

**SULPHUR SPRINGS
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2022**

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SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2022

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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 **approved**/ **disapproved** for the year ended August 31, 2022, at a meeting of the board of school trustees of such school district on Jan 9, 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, 2022, 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, 2022, 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.

Change in Accounting Principle

As described in Note R to the financial statements, in 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and 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.

Independent Auditor's Report – Continued

Other Information

Management is responsible for the other supplementary information included in the annual report. The other supplementary information comprises 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 supplementary 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 supplementary information and consider whether a material inconsistency exists between the other supplementary information and the basic financial statements, or the other supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 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.



January 4, 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 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.

A handwritten signature in blue ink that reads "Rutherford, Taylor & Company, P.C." The signature is written in a cursive style.

January 4, 2023
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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, 2022. 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, 2022.

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 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.



January 4, 2023
Greenville, Texas

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2022

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 – I (84.425d) ESSER – II (84.425d) ESSER – III (84.425u) Head Start (93.600)
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, 2022

Financial Statement Findings (Section II)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

Federal Award Findings and Questioned Costs (Section III)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

Prior Year Findings (Section IV)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022

Corrective Action Plans (Section V)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2022

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, 2022. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

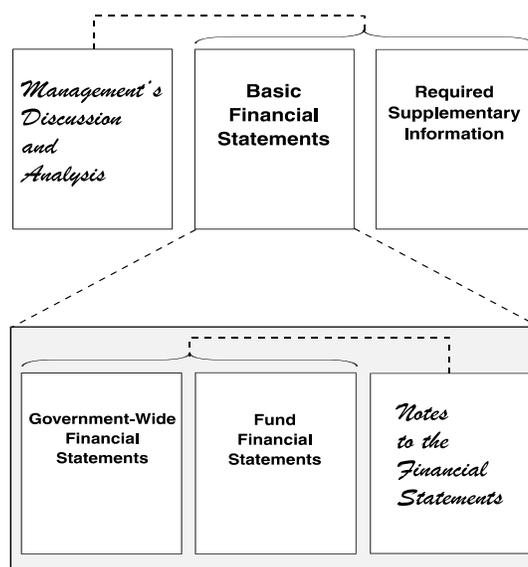
- The District's Net Position was \$ 9,714,455 at year end.
- During the year, the District's expenses were \$ 3,985,050 less than the \$ 57,309,347 in taxes and other revenues for governmental activities.
- The District experienced disruption in traditional educational services due to state and national responses to the COVID-19 pandemic during the year.
- The General Fund reported a fund balance this year of \$ 11,811,815, an increase of \$ 571,847 from the prior year.
- Leases valued at \$ 226,690 were executed to provide copier equipment for use.

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, 2022

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.

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<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

GOVERNMENT-WIDE STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, 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, 2022

- 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 \$ 9,714,455 at August 31, 2022.

Sulphur Springs Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
Assets:			
Cash and Investments	\$ 20,002,916	\$ 17,622,504	13.51%
Other Assets	5,721,805	4,870,441	17.48%
Capital Assets less Accumulated Depreciation	64,081,840	66,853,022	-4.15%
Total Assets	<u>\$ 89,806,561</u>	<u>\$ 89,345,967</u>	0.52%
Total Deferred Outflows of Resources	<u>\$ 9,379,383</u>	<u>\$ 10,069,445</u>	-6.85%
Liabilities:			
Current Liabilities	\$ 3,403,541	\$ 3,637,763	-6.44%
Long-term Liabilities	68,722,263	77,050,924	-10.81%
Total Liabilities	<u>\$ 72,125,804</u>	<u>\$ 80,688,687</u>	-10.61%
Total Deferred Inflows of Resources	<u>\$ 17,345,685</u>	<u>\$ 12,997,320</u>	33.46%
Net Position:			
Net Investment in Capital Assets	\$ 16,005,935	\$ 16,628,075	-3.74%
Restricted	8,937,502	6,385,864	39.96%
Unrestricted	(15,228,982)	(17,284,534)	11.89%
Total Net Position	<u>\$ 9,714,455</u>	<u>\$ 5,729,405</u>	69.55%

Approximately \$ 7,576,198 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 \$ 57,309,347. 35% of the District's revenue comes from local property taxes (See Table A-2). 63% comes from state aid and federal grants, while 2% relates to charges for services and other sources.

The total cost of all programs and services was \$ 53,324,297. 59% 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 98.87%. The total collection rate (base tax plus penalty and interest) was 100.53%.

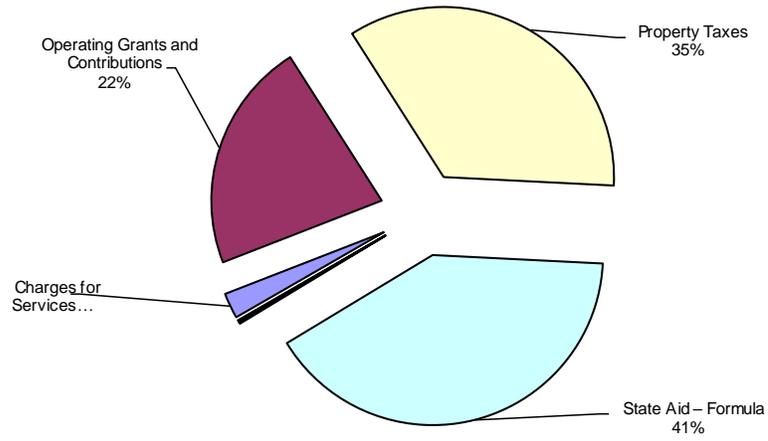
SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2022

