TIOGA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED JUNE 30, 2022

Shawn D. Nesmith
CPA · PLLC

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TIOGA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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CERTIFICATE OF BOARD

Tioga Independent School District	Grayson	091-907
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved ______ disapproved for the year ended June 30, 2022 at a meeting of the Board of Trustees of such school district on the 14th day of November, 2022.

Signature of Board Secretary

Signature of Board President

Shawn D. Nesmith
CPA · PLLC

701 Mohawk Drive
Tioga, Texas 76271
(972) 251-3058

Member:
American Institute of Certified Public Accountants
Governmental Audit Quality Center
Texas Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Tioga Independent School District
405 N Florence Street
Tioga, Texas 76271

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 Tioga Independent School District (the "District") as of and for the year ended June 30, 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 District, as of June 30, 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.

Substantial Doubt about the District's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note P to the financial statements, the District is experiencing cash flow issues related to state allotment payments due to attendance overestimates in previous fiscal years that have reduced payments in FY2022 and FY2023. There is significant uncertainty as to whether payroll and debt obligations can be met for the remainder of FY2023. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note P. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with the laws and regulations of the State of Texas. The accompanying TEA schedules, combining nonmajor fund financial statements and 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, 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 District's internal control over financial reporting and compliance.

Shawn D. Nesmith, CPA, PLLC

Shawn D. Nesmith, CPA, PLLC
Tioga, Texas

November 14, 2022

In this section of the Annual Financial and Compliance Report, we, the administrators of Tioga Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2022. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the District's liabilities and deferred inflows exceeded its assets and deferred outflows by $3,500,283. This deficit is primarily due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions and reflecting the District's proportionate share of both the pension and the post-employment benefit liabilities in the financials [$844,186 and $2,101,920, respectively]. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the pension and post-employment benefit liability that the State of Texas manages and operates.

- The District's net position decreased by $867,702, or 32.96% as a result of this year's operations. The decrease is primarily attributed to the depreciation of capital assets.

- During the year, the District had total expenses of $11,449,119, which were $9,358,107 more than the $2,091,012 generated in tax revenues, before any special items. This compares to last year when tax revenues were exceeded by total expenditures by $9,433,496.

- The General Fund ended the year with a DEFICIT fund balance of $1,611,056, a decrease of $1,192,633 from the prior year. The fund balance of the General Fund is unassigned and is -15.38% of total General Fund expenditures.

- The resources available for appropriation were $2,293,069 lower than budgeted for the General Fund. This is primarily due to a reduction in State Aid Formula allotment for overpayment in FY2021 of $1,361,804 and overbudgeting local revenue by $495,851. The district was over budget in six (6) functional categories at year end, with School Leadership and Extracurricular Activities exceeding 10%.

- The total cost of the District's programs increased from last year by $24,248, or 0.21%. The largest increase was in the functional area of Health Services, with the largest decreases in Instructional Resources, Data Processing Services and Security and Monitoring Services.

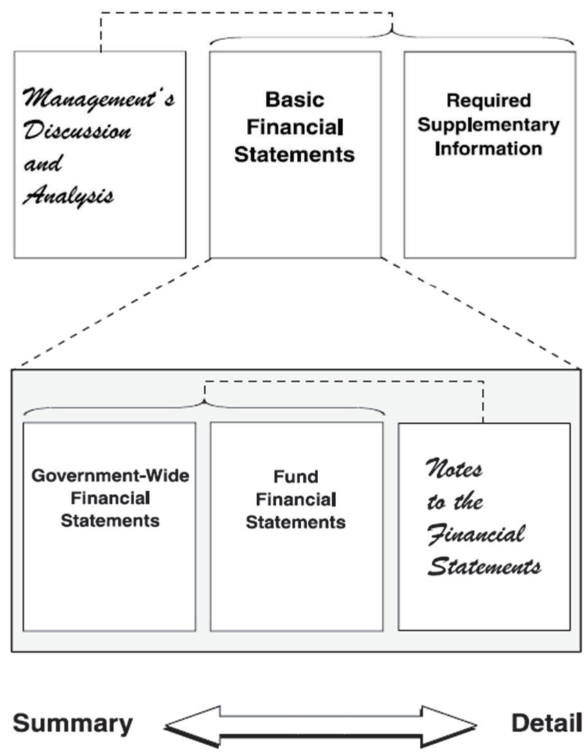
- The District's total tax rate for the 2021-2022 school year was $1.2975 per $100 property valuation with $ 0.9375 for maintenance & operation and $ 0.3600 for debt service.

