	225360011129015360	10,704
<i>Total ALN 84.173</i>			<u>29,046</u>
Carl Perkins - Perkins V	84.048a	234200006112901	57,437
<i>Total ALN 84.048</i>			<u>57,437</u>
ESSA Title II Part A - Supporting Effective Education	84.367a	23694501112901	130,734
ESSA Title II Part A - Supporting Effective Education	84.367a	24694501112901	10,287
<i>Total ALN 84.367</i>			<u>141,021</u>
ESSA Title III Part A - English Language Acquisition	84.365a	23671001112901	59,524
ESSA Title III Part A - English Language Acquisition	84.365a	24671001112901	1,815
<i>Total ALN 84.365</i>			<u>61,339</u>
ESSA Title V Part B - Rural & Low Income School	84.358b	22696001112901	171
<i>Total ALN 84.358</i>			<u>171</u>
Elementary & Secondary School Emergency Relief Fund - II - D*	84.425d	21521001112901	1,490,383
Elementary & Secondary School Emergency Relief Fund - III - D*	84.425u	21528001112901	2,186,689
<i>Total ALN 84.425</i>			<u>3,677,072</u>
ESSA Title IV Part A - Student Support & Academic Enrichment	84.424a	23680101112901	73,193
<i>Total ALN 84.424</i>			<u>73,193</u>
Summer School LEP	84.369a	695552002	4,438
Summer School LEP	84.369a	695551002	2,878
<i>Total ALN 84.369</i>			<u>7,316</u>
Total passed through Texas Education Agency			<u>6,143,865</u>
<b>Total Department of Education</b>			<b><u>6,143,865</u></b>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2023

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Direct Program:

Head Start	93.600	06CH01110804	1,363,866
Head Start	93.600	06CH01110805	115,518
Head Start - ARP	93.600	06HE00045201C6	121,201
Head Start - CCRSA	93.600	06CH01110802C5	53,050
Head Start - COVID-19 Relief	93.600	06CH01110802C3	13,026
<i>Total ALN 93.600</i>			<u>1,666,661</u>

Passed through the Texas Department of Human Services:

Medicaid Administrative Claiming	93.778	112901	<u>31,707</u>
<b>Total Department of Health and Human Services</b>			<b><u>1,698,368</u></b>

**U.S. DEPARTMENT OF AGRICULTURE**

Passed through the Texas Department of Agriculture:

School Breakfast Program - A	10.553	00600	536,950
National School Lunch Program - A	10.555	00600	1,828,276
NSLP - Supply Chain Grant - A	10.555	00600	222,249
P-BET Administrative Cost Grant	10.649	00600	3,135
Child and Adult Food Program	10.558	7526023	23,736
USDA Commodity Deliver Reimbursement	10.560	NT4XL1YGGC5	6,053
USDA Commodity Food Distribution	10.565	00600	<u>243,716</u>

<b>Total Department of Agriculture</b>			<b><u>2,864,115</u></b>
<b>Total Federal Expenditures</b>			<b><u>10,706,348</u></b>

\*Major Program

- A - Child Nutrition Cluster - Total Cluster - \$ 2,611,211
- B - Special Education Cluster - Total Cluster - \$ 903,332
- D - Education Stabilization Act Fund - Total Cluster - \$ 3,677,072

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2023

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the Sulphur Springs Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

B. Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds which are governmental fund types. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

C. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and used. No provision has been made for amounts on hand on August 31, 2023.

D. Indirect Cost

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

E. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$	10,706,348
SHARS Funding		490,913
Federal Revenue (Exhibit C-3)	\$	11,197,261