GOVERNMENTAL ACTIVITIES

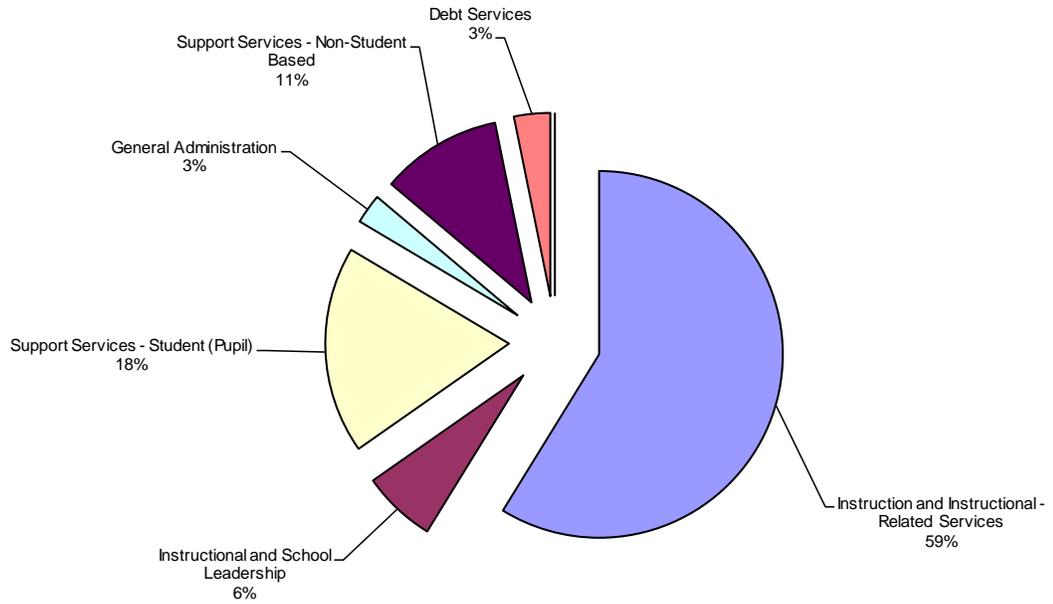
Changes in Sulphur Springs Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentag Change
	2022	2021	2021-2022
Program Revenues:			
Charges for Services	\$ 1,387,979	\$ 1,545,722	-10.21%
Operating Grants and Contributions	12,541,017	12,804,912	-2.06%
General Revenues:			
Property Taxes	19,956,015	18,724,056	6.58%
State Aid – Formula	23,234,637	24,273,893	-4.28%
Investment Earnings	107,663	12,567	756.71%
Other	82,036	180,536	-54.56%
Total Revenues	\$ 57,309,347	\$ 57,541,686	-0.40%
Expenses:			
Instruction	\$ 30,205,794	\$ 32,285,374	-6.44%
Instructional Resources and Media Services	468,681	543,068	-13.70%
Curriculum and Staff Development	666,772	704,758	-5.39%
Instructional Leadership	1,911,568	2,027,691	-5.73%
School Leadership	1,550,553	1,788,536	-13.31%
Guidance, Counseling and Evaluation Services	1,248,859	1,357,330	-7.99%
Social Work Services	237,117	229,375	3.38%
Health Services	560,866	638,103	-12.10%
Student (Pupil) Transportation	1,618,625	1,640,705	-1.35%
Food Services	2,546,889	2,275,112	11.95%
Cocurricular/Extracurricular Activities	3,533,894	2,978,772	18.64%
General Administration	1,395,786	1,299,266	7.43%
Plant Maintenance and Operations	4,519,393	4,175,202	8.24%
Security and Monitoring Services	706,320	739,182	-4.45%
Data Processing Services	453,479	446,870	1.48%
Community Services	1,591	-	100.00%
Debt Service	1,698,110	1,778,272	-4.51%
Total Expenses	\$ 53,324,297	\$ 54,907,616	-2.88%
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ 3,985,050	\$ 2,634,070	51.29%
Increase (Decrease) in Net Position	\$ 3,985,050	\$ 2,634,070	51.29%
Net Position - Beginning (September 1)	\$ 5,729,405	\$ 2,822,565	102.99%
Prior Period Adjustment	-	272,770	100.00%
Net Position - Beginning as restated	\$ -	\$ 3,095,335	-100.00%
Net Position - Ending (August 31)	\$ 9,714,455	\$ 5,729,405	69.55%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2022

Sources of Revenue for Fiscal Year 2022- See Table A-2



Functional Expenses for Fiscal Year 2022 - See Table A-2



SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2022

- 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 \$ 53,324,297.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 19,956,015.
- Some of the cost was paid by those who directly benefited from the programs, \$ 1,387,979, or
- By grants and contributions, \$ 12,541,017.

Sulphur Springs Independent School District's Net Cost of Selected District Functions							Table A-3
	Total Cost of Services		%	Net Cost of Services		%	
	2022	2021		2022	2021		Change
Instruction	\$ 30,205,794	\$ 32,285,374	-6.44%	\$ 23,594,198	\$ 25,105,840	-6.02%	
School Leadership	1,550,553	1,788,536	-13.31%	1,492,981	1,600,617	-6.72%	
General Administration	1,395,786	1,299,266	7.43%	1,397,459	1,242,115	12.51%	
Plant Maintenance and Operations	4,519,393	4,175,202	8.24%	2,625,407	2,301,686	14.06%	
Debt Service	1,698,110	1,778,272	-4.51%	1,616,586	1,687,232	-4.19%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 60,121,877, which represents a \$ 3,075,927 increase over the prior year revenues of \$ 57,045,950. 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 \$ 56,983,942 for the year. This is an increase of \$ 3,335,552 from the prior year total of \$ 53,648,390. 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. Cost related to pandemic learning loss funded through grants also increased then 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 \$ 959,614 below General Fund final budget amounts. The largest positive variances are reflective of lower than anticipated expenditures incurred in instruction as well as plant maintenance and operations.

Resources available were \$ 296,180 below the final General Fund budgeted amount. The unfavorable variance was due to less than anticipated local revenues related to continued COVID-19 restrictions on local activities. State and federal resources helped to offset the local shortage in the budget revenues.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 109,536,156 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Sulphur Springs Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
Land	\$ 862,613	\$ 862,613	0.00%
Buildings and Improvements	99,688,824	99,544,658	0.14%
Equipment	3,388,919	3,198,117	5.97%
Vehicles	5,369,110	5,500,150	-2.38%
Right of Use Leases	226,690	-	100.00%
Totals at Historical Cost	\$ 109,536,156	\$ 109,105,538	0.39%
Less Accumulated Depreciation	(45,454,316)	(42,252,516)	7.58%
Net Capital Assets	<u>\$ 64,081,840</u>	<u>\$ 66,853,022</u>	-4.15%

DEBT

At year end the District had \$ 48,164,445 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.

Sulphur Springs Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
General Obligation Bonds	\$ 39,115,000	\$ 40,740,000	-3.99%
Direct Borrowings Payable	5,548,900	5,993,134	-7.41%
Right of Use Leases Payable	165,850	-	100.00%
Other Debt Payable	3,334,695	3,587,573	-7.05%
Total Debt Payable	<u>\$ 48,164,445</u>	<u>\$ 50,320,707</u>	-4.29%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2022

ECONOMIC FACTORS

The District's property valuation has recovered due to housing developments and commercial growth. Local property tax rates for maintenance and operations are restricted by statute to \$.97, without local elections. The State Legislature passed HB3 which included various changes to the property tax rate setting process thus limiting school districts' opportunities for tax modifications and compressing the rates charged to taxpayers. The additional changes required under HB3 could impact the District's financial operations, including cash flow.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to continue at a steady rate. Housing has begun expanding at the rate similar to 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 2020-2022 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. The level of funding per attendance credits increased significantly. With these increases, the state imposed requirements to spend at least 30% of the new funding on salaries to personnel with at least 75% of the 30% to be for teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

The global outbreak of coronavirus disease 2019 ("COVID-19") presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management of the District is actively monitoring the global situation on its financial condition, liquidity, operations, supplies, vendors, and industry. Given the evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations and financial condition.

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, 2022

Data Control Codes	1 <u>Governmental Activities</u>
ASSETS	
1110 Cash and Investments	\$ 20,002,916
1225 Property Taxes Receivable, Net	783,717
1240 Due from Other Governments	4,887,173
1290 Other Receivables, Net	15,773
1300 Inventories, at Cost	35,142
Capital Assets:	
1510 Land	862,613
1520 Buildings and Improvements, Net	60,337,981
1530 Furniture and Equipment, Net	2,717,612
1550 Right of Use Assets, Net	<u>163,634</u>
1000 Total Assets	<u>\$ 89,806,561</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Outflows - Refunding	\$ 2,524,549
1705 Deferred Outflows - Pensions	3,697,608
1706 Deferred Outflows - OPEB	<u>3,157,226</u>
1700 Total Deferred Outflows of Resources	<u>\$ 9,379,383</u>
LIABILITIES	
2110 Accounts Payable	\$ 400,256
2140 Interest Payable	69,200
2165 Accrued Liabilities	2,774,419
2300 Unearned Revenues	159,666
Noncurrent Liabilities:	
2501 Due within one year	2,143,273
2502 Due in more than one year	46,021,172
2540 Net Pension Liability	6,063,318
2545 OPEB Liability	<u>14,494,500</u>
2000 Total Liabilities	<u>\$ 72,125,804</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pensions	\$ 7,047,682
2606 Deferred Inflows - OPEB	<u>10,298,003</u>
2600 Total Deferred Inflows of Resources	<u>\$ 17,345,685</u>
NET POSITION	
3200 Net Investments in Capital Assets	\$ 16,005,935
Restricted For:	
3820 Federal and State Programs	1,358,013
3850 Debt Service	7,576,198
3890 Other Programs	3,291
3900 Unrestricted	<u>(15,228,982)</u>
3000 Total Net Position	<u>\$ 9,714,455</u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022