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.
- 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.

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.

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

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

Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements (refer to Exhibits A-1 and B-1), including instruction, student support services, student transportation, general administration, school leadership, facilities acquisition and construction, and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported on these statements.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances, in a manner similar to a private-sector business.

The District's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The statement of activities details how the District's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave and pension and other post-employment benefits).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities), as opposed to business-type activities that are intended to recover all, or a significant portion, of their costs through user fees and charges.

Fund Financial Statements

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. 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 restricted 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.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 explains 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.

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.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements and the government wide statements. Immediately following, the required supplementary information, combining statements for the non-major funds, the internal service funds, the fiduciary funds, required TEA schedules, and statistical schedules are included.

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from ($2,632,581) to ($3,500,283). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was ($5,462,726) on June 30, 2022. This increase in governmental net position was primarily the result of pension and other post-retirement benefits.

TABLE I
TIOGA INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities	
	2022	2021
Assets:		
Current and Other Assets	$ 1,296,903	$ 2,341,442
Capital Assets, Net	29,811,860	30,444,972
Total Assets	31,108,763	32,786,414
Total Deferred Outflows of Resources	1,945,008	1,610,004
Liabilities:		
Current Liabilities	1,704,006	1,151,009
Noncurrent Liabilities	32,464,035	34,301,532
Total Liabilities	34,168,041	35,452,541
Total Deferred Inflows of Resources	2,386,013	1,576,458
Net Position:		
Net Investment In Capital Assets	(394,184)	(466,268)
Restricted	2,356,627	2,050,161
Unrestricted	(5,462,726)	(4,216,474)
Total Net Position	$ (3,500,283)	$ (2,632,581)

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Activities

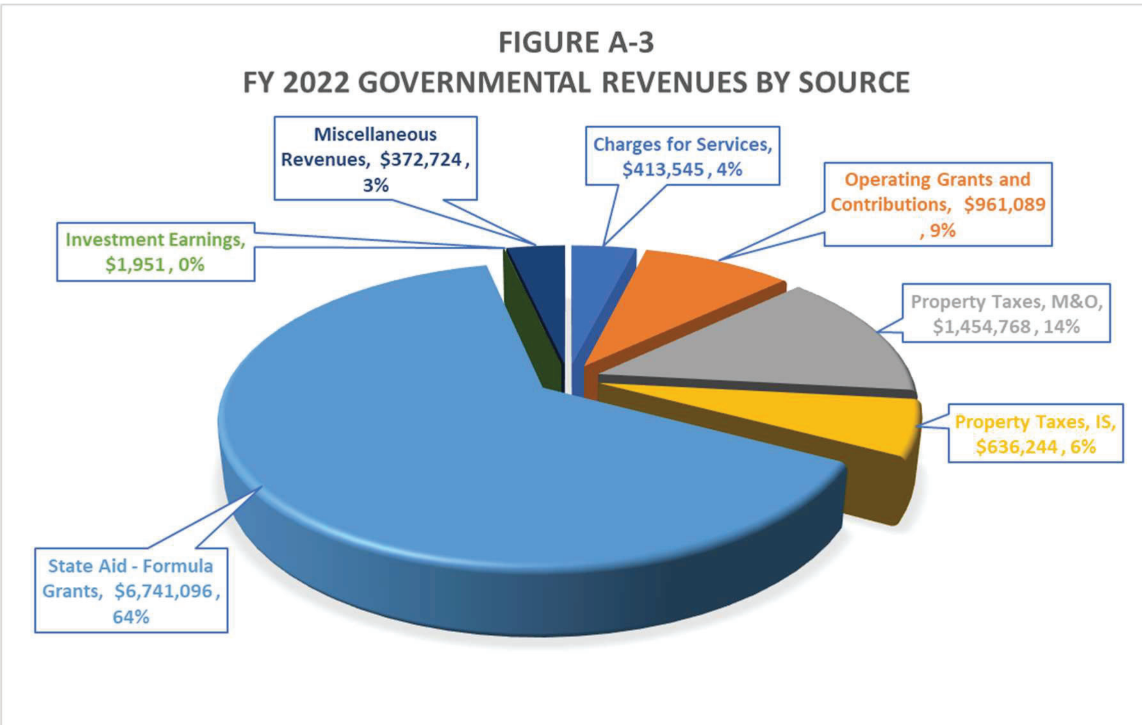
The cost of all governmental activities this year was $11,449,119. However, as shown in the Statement of Activities, the amount that District taxpayers ultimately financed for these activities through property taxes was $2,091,012. Some of the costs were paid with charges for services of $413,545, capital and operating grants and contributions of $961,089, State Aid in the amount of $6,741,096, and other various general revenues of $374,675, resulting in a deficit of $867,702.

TABLE II
TIOGA INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities	
Revenues:	2022	2021
Program Revenues:		
Charges for Services	$ 413,545	$ 418,014
Operating Grants and Contributions	961,089	1,562,584
General Revenues:		
Maintenance and Operations Taxes	$ 1,454,768	$ 1,422,300
Debt Service Taxes	636,244	569,075
State aid - formula	6,741,096	7,430,646
Investment Earnings	1,951	3,825
Miscellaneous Revenue	372,724	78,100
Total Revenue	10,581,417	11,484,544
Expenses:		
Instruction	5,583,146	5,609,497
Instructional Resources and Media Services	49,696	96,894
Curriculum and Staff Development	2,430	3,068
School Leadership	569,387	562,833
Guidance, Counseling and Evaluation Services	151,178	188,441
Health Services	161,912	125,877
Student (Pupil) Transportation	161,018	156,097
Food Services	496,724	452,945
Extracurricular Activities	785,897	832,449
General Administration	668,837	601,880
Facilities Maintenance and Operations	984,241	905,898
Security and Monitoring Services	49,919	65,376
Data Processing Services	27,108	47,253
Debt Service - Interest on Long-Term Debt	1,460,536	1,528,325
Contracted Instr. Services Between Schools	123,463	116,122
Pmts to Fiscal Agent/Member Districts of SSA	173,627	131,916
Total Expenses	11,449,119	11,424,871
Increase (Decrease) in Net Position	(867,702)	59,673
Net Position - Beginning of Year	(2,632,581)	(2,692,254)
Net Position - End of Year	(3,500,283)	(2,632,581)