Data Control Codes Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services			
Governmental Activities:					
11 Instruction	\$ 30,205,794	\$ 114,349	\$ 6,497,247	\$ (23,594,198)	
12 Instructional Resources and Media Services	468,681	25,123	15,132	(428,426)	
13 Curriculum and Staff Development	666,772	-	129,548	(537,224)	
21 Instructional Leadership	1,911,568	-	541,587	(1,369,981)	
23 School Leadership	1,550,553	-	57,572	(1,492,981)	
31 Guidance, Counseling and Evaluation Services	1,248,859	-	137,858	(1,111,001)	
32 Social Work Services	237,117	-	78,942	(158,175)	
33 Health Services	560,866	9,375	128,896	(422,595)	
34 Student (Pupil) Transportation	1,618,625	-	51,843	(1,566,782)	
35 Food Services	2,546,889	168,583	3,030,888	652,582	
36 Cocurricular/Extracurricular Activities	3,533,894	987,722	(17,263)	(2,563,435)	
41 General Administration	1,395,786	82	(1,755)	(1,397,459)	
51 Plant Maintenance and Operations	4,519,393	82,745	1,811,241	(2,625,407)	
52 Security and Monitoring Services	706,320	-	(1,789)	(708,109)	
53 Data Processing Services	453,479	-	(2,052)	(455,531)	
61 Community Services	1,591	-	1,598	7	
72 Interest on Long-term Debt	1,696,610	-	81,524	(1,615,086)	
73 Debt Issuance Costs and Fees	1,500	-	-	(1,500)	
TG Total Governmental Activities	<u>\$ 53,324,297</u>	<u>\$ 1,387,979</u>	<u>\$ 12,541,017</u>	<u>\$ (39,395,301)</u>	
TP Total Primary Government	<u>\$ 53,324,297</u>	<u>\$ 1,387,979</u>	<u>\$ 12,541,017</u>	<u>\$ (39,395,301)</u>	
General Revenues:					
MT Property Taxes, Levied for General Purposes				\$ 14,707,618	
DT Property Taxes, Levied for Debt Service				5,248,397	
IE Investment Earnings				107,663	
GC Grants and Contributions Not Restricted to Specific Programs				23,234,637	
MI Miscellaneous				82,036	
TR Total General Revenues				<u>\$ 43,380,351</u>	
CN Change in Net Position				\$ 3,985,050	
NB Net Position - Beginning (September 1)				<u>5,729,405</u>	
NE Net Position - Ending (August 31)				<u>\$ 9,714,455</u>	

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS					
1110	Cash and Investments	\$ 12,610,800	\$ 7,462,712	\$ -	\$ 20,073,512
1225	Property Taxes Receivable, Net	593,174	190,543	-	783,717
1240	Due from Other Governments	1,903,810	-	2,983,363	4,887,173
1260	Due from Other Funds	9,916	-	91,426	101,342
1290	Other Receivables	15,773	-	-	15,773
1300	Inventories	35,142	-	-	35,142
1000	Total Assets	<u>\$ 15,168,615</u>	<u>\$ 7,653,255</u>	<u>\$ 3,074,789</u>	<u>\$ 25,896,659</u>
LIABILITIES					
Current Liabilities:					
2110	Accounts Payable	\$ 170,381	\$ -	\$ 438,058	\$ 608,439
2150	Payroll Deductions and Withholdings	291,214	-	-	291,214
2160	Accrued Wages Payable	2,163,419	-	245,694	2,409,113
2170	Due to Other Funds	92,590	-	9,916	102,506
2200	Accrued Expenditures	46,022	-	28,070	74,092
2300	Unearned Revenue	-	7,857	151,809	159,666
2000	Total Liabilities	<u>\$ 2,763,626</u>	<u>\$ 7,857</u>	<u>\$ 873,547</u>	<u>\$ 3,645,030</u>
DEFERRED INFLOWS OF RESOURCES					
2610	Deferred Property Taxes	\$ 593,174	\$ 190,543	\$ -	\$ 783,717
2600	Total Deferred Inflows of Resources	<u>\$ 593,174</u>	<u>\$ 190,543</u>	<u>\$ -</u>	<u>\$ 783,717</u>
FUND BALANCES					
Nonspendable Fund Balances:					
3410	Inventories	\$ 35,142	\$ -	\$ -	\$ 35,142
Restricted Fund Balances:					
3450	Federal/State Funds Grants	-	-	1,351,433	1,351,433
3480	Retirement of Long-Term Debt	-	7,454,855	-	7,454,855
3490	Other Restrictions of Fund Balance	29,459	-	159,834	189,293
Committed Fund Balances:					
3545	Other Committed Fund Balance	115,776	-	689,975	805,751
3600	Unassigned	11,631,438	-	-	11,631,438
3000	Total Fund Balances	<u>\$ 11,811,815</u>	<u>\$ 7,454,855</u>	<u>\$ 2,201,242</u>	<u>\$ 21,467,912</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,168,615</u>	<u>\$ 7,653,255</u>	<u>\$ 3,074,789</u>	<u>\$ 25,896,659</u>

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, 2022

Total fund balances - Balance Sheet (governmental funds)	\$	21,467,912
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		64,081,840
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		783,717
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		138,751
Payables for bond principal which are not due in the current period are not reported in the funds.		(39,115,000)
Payables for right of use leases which are not due in the current period are not reported in the funds.		(165,850)
Payables for debt interest which are not due in the current period are not reported in the funds.		(69,200)
Payables for direct borrowings which are not due in the current period are not reported in the funds.		(5,548,900)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(88,540)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		2,524,549
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(6,063,318)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(7,047,682)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		3,697,608
Bond premiums are amortized in the SNA but not in the funds.		(3,246,155)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(14,494,500)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(10,298,003)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		<u>3,157,226</u>
Net position of governmental activities - Statement of Net position	\$	<u>9,714,455</u>

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, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 15,179,369	\$ 5,280,248	\$ 1,050,349	\$ 21,509,966
5800 State Program Revenues	25,445,785	81,524	327,864	25,855,173
5900 Federal Program Revenues	<u>722,637</u>	<u>-</u>	<u>12,034,100</u>	<u>12,756,737</u>
5020 Total Revenues	<u>\$ 41,347,791</u>	<u>\$ 5,361,772</u>	<u>\$ 13,412,313</u>	<u>\$ 60,121,876</u>
EXPENDITURES				
Current:				
0011 Instruction	\$ 25,435,983	\$ -	\$ 6,069,609	\$ 31,505,592
0012 Instructional Resources and Media Services	508,829	-	43,803	552,632
0013 Curriculum and Staff Development	594,500	-	138,853	733,353
0021 Instructional Leadership	1,506,833	-	567,294	2,074,127
0023 School Leadership	1,622,843	-	87,255	1,710,098
0031 Guidance, Counseling and Evaluation Services	1,241,856	-	158,964	1,400,820
0032 Social Work Services	162,500	-	77,933	240,433
0033 Health Services	525,149	-	92,608	617,757
0034 Student (Pupil) Transportation	1,556,992	-	166,268	1,723,260
0035 Food Services	5,694	-	2,590,402	2,596,096
0036 Cocurricular/Extracurricular Activities	1,694,901	-	671,734	2,366,635
0041 General Administration	1,454,004	-	12,197	1,466,201
0051 Plant Maintenance and Operations	2,729,081	-	1,985,001	4,714,082
0052 Security and Monitoring Services	773,145	-	12,210	785,355
0053 Data Processing Services	499,049	-	7,520	506,569
0061 Community Services	-	-	1,591	1,591
0071 Principal on Long-term Debt	394,718	1,625,000	110,356	2,130,074
0072 Interest on Long-term Debt	147,703	1,585,731	3,622	1,737,056
0073 Debt Issuance Cost and Fees	500	1,000	-	1,500
0081 Capital Outlay	<u>120,711</u>	<u>-</u>	<u>-</u>	<u>120,711</u>
6030 Total Expenditures	<u>\$ 40,974,991</u>	<u>\$ 3,211,731</u>	<u>\$ 12,797,220</u>	<u>\$ 56,983,942</u>
1100 Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 372,800</u>	<u>\$ 2,150,041</u>	<u>\$ 615,093</u>	<u>\$ 3,137,934</u>
OTHER FINANCING SOURCES (USES)				
7912 Sale of Real or Personal Property	\$ 32,896	\$ -	\$ -	\$ 32,896
7913 Right of Use Lease Proceeds	220,924	-	5,766	226,690
7915 Transfers In	-	-	54,773	54,773
8911 Transfers Out	<u>(54,773)</u>	<u>-</u>	<u>-</u>	<u>(54,773)</u>
7080 Net Other Financing Sources (Uses)	<u>\$ 199,047</u>	<u>\$ -</u>	<u>\$ 60,539</u>	<u>\$ 259,586</u>
1200 Net Changes in Fund Balances	<u>\$ 571,847</u>	<u>\$ 2,150,041</u>	<u>\$ 675,632</u>	<u>\$ 3,397,520</u>
0100 Fund Balance - Beginning (September 1)	<u>11,239,968</u>	<u>5,304,814</u>	<u>1,525,610</u>	<u>18,070,392</u>
3000 Fund Balance - Ending (August 31)	<u>\$ 11,811,815</u>	<u>\$ 7,454,855</u>	<u>\$ 2,201,242</u>	<u>\$ 21,467,912</u>

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, 2022

Net change in fund balances - total governmental funds	\$	3,397,519
<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.		886,621
The depreciation of capital assets used in governmental activities is not reported in the funds.		(3,657,803)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		26,810
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		34,623
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,625,000
Repayment of right of use lease principal is an expenditure in the funds but not an expense in the SOA.		60,840
Repayment of direct borrowings principal is an expenditure in the funds but not an expense in the SOA.		444,234
(Increase) decrease in accrued interest from beginning of period to end of period.		5,823
The net revenue (expense) of internal service funds is reported with governmental activities.		35,844
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		7,220
Proceeds of right of use leases do not provide revenue in the SOA, but are reported as current resources in the funds.		(226,690)
Pension contributions in the CY are de-expended and recorded as deferred resource outflows.		1,166,482
Pension contributions deferred in the PY are expended in the CY.		(1,015,982)
Pension expense is recorded in the SOA but not in the funds.		464,423
OPEB contributions in the CY are de-expended and recorded as deferred resource outflows.		306,482
OPEB contributions deferred in the PY were expended in the CY.		(293,543)
OPEB expense is recorded in the SOA but not in the funds.		<u>717,145</u>
Change in net position of governmental activities - Statement of Activities	\$	<u><u>3,985,048</u></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, 2022

Data Control Codes		Internal Service Fund
	ASSETS	
	Current Assets:	
1110	Cash and Investments	\$ 237,273
	Receivables:	
1260	Due from Other Funds	1,164
	Total Current Assets	\$ 238,437
1000	Total Assets	\$ 238,437
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	\$ 99,686
	Total Current Liabilities	\$ 99,686
2000	Total Liabilities	\$ 99,686
	NET POSITION	
3900	Unrestricted Net Position	\$ 138,751
3000	Total Net Position	\$ 138,751

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, 2022

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	\$ 205,498
5020 Total Operating Revenues	\$ 205,498
OPERATING EXPENSES	
6100 Payroll Costs	\$ 28,157
6200 Professional and Contracted Services	42,854
6400 Other Operating Costs	98,642
6030 Total Operating Expenses	\$ 169,653
1200 Change in Net Position	\$ 35,845
0100 Total Net Position - Beginning (September 1)	102,906
3000 Total Net Position - Ending (August 31)	\$ 138,751

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, 2022

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Operating Interest	\$ 896
Cash Receipts from Others	20,789
Cash Receipts from Quasi-External Operating Transfers	183,813
Cash Payments for Claims	(26,920)
Cash Payments for Administration/Reinsurance	(99,393)
Cash Payments for Contracted Services	(17,845)
Cash Payments to Employees	(28,157)
Net Cash Provided by (Used for) Operating Activities	\$ 33,183
 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	\$ 33,183
 Cash and Investments - Beginning (September 1)	204,090
Cash and Investments - Ending (August 31)	\$ 237,273
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Increase (Decrease) in Net Position	\$ 35,845
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Accounts Payable	(2,662)
Net Cash Provided by (Used for) Operating Activities	\$ 33,183

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AUGUST 31, 2022

Data Control Codes		Private-Purpose Trust Fund <hr/> Scholarship Fund <hr/>
	ASSETS	
1110	Cash and Investments	\$ 5,790
1000	Total Assets	\$ 5,790
	LIABILITIES	
2110	Accounts Payable	\$ -
2000	Total Liabilities	\$ -
	NET POSITION	
3800	Held in Trust	\$ 5,790
3000	Total Net Position	\$ 5,790

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, 2022

Data Control Codes	Private-Purpose Trust Fund <hr/> Scholarship Fund <hr/>
REVENUES	
5742 Investment Earnings - Interest Revenue	\$ 6
5744 Donations	<hr/> 12,000
5020 Total Revenues	<hr/>\$ 12,006
 EXPENSES	
6400 Scholarship Payments	<hr/> \$ 11,750
6030 Total Expenses	<hr/>\$ 11,750
1200 Changes in Net Position	\$ 256
0100 Net Position - Beginning (September 1)	<hr/> 5,534
3000 Net Position - Ending (August 31)	<hr/><hr/>\$ 5,790

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, 2022

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, 2022

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. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire bond principal.

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.

Fiduciary Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust and custodial funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provisions of a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Custodial funds are purely custodial but involve measurement and result of operations. The balance of funds held is restricted for those groups. The restricted balance is a reflection of the measurement and result of the fund operations.

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, 2022

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, 2022

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	\$ 35,142	\$ -	\$ -	\$ 35,142
Restricted				
Child Nutrition Program	-	-	1,264,017	1,264,017
Summer Feeding Program	-	-	87,416	87,416
LEOSE	-	-	3,291	3,291
Retirement of Long Term Debt	-	7,454,855	-	7,454,855
Athletic Capital Project	-	-	156,543	156,543
Childrens Fund	25,744	-	-	25,744
Other	3,715	-	-	3,715
Committed				
Campus Activity Funds	-	-	683,395	683,395
Future Budget Deficit	115,776	-	6,580	122,356
Unassigned	11,631,438	-	-	11,631,438
Totals	<u>\$ 11,811,815</u>	<u>\$ 7,454,855</u>	<u>\$ 2,201,242</u>	<u>\$ 21,467,912</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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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, 2022

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.

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 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.

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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies (Continued)

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 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 the following statements with varying effective dates noted:

Statement 96: *Subscription Based Information Technology Arrangements* (Effective FY beginning after June 15, 2022)

Statement 97: *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (Effective FY beginning after June 15, 2021)

Statement 98: *The Annual Comprehensive Financial Report* (Effective FY ending after December 15, 2021)

Statement 99: *Omnibus 2022* (Effective upon issuance with some effective FY beginning after June 15, 2022)

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)

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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies (Continued)

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</u> <u>Amortized Cost</u>	<u>Weighted</u> <u>Average</u> <u>Maturity (Days)</u>
Governmental Activities:		
Cash Deposits	\$ 4,461,053	N/A
Investments:		
TexPool	14,043,277	37
Lone Star Investment Pool	1,498,586	41
Totals	<u>\$ 20,002,916</u>	

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

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 \$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.