Revenues

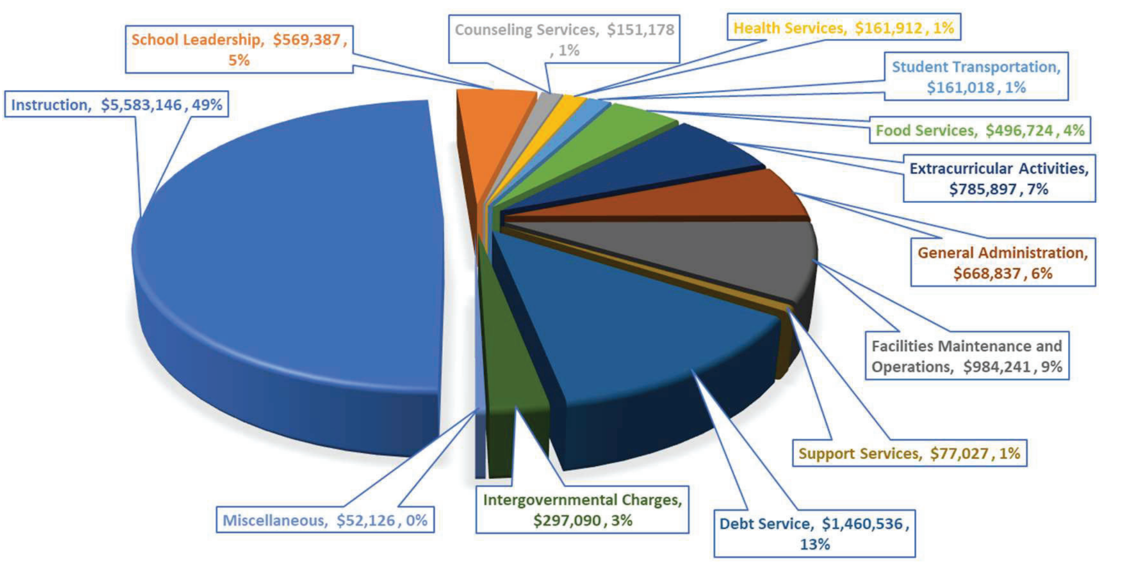
Revenues are generated primarily from two sources (see Figure A-3). State Aid – Formula Grants [$6,741,096] represent 64 percent of total revenues and property taxes [$2,091,012] represent 20 percent of total revenues. The remaining 16 percent is generated from charges for services, grants and contributions, investment earnings and miscellaneous revenues.



Expenses

The District's expenses by major function are shown below (see Figure A-4). The primary functional expense of the District is instruction [$5,583,146], which represents 49 percent of total expenses. Debt service [$1,460,536) represents 13 percent of total expense, facilities operations and maintenance ($984,241) represent 9 percent and extracurricular activities [$785,897] represent 7 percent of total expenses. The remaining individual functional categories of expenses are each less than 6 percent of total expenses.

FIGURE A-4
FY 2022 GOVERNMENTAL EXPENSES BY FUNCTION



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the District had $29,811,860 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure.

TABLE III
TIOGA INDEPENDENT SCHOOL DISTRICT
CAPITAL ASSETS

	Governmental Activities	
	2022	2021
Land	$ 1,618,575	$ 1,618,575
Buildings & Improvements	33,184,451	33,083,232
Equipment	397,808	330,733
Vehicles	669,098	669,098
Totals at Historical Cost	35,869,932	35,701,638
Less: Accumulated Depreciation	(6,058,072)	(5,256,666)
Net Capital Assets	$ 29,811,860	$ 30,444,972

Debt

At year end, the District had $30,280,795 in outstanding debt, as shown in the table below. More detailed information about the District's debt is presented in the notes to the financial statements.

TABLE IV
TIOGA INDEPENDENT SCHOOL DISTRICT
DEBT

	Governmental Activities	
	2022	2021
Bonds Payable	$ 32,542,734	$ 33,197,734
Loans Payable	536,348	657,178
Accreted Interest	5,015	1,289
Bond Premium (Discount)	997,901	1,062,243
Refunding Gain (Loss)	(3,801,203)	(4,007,204)
Total Debt Payable	$ 30,280,795	$ 30,911,240

THE DISTRICT’S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of $798,620, a decrease of $912,482 over last year's total of $1,710,742. Included in this year's total change in fund balance is a decrease of $1,192,633 in the District's General Fund. This overall decrease is primarily due to a reduction of the actual state aid received from the Foundation School Program (“FSP”), see note below.