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 \$ 5,540,653 and occurred in January 2022. 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, 2022

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 \$ 0.87200 to fund general operations and \$ 0.31048 for the payment of principal and interest on long-term debt. The rates were levied on property assessed totaling \$ 1,682,070,049. 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, 2022

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	\$ 99,544,658	\$ 144,166	\$ -	\$ 99,688,824
Vehicles	5,500,150	275,101	406,141	5,369,110
Equipment	3,198,117	240,664	49,862	3,388,919
Total Capital Assets being depreciated	\$ 108,242,925	\$ 659,931	\$ 456,003	\$ 108,446,853
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 36,247,623	\$ 3,103,220	\$ -	\$ 39,350,843
Vehicles	3,996,683	302,948	406,141	3,893,490
Equipment	2,008,210	188,579	49,862	2,146,927
Total Accumulated Depreciation	\$ 42,252,516	\$ 3,594,747	\$ 456,003	\$ 45,391,260
Total Capital Assets being depreciated, net	\$ 65,990,409	\$ (2,934,816)	\$ -	\$ 63,055,593
Lease Assets:				
Building and Improvements	\$ -	\$ -	\$ -	-
Vehicles	-	-	-	-
Equipment	-	226,690	-	226,690
Total Lease Assets, being amortized	\$ -	\$ 226,690	\$ -	\$ 226,690
Less Accumulated Amortization for:				
Building and Improvements	\$ -	\$ -	\$ -	-
Vehicles	-	-	-	-
Equipment	-	63,056	-	63,056
Total Accumulated Amortization	\$ -	\$ 63,056	\$ -	\$ 63,056
Total Lease Assets being amortized, net	\$ -	\$ 163,634	\$ -	\$ 163,634
Governmental Activities Capital Assets, net	\$ 66,853,022	\$ (2,771,182)	\$ -	\$ 64,081,840

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

Instruction	\$ 1,902,127
School Leadership	23,483
Health Services	4,340
Student (Pupil) Transportation	221,898
Food Services	61,879
Cocurricular/Extracurricular Activities	1,309,317
General Administration	14,326
Plant Maintenance and Operations	77,657
Security and Monitoring Services	42,776
Total	<u>\$ 3,657,803</u>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

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	\$ 40,740,000	\$ -	\$ 1,625,000	\$ 39,115,000	\$ 1,690,000
Direct Borrowings Payable	5,993,134	-	444,234	5,548,900	344,450
Right of Use Leases Payable	-	226,690	60,840	165,850	108,823
Unamortized Premium (Discount)	3,491,813	-	245,658	3,246,155	-
Retirement Benefits	95,760	15,140	22,360	88,540	-
 Total Governmental Activities	 <u>\$ 50,320,707</u>	 <u>\$ 241,830</u>	 <u>\$ 2,398,092</u>	 <u>\$ 48,164,445</u>	 <u>\$ 2,143,273</u>

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 following bonded debt issues are outstanding at year end:

<u>Description</u>	<u>Interest Rate</u>	<u>Original Value</u>	<u>Outstanding Amount</u>
Unlimited Tax School Refunding Bonds, Series 2013	1.61%	\$ 7,990,000	\$ 1,740,000
Unlimited Tax Refunding Bond, Series 2018	2.99%	40,870,000	<u>37,375,000</u>
Totals			<u>\$ 39,115,000</u>

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

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2023	1,690,000	1,524,481	3,214,481
2024	1,655,000	1,460,681	3,115,681
2025	1,720,000	1,392,031	3,112,031
2026	1,805,000	1,306,031	3,111,031
2027	1,900,000	1,215,781	3,115,781
2028-2032	11,010,000	4,555,905	15,565,905
2033-2037	13,385,000	2,189,862	15,574,862
2038-2042	5,950,000	280,313	6,230,313
 Totals	 <u>\$ 39,115,000</u>	 <u>\$ 13,925,085</u>	 <u>\$ 53,040,085</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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

E. Long-term Obligations (Continued)

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.

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	\$ 5,540,000
Avon Financial - Taser	03/15/2024	0.000%	22,450	8,900
Totals				\$ 5,548,900

Maturity requirement on the loans at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2023	\$ 344,450	\$ 131,213	\$ 475,663
2024	354,450	120,863	475,313
2025	360,000	112,013	472,013
2026	365,000	104,762	469,762
2027	370,000	97,412	467,412
2028 - 2032	1,980,000	366,337	2,346,337
2033 - 2037	1,775,000	105,831	1,880,831
Totals	\$ 5,548,900	\$ 1,038,431	\$ 6,587,331

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	Implicit Interest Rate	Original Property Value	Outstanding Balance
Wells Fargo Financial - Copiers	1/31/2024	7.00%	\$ 213,101	\$ 153,096
DeLange Laden - Copiers	4/13/2027	7.00%	5,766	5,194
Marlin Capital SOL - Copiers	6/14/2027	7.00%	7,823	7,560
Totals				\$ 165,850

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

E. Long-term Obligations (Continued)

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

Year Ending August 31	Principal	Interest	Total Requirements
2023	\$ 108,823	\$ 8,162	\$ 116,985
2024	49,116	1,469	50,585
2025	2,687	469	3,156
2026	2,882	274	3,156
2027	2,342	70	2,412
Totals	<u>\$ 165,850</u>	<u>\$ 10,444</u>	<u>\$ 176,294</u>

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 Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#ACFR>; 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 2021 Annual Comprehensive Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2021, and 2020.

Net Pension Liability	2021	2020
Total Pension Liability	\$ 227,273,463,630	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	<u>(201,807,002,496)</u>	<u>(165,416,245,243)</u>
Net Pension Liability	<u>\$ 25,466,461,134</u>	<u>\$ 53,557,959,841</u>
Net Position as percentage of Pension Liability	88.79%	75.54%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

F. Defined Benefits Pension Plan (Continued)

3. *Benefits Provided*

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

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

In May 2020, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2020. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$ 2,000, whichever was less.

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 the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code Section 825.402. The TRS Pension Reform Bill (SB12) of the 86th Texas Legislature amended Texas Government Code Section 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2022 thru 2025.

	<u>Contribution Rates</u>	
	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
Current Year Employer Contributions		\$ 1,166,482
Current year Member Contributions		\$ 2,570,180
Measurement Period NECE On-Behalf Contributions		\$ 1,847,123

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

F. Defined Benefits Pension Plan (Continued)

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 1.5% increasing to 2% over the period ending 2025 on all covered payroll.

5. *Actuarial Assumptions*

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the TRS System's actuary. The TRS Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ended August 31, 2017, and were adopted in July 2018.

The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioners Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, also was full generational mortality.

The long-term expected rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 TRS System's target asset allocation as August 31, 2021, are summarized below:

Asset Class*	Target Allocation %**	Long -Term Expected Geometric Real Rate of Return***	Expected Contribution to Long Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-US Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	-0.2%	0.01%
Absolute Return	0.0%	1.1%	0.0%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources & Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.0%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	-0.7%	-0.01%
Asset Allocation Leverage	-6.0%	-0.5%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			-0.95%
Expected Return	<u>100%</u>		<u>6.90%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2021 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021)

**** 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, 2022

F. Defined Benefits Pension Plan (Continued)

The total pension liability in the August 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05% including inflation
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None
Municipal Bond Rate	1.95%
Ending year in Projection Period	2120

The actuarial assumptions used in this determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. A full description of the assumptions are included with the report dated November 9, 2017.

6. *Discount Rate*

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. 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.

7. *Assumption Changes Since the Prior Actuarial Valuation*

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

8. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 7.25% 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 (6.25%) or 1 – percentage point higher (8.25%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 13,249,312	\$ 6,063,318	\$ 233,295

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

F. Defined Benefits Pension Plan (Continued)

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

At August 31, 2022, the District reported a liability of \$ 6,063,318 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	6,063,318
State's proportionate share that is associated with the District		<u>11,022,838</u>
 Total	 \$	 <u>17,086,156</u>

The net pension liability was measured as of August 31, 2020 and rolled to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net pension liability was 00238090324%, which was a decrease of 0.0004246501% from its proportion measured as of August 31, 2020.

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

For the current year, the District recognized pension expense of \$ 595,627 and revenue of \$ 44,068 for support provided by the State.

At year end, the District reported its proportionate share of the TRS's deferred outflow of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 10,147	\$ 426,862
Changes of actuarial assumptions	2,143,264	934,279
Differences between projected and actual investment earnings	-	5,084,014
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>377,715</u>	<u>602,527</u>
Total as of August 31, 2021 measurement date	2,531,126	7,047,682
Contributions paid to TRS subsequent to the measurement date	<u>1,166,482</u>	<u>-</u>
Total at fiscal year end	<u>\$ 3,697,608</u>	<u>\$ 7,047,682</u>

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>
2023	(783,123)
2024	(831,489)
2025	(1,243,095)
2026	(1,608,940)
2027	(47,953)
Thereafter	(1,956)

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

G. Other Post-Employment Benefit Plans

1. *Plan Description*

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.052

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 that includes financial statements and required supplementary information. That annual financial report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr/pdf#ACFR>; 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, 2021 and 2020 are as follows:

<u>Net OPEB Liability</u>	<u>2021</u>	<u>2020</u>
Total OPEB Liability	\$ 41,113,711,083	\$ 40,010,833,815
Less: Plan Fiduciary Net Position	<u>(2,539,242,470)</u>	<u>(1,996,317,932)</u>
Net OPEB Liability	<u>\$ 38,574,468,613</u>	<u>\$ 38,014,515,883</u>
Net Position as percentage of OPEB Liability	6.18%	4.99%

3. *Benefits Provided*

TRS-Care provides basic health insurance coverage (TRS-Care 1), to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. 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. The TRS Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

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

TRS-Care Monthly Premium Rates		
	<u>Employer</u>	<u>Employee</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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

G. Other Post-Employment Benefit Plans (Continued)

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

	2021	2022
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		\$ 306,482
Current Year Member Contributions		\$ 208,834
Measurement Period NECE On-Behalf Contributions		\$ 393,290

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, they are required to pay to TRS Care, a monthly surcharge of \$ 535 per retiree.

A supplemental appropriation was authorized by Senate Bill 1264 of 86th Texas Legislature to provide \$ 2,208,137 for fiscal year 2020 and \$ 3,312,206 for fiscal year 2021, for consumer protection against medical and healthcare billing by certain out-of-network providers. Funding will be in fiscal year 2022.

5. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2020, actuarial valuation was rolled forward to August 31, 2021.

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 identical to the assumptions used in the August 31, 2020, TRS pension actuarial valuation:

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

G. Other Post-Employment Benefit Plans (Continued)

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, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
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
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Health Care Trend Rates

The initial medical trend rates were 8.5% for Medicare retirees and 7.10% for Non-Medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

6. *Discount Rate*

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% 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.

7. *Assumption Changes Since the Prior Actuarial Valuation*

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

- Discount rate decreased from 2.33% to 1.95% increasing the total OPEB liability.

8. *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 (1.95%) 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	\$ 17,483,707	\$ 14,494,500	\$ 12,141,897

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

G. Other Post-Employment Benefit Plans (Continued)

9. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.5%), 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	\$ 11,740,065	\$ 14,494,500	\$ 18,190,268

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

At August 31, 2022, the District reported a liability of \$ 14,494,500 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	\$ 14,494,500
State's proportionate share that is associated with the District	19,419,400
Total	\$ 33,913,900

The net OPEB liability was measured as of August 31, 2020, and rolled forward to August 31, 2021, and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020, thru August 31, 2021.

At August 31, 2021, the District's proportion of the collective net OPEB liability was 0.0375753727%, which was an increase of 0.0002053872% from its proportion measured as of August 31, 2020.

The District recognized OPEB expense of \$ (1,140,326) and revenue of \$ (716,724) for support provided by the State during the current year.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 624,057	\$ 7,016,352
Changes in actuarial assumptions	1,605,436	3,065,319
Differences between projected and actual investment earnings	15,737	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	605,514	216,332
Total as of August 31, 2021 measurement date	\$ 2,850,744	\$ 10,298,003
Contributions paid to TRS subsequent to the measurement date	306,482	-
Total at fiscal year end	\$ 3,157,226	\$ 10,298,003

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

G. Other Post-Employment Benefit Plans (Continued)

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:

Year Ending August 31	Amount
2023	(1,466,799)
2024	(1,467,154)
2025	(1,467,057)
2026	(1,085,526)
2027	(568,994)
Thereafter	(1,391,729)

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, 2022, 2021 and 2020, 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

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 \$ 99,936 as of year end. District administrative expenses for fiscal year 2022 were \$ 93,675.

The District maintains a self-insured retention of \$ 86,469 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 \$ 99,936 includes incurred but not reported claims of \$ 86,469. 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

I. Risk Management (Continued)

Changes in the workers' compensation claims liability amounts in the periods of 2022 and 2021 are represented below:

	2022	2021
Beginning Claims Liability	\$ 100,356	\$ 100,356
Claims Incurred (Reduced)	27,251	97,575
Claim Payments	(27,671)	(97,575)
Ending Claims Liability	\$ 99,936	\$ 100,356

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 Unemployment Compensation pool.

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, 2021 are available at the TASB offices 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 2022, 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.

J. Litigation

The District appears to have no pending litigation as of August 31, 2022.

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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

L. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate sources in the Districts individual major funds and aggregate non-major funds consisting of the following:

	General	Debt Service	Other Governmental	Totals
Property Tax Collections	\$ 14,694,448	\$ 5,234,760	\$ -	\$ 19,929,208
Investment Income	62,113	45,488	63	107,664
Tuition and Fees	56,795	-	-	56,795
Food Service Income	-	-	168,583	168,583
Gifts and Bequests	32,223	-	2,270	34,493
Cocurricular/Extracurricular Activities	191,792	-	866,416	1,058,208
Rent	17,368	-	-	17,368
Other	124,630	-	13,017	137,647
Totals	\$ 15,179,369	\$ 5,280,248	\$ 1,050,349	\$ 21,509,966

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	\$ 1,903,810	\$ -	\$ 2,983,363	\$ 4,887,173
Property Taxes Receivable	659,082	211,714	-	870,796
Less: Allowance for Uncollectible Property Taxes	(65,908)	(21,171)	-	(87,079)
Other	15,773	-	-	15,773
Net Receivables	\$ 2,512,757	\$ 190,543	\$ 2,983,363	\$ 5,686,663

N. Subsequent Events

Management has evaluated all events or transactions that occurred after August 31, 2022, up through January 4, 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

O. State Aid Reconciliation (Continued)

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.

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
CY Summary of Finances (SOF)	\$ 2,088,385	\$ 20,959,922	Not	\$ 81,524
Prior Year Settle Ups	-	9,837	Eligible	-
August Instructional Days Change	<u>69,518</u>	<u>106,975</u>	-	-
Financial Statement Earnings	<u>\$ 2,157,903</u>	<u>\$ 21,076,734</u>	<u>\$ -</u>	<u>\$ 81,524</u>
Financial Statement Amounts				
SOF Receivable (Overpayment) *	\$ -	\$ 304,918	\$ -	\$ (7,857)
August Instructional Days Receivable	166,302	1,432,590	-	-

* 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:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General	Capital Projects	\$ 54,773	Athletic Improvements

Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service	General	\$ 1,164
General	Head Start	9,916
Capital Projects	General	<u>91,426</u>
	Total	<u>\$ 102,506</u>

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2022

R. Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued Statement 87, *Leases* in June 2017 with an effective date of fiscal year beginning after June 15, 2021 (as postponed). This required the District to implement the provisions of the Statement during the year. The Statement replaced operating leases with recognition of “right of use” assets and liabilities. 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 lease 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.