For fiscal year 2022, actual expenditures on a budgetary basis for the General Fund were $10,472,064, compared to the final amended budgeted expenditures of $10,894,003. Actual revenue on a budgetary basis was $9,279,431 compared to the final amended budget of $11,572,500. Reasons for the actual numbers varying from the budget follow:

> FY2022 FSP allotment was reduced by $1,361,804 for overpayments in FY2021. The original Refined Average Daily Attendance ("ADA") submitted to TEA for FY2021 was 800.000 versus the near final ADA of 686.900 on the Summary of Finances dated September 24, 2021. District administration did not propose budget amendments to respond to the reduction in state allotment.
>
> Local M&O taxes were budgeted at $2,000,000 versus actual M&O collections $1,454,768, while I&S taxes were budgeted at $450,000 versus actual collections of $636,244. District administration did not propose budget amendments to respond to the variance of budget to actual collections.
>
> School leadership, Instruction, Extracurricular Activities, and Debt Service exceeded budget by 25.63%, 7.71%, 10.56% and 7.25% respectively. Facilities Maintenance and Operations was under budgeted by 45.75%. District administration did not propose budget amendments to respond to the variance of budget to actual for all line items on the budget.
>
> Debt Service was incorrectly budgeted in Function 81, Facilities Acquisition and Construction versus the correct Functions 71-73 for Debt Service, therefore District appears under budget in Function 81 and over budget in Functions 71-73.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's 2021 Maintenance and Operations tax rate decreased to $0.9375 per $100 property valuation. The Debt Service tax rate was maintained at $0.3600 per $100 property valuation, for an overall decrease in the tax rate.

The Maintenance and Operations expenditure budget has increased approximately 7.14 percent from fiscal year 2021 actual expenditures due primarily to expected growth in enrollment.

In March 2022, the business manager was removed from the position when the district was alerted to an attempt to open a foreign bank account that involved her name, district position and qualification as notary public. A forensic audit was completed by Duran & Associates and no misappropriation of District funds discovered.

Management has evaluated all events or transactions that occurred after June 30, 2022, up through November 14, 2022, the date the financial statements were issued. Management of the District is actively monitoring the impact of global supply chain issues on its financial condition, liquidity, operations, supplies, vendors, and industry. In August 2022, the District issued a $1,200,000 Tax Anticipation Note to provide adequate cash flow for the August interest and principal payment on the 2019 Lease Revenue Refunding Bonds. Shortly thereafter, it became apparent the district would not have sufficient cash flow to make payroll for August 2022. The District issued an additional $500,000 Tax Anticipation Note payable on the date of the next FSP allotment payment in September. That note was paid in full by the established due date.

From the adoption of the FY2023 budget in June to the setting of the tax rate in August, certain board members investigated the reduction of $1,525,601 in the FY2023 FSP allotment due to overpayments to the District in FY2022. These overpayments were due, once again, to the use of an ADA number that was overly optimistic with potential District growth when submitting enrollment numbers to TEA. The ADA number was never adjusted to reflect a more accurate number. The investigation, along with other prior factors related to budgeting, resulted in the resignation of the superintendent in October 2022.

Moving forward into FY2023, the District continues to have cash flow issues and there is significant uncertainty as to whether debt obligations can be met in February 2023. Multiple financial consultants have been engaged to assist with financial management and planning through independent consultants, TEA administration and the Regional Education Service Center. Plans have already been started to reduce expenditures, freeze the hiring of new staff and a declaration of financial exigency is being considered in November 2022.

The District’s location adjacent to the new development of the Dallas North Tollway brings access to the Dallas-Fort Worth area. This access will potentially bring about more substantial residential and commercial growth within the District. A continued increase in property value should bring about an opportunity to restructure the debt load with the lease-revenue bonds when those become callable in August 2024. These payments from the M&O are the largest financial burden on the District’s finances. The hope would be to finance these lease-revenue bonds through the debt service tax rate when that capacity is available and release a significant amount of pressure on the General Fund and pull that fund out of a continual deficit.