T. Compliance, Stewardship and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels

	Budget	Actual	Excess
General Fund:			
General Administration	\$ 1,433,045	\$ 1,454,004	\$ 20,959
Debt Service	471,763	542,921	71,158

REQUIRED SUPPLEMENTARY INFORMATION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 17,223,748	\$ 17,248,796	\$ 15,179,369	\$ (2,069,427)
5800 State Program Revenues	23,933,175	23,933,175	25,445,785	1,512,610
5900 Federal Program Revenues	462,000	462,000	722,637	260,637
5020 Total Revenues	\$ 41,618,923	\$ 41,643,971	\$ 41,347,791	\$ (296,180)
EXPENDITURES				
Instruction and Instructional Related Services:				
0011 Instruction	\$ 26,241,228	\$ 25,951,228	\$ 25,435,983	\$ 515,245
0012 Instructional Resources and Media Services	526,801	526,801	508,829	17,972
0013 Curriculum and Staff Development	615,355	615,355	594,500	20,855
Total Instruction and Instr. Related Services	\$ 27,383,384	\$ 27,093,384	\$ 26,539,312	\$ 554,072
Instructional and School Leadership:				
0021 Instructional Leadership	\$ 1,503,111	\$ 1,523,111	\$ 1,506,833	\$ 16,278
0023 School Leadership	1,692,949	1,692,949	1,622,843	70,106
Total Instructional and School Leadership	\$ 3,196,060	\$ 3,216,060	\$ 3,129,676	\$ 86,384
Support Services - Student (Pupil):				
0031 Guidance, Counseling, and Evaluation Services	\$ 1,235,649	\$ 1,275,649	\$ 1,241,856	\$ 33,793
0032 Social Work Services	162,500	162,500	162,500	-
0033 Health Services	527,695	532,695	525,149	7,546
0034 Student (Pupil) Transportation	1,586,566	1,586,567	1,556,992	29,575
0035 Food Service	7,000	17,000	5,694	11,306
0036 Cocurricular/Extracurricular Activities	1,372,273	1,722,273	1,694,901	27,372
Total Support Services - Student (Pupil)	\$ 4,891,683	\$ 5,296,684	\$ 5,187,092	\$ 109,592
Administrative Support Services:				
0041 General Administration	\$ 1,483,045	\$ 1,433,045	\$ 1,454,004	\$ (20,959)
Total Administrative Support Services	\$ 1,483,045	\$ 1,433,045	\$ 1,454,004	\$ (20,959)
Support Services - Nonstudent Based:				
0051 Plant Maintenance and Operations	\$ 2,931,686	\$ 2,931,686	\$ 2,729,081	\$ 202,605
0052 Security and Monitoring Services	756,686	786,686	773,145	13,541
0053 Data Processing Services	455,297	505,296	499,049	6,247
Total Support Services - Nonstudent Based	\$ 4,143,669	\$ 4,223,668	\$ 4,001,275	\$ 222,393
Debt Service:				
0071 Principal on Long-Term Debt	\$ 330,000	\$ 330,000	\$ 394,718	\$ (64,718)
0072 Interest on Long-Term Debt	141,263	141,263	147,703	(6,440)
0073 Bond Issuance Costs and Fees	500	500	500	-
Total Debt Service	\$ 471,763	\$ 471,763	\$ 542,921	\$ (71,158)
Capital Outlay:				
0081 Capital Outlay	\$ -	\$ 200,000	\$ 120,711	\$ 79,289
Total Capital Outlay	\$ -	\$ 200,000	\$ 120,711	\$ 79,289
6030 Total Expenditures	\$ 41,569,604	\$ 41,934,604	\$ 40,974,991	\$ 959,613
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 49,319	\$ (290,633)	\$ 372,800	\$ 663,433
OTHER FINANCING SOURCES (USES)				
7912 Sale of Real or Personal Property	\$ -	\$ -	\$ 32,896	\$ 32,896
7913 Right of Use Leases Assets	-	-	220,924	220,924
8911 Transfers Out	-	-	(54,773)	(54,773)
7080 Net Other Financing Sources (Uses)	\$ -	\$ -	\$ 199,047	\$ 199,047
1200 Net Change in Fund Balance	\$ 49,319	\$ (290,633)	\$ 571,847	\$ 862,480
0100 Fund Balance - Beginning (September 1)	11,239,968	11,239,968	11,239,968	-
3000 Fund Balance - Ending (August 31)	\$ 11,289,287	\$ 10,949,335	\$ 11,811,815	\$ 862,480

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, 2022

	<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	0.0238090324%	0.0233843823%	0.0252641015%	0.0245040663%	0.0242798564%	0.0247506559%	0.025678000%	0.0156291000%
District's proportionate share of the net pension liability	\$ 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>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>
Total	<u>\$ 17,086,156</u>	<u>\$ 35,748,180</u>	<u>\$ 33,062,231</u>	<u>\$ 35,723,745</u>	<u>\$ 21,135,219</u>	<u>\$ 24,851,345</u>	<u>\$ 23,827,517</u>	<u>\$ 16,860,735</u>
District's covered-employee payroll (for Measurement Year)	\$ 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	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	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only eight 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, 2022

	<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	\$ 1,166,482	\$ 1,015,982	\$ 964,846	\$ 850,008	\$ 825,298	\$ 795,061	\$ 786,507	\$ 748,158
Contributions in relations to the contractual required contributions	<u>(1,166,482)</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>
District's covered employee payroll	\$ 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	3.63%	3.21%	3.12%	3.06%	3.06%	3.02%	3.11%	3.07%

Note: Only eight 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, 2022

	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>
District's proportion of the Net OPEB Liability (Asset)	0.0375753727%	0.0373699855%	0.0368826894%	0.0374028204%	0.0366617793%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 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>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>\$ 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)	\$ 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	45.73%	45.93%	62.87%	69.24%	60.58%
Plan fiduciary net position as a percentage of the Total OPEB Liability	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only five 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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 306,482	\$ 293,543	\$ 284,038	\$ 258,199	\$ 225,879
Contributions in relations to the contractual required contributions	<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>				
District's covered employee payroll	\$ 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%	0.93%	0.92%	0.93%	0.95%

Note: Only five 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, 2022

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

There were no changes of assumptions since the prior measurement period.

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 following changes occurred in the plan assumptions.

- a. The discount rate changed from 2.33% to 1.95%

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, 2022

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2021	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2022
		Maintenance	2 Debt Service							
XXXX	2012 and Prior Years	Various	Various	Various	\$ 99,130	\$ -	\$ 3,564	\$ 826	\$ (8,158)	\$ 86,582
2013	2014	1.040000	0.320480	1,132,305,672	28,913	-	1,591	490	(3,421)	23,411
2014	2015	1.040000	0.310480	1,187,248,597	34,474	-	3,163	944	(3,634)	26,733
2015	2016	1.040000	0.310480	1,178,251,066	38,310	-	4,867	1,453	(5,016)	26,974
2016	2017	1.040000	0.310480	1,210,166,032	54,219	-	6,954	2,076	(6,415)	38,774
2017	2018	1.040000	0.310480	1,247,203,165	58,254	-	9,682	2,891	(4,484)	41,197
2018	2019	1.040000	0.310480	1,294,619,737	84,186	-	18,866	5,632	(3,486)	56,202
2019	2020	0.970000	0.310480	1,363,318,577	126,626	-	34,387	11,007	(1,351)	79,881
2020	2021	0.940900	0.310480	1,471,327,169	316,894	-	145,419	47,986	(1,389)	122,100
2021	2022	0.872000	0.310480	1,682,070,049	-	19,890,142	14,279,389	5,084,253	(157,559)	368,941
1000	TOTALS				\$ 841,006	\$ 19,890,142	\$ 14,507,882	\$ 5,157,558	\$ (194,913)	\$ 870,795

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	Local and Intermediate Sources	\$ 110,600	\$ 110,600	\$ 168,583	\$ 57,983
5800	State Program Revenues	13,500	106,294	14,266	(92,028)
5900	Federal Program Revenues	2,337,912	2,337,913	2,929,171	591,258
5020	Total Revenues	\$ 2,462,012	\$ 2,554,807	\$ 3,112,020	\$ 557,213
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 2,525,905	\$ 2,969,905	\$ 2,504,174	\$ 465,731
	Total Support Services - Student (Pupil)	\$ 2,525,905	\$ 2,969,905	\$ 2,504,174	\$ 465,731
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 44,000	\$ 44,000	\$ 33,259	\$ 10,741
	Total Support Services - Nonstudent Based	\$ 44,000	\$ 44,000	\$ 33,259	\$ 10,741
6030	Total Expenditures	\$ 2,569,905	\$ 3,013,905	\$ 2,537,433	\$ 476,472
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (107,893)	\$ (459,098)	\$ 574,587	\$ 1,033,685
1200	Net Change in Fund Balance	\$ (107,893)	\$ (459,098)	\$ 574,587	\$ 1,033,685
0100	Fund Balances - Beginning (September 1)	696,010	696,010	696,010	-
3000	Fund Balances - Ending (August 31)	\$ 588,117	\$ 236,912	\$ 1,270,597	\$ 1,033,685

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 5,532,501	\$ 5,532,501	\$ 5,280,248	\$ (252,253)
5800	State Program Revenues	-	-	81,524	81,524
5020	Total Revenues	\$ 5,532,501	\$ 5,532,501	\$ 5,361,772	\$ (170,729)
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 3,625,000	\$ 3,625,000	\$ 1,625,000	\$ 2,000,000
0072	Interest on Long-term Debt	1,585,732	1,585,732	1,585,731	1
0073	Debt Issuance Costs and Fees	4,500	4,500	1,000	3,500
	Total Debt Service	<u>\$ 5,215,232</u>	<u>\$ 5,215,232</u>	<u>\$ 3,211,731</u>	<u>\$ 2,003,501</u>
6030	Total Expenditures	\$ 5,215,232	\$ 5,215,232	\$ 3,211,731	\$ 2,003,501
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 317,269	\$ 317,269	\$ 2,150,041	\$ 1,832,772
1200	Net Change in Fund Balance	\$ 317,269	\$ 317,269	\$ 2,150,041	\$ 1,832,772
0100	Fund Balance - Beginning (September 1)	5,304,814	5,304,814	5,304,814	-
3000	Fund Balance - Ending (August 31)	\$ 5,622,083	\$ 5,622,083	\$ 7,454,855	\$ 1,832,772

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AUGUST 31, 2022

<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	<p>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).</p> <p>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.</p> <p>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.</p>	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, 2022

<u>Data Control Codes</u>		<u>Response</u>
<u>Section A: Compensatory Education Programs</u>		
<u>AP1</u>	Did your District expend any state compensatory education program state allotment 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.	\$ 3,936,250
<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)	\$ 2,956,339
<u>Section B: Bilingual Education Programs</u>		
<u>AP5</u>	Did your District expend any bilingual education program state allotment funds during the District's	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.	\$ 453,638
<u>AP8</u>	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC's 25, 35)	\$ 305,739

FEDERAL AWARDS SECTION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2022

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal ALN Number	(02A) Pass-through Grantor's Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs	84.010a	23610101112901	\$ 121,764
ESSA Title I Part A - Improving Basic Programs	84.010a	22610101112901	987,283
<i>Total ALN 84.010</i>			1,109,047
IDEA-B, Formula - B	84.027a	236600011129016600	85,013
IDEA-B, Formula - B	84.027a	226600011129016600	772,052
IDEA - B, Formula - ARP - B	84.027a	225350011129015350	194,559
<i>Total ALN 84.027</i>			1,051,624
IDEA-B, Preschool - B	84.173a	236610011129016610	2,146
IDEA-B, Preschool - B	84.173a	226610011129016610	19,038
<i>Total ALN 84.173</i>			21,184
Carl Perkins - Perkins V	84.048a	224200006112901	56,329
<i>Total ALN 84.048</i>			56,329
ESSA Title II Part A - Supporting Effective Education	84.367a	23694501112901	13,069
ESSA Title II Part A - Supporting Effective Education	84.367a	22694501112901	136,908
ESSA Title II Part A - Educator Assessments	84.367a	69452271	500
ESSA Title II Part A - Educator Assessments	84.367a	69452271	250
<i>Total ALN 84.048</i>			150,727
ESSA Title III Part A - English Language Acquisition	84.365a	23671001112901	4,448
ESSA Title III Part A - English Language Acquisition	84.365a	22671001112901	56,167
<i>Total ALN 84.365</i>			60,615
ESSA Title IV Part B - Rural & Low Income School	84.358b	22696001112901	107,216
<i>Total ALN 84.358</i>			107,216
Elementary & Secondary School Emergency Relief Fund - I - D*	84.425d	20521001112901	555
Elementary & Secondary School Emergency Relief Fund - II - D*	84.425d	21521001112901	2,064,886
Elementary & Secondary School Emergency Relief Fund - III - D*	84.425u	21528001112901	2,760,894
<i>Total ALN 84.425</i>			4,826,335
ESSA Title IV Part A - Student Support & Academic Enrichment	84.424a	22680101112901	81,638
ESSA Title IV Part A - Student Support & Academic Enrichment	84.424a	20680101112901	18,316
<i>Total ALN 84.424</i>			99,954
Summer School LEP	84.369a	695552002	4,424
Total passed through Texas Education Agency			7,487,455
Total Department of Education			7,487,455

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, 2022

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Direct Program:

Head Start*	93.600	06CH01110803	1,331,632
Head Start*	93.600	06CH01110804	138,399
Head Start - ARP*	93.600	06HE00045201C6	92,155
Head Start - Covid-19 Relief*	93.600	06CH01110802C3	40,729
<i>Total ALN 93.600</i>			<u>1,602,915</u>

Passed through the Texas Department of Human Services:

Medicaid Administrative Claiming	93.778	112901	<u>28,786</u>
Total Department of Health and Human Services			<u>1,631,701</u>

U.S. DEPARTMENT OF AGRICULTURE

Passed through the Texas Department of Agriculture:

School Breakfast Program - A	10.553	00600	544,614
National School Lunch Program -A	10.555	00600	2,136,864
P-BET Administrative Cost Grant	10.649	00600	3,063
Child and Adult Food Program	10.558	7526023	18,983
USDA Commodity Food Distribution	10.565	00600	<u>244,630</u>

Total Department of Agriculture			<u>2,948,154</u>
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Total Federal Expenditures**12,067,310**

*Major Program

A - Child Nutrition Cluster - Total Cluster - \$ 2,700,461

B - Special Education Cluster - Total Cluster - \$ 1,072,808

C - Title I Part A Cluster - Total Cluster - \$ 1,109,047

D - Education Stabilization Act Fund - Total Cluster - \$ 4,826,335

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, 2022

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, 2022.

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)	\$	12,067,310
SHARS Funding		689,427
Federal Revenue (Exhibit C-3)	\$	12,756,737