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 show the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact the District's administrative office, at Tioga Independent School District, P.O. Box 159, Tioga, Texas 76271, (940) 437-2366.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

TIOGA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 202,250
1220	Property Taxes - Delinquent	115,161
1230	Allowance for Uncollectible Taxes	(5,758)
1240	Due from Other Governments	985,250
	Capital Assets:	
1510	Land	1,618,575
1520	Buildings, Net	27,835,461
1530	Furniture and Equipment, Net	158,731
1540	Other Capital Assets, Net	199,093
1000	Total Assets	31,108,763
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Outflow Related to TRS Pension	742,815
1706	Deferred Outflow Related to TRS OPEB	1,202,193
1700	Total Deferred Outflows of Resources	1,945,008
	LIABILITIES	
2110	Accounts Payable	188,558
2160	Accrued Wages Payable	213,300
2200	Accrued Expenses	6,035
2430		533,247
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	762,866
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	29,517,929
2540	Net Pension Liability (District's Share)	844,186
2545	Net OPEB Liability (District's Share)	2,101,920
2000	Total Liabilities	34,168,041
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS Pension	924,020
2606	Deferred Inflow Related to TRS OPEB	1,461,993
2600	Total Deferred Inflows of Resources	2,386,013
	NET POSITION	
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	(394,184)
3850	Restricted for Debt Service	2,356,627
3900	Unrestricted	(5,462,726)
3000	Total Net Position	$ (3,500,283)

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

TIOGA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		1 Expenses	Program Revenues: 3 Charges for Services	Program Revenues: 4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: 6 Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 5,583,146	$ 331,968	$ 505,635	$ (4,745,543)
12	Instructional Resources and Media Services	49,696	-	49	(49,647)
13	Curriculum and Instructional Staff Development	2,430	-	-	(2,430)
23	School Leadership	569,387	-	3,806	(565,581)
31	Guidance, Counseling, and Evaluation Services	151,178	-	(628)	(151,806)
33	Health Services	161,912	-	3,650	(158,262)
34	Student (Pupil) Transportation	161,018	-	(185)	(161,203)
35	Food Services	496,724	49,774	468,626	21,676
36	Extracurricular Activities	785,897	31,363	(12,558)	(767,092)
41	General Administration	668,837	-	(10,858)	(679,695)
51	Facilities Maintenance and Operations	984,241	440	3,552	(980,249)
52	Security and Monitoring Services	49,919	-	-	(49,919)
53	Data Processing Services	27,108	-	-	(27,108)
72	Debt Service - Interest on Long-Term Debt	1,436,757	-	-	(1,436,757)
73	Debt Service - Bond Issuance Cost and Fees	23,779	-	-	(23,779)
91	Contracted Instructional Services Between Schools	123,463	-	-	(123,463)
93	Payments Related to Shared Services Arrangements	173,627	-	-	(173,627)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 11,449,119	$ 413,545	$ 961,089	(10,074,485)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,454,768
DT	Property Taxes, Levied for Debt Service	636,244
SF	State Aid - Formula Grants	6,741,096
IE	Investment Earnings	1,951
MI	Miscellaneous Local and Intermediate Revenue	372,724
TR	Total General Revenues	9,206,783
CN	Change in Net Position	(867,702)
NB	Net Position - Beginning	(2,632,581)
NE	Net Position - Ending	$ (3,500,283)

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

TIOGA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 13,570	$ 119,336	$ 22,841
1220	Property Taxes - Delinquent	83,458	31,703	-
1230	Allowance for Uncollectible Taxes	(4,173)	(1,585)	-
1240	Due from Other Governments	629,201	12,616	-
1260	Due from Other Funds	326,038	2,217,512	1,288,799
1000	Total Assets	$ 1,048,094	$ 2,379,582	$ 1,311,640
	LIABILITIES			
2110	Accounts Payable	$ 179,864	$ -	$ (1)
2160	Accrued Wages Payable	180,387	-	-
2170	Due to Other Funds	2,234,673	-	1,311,638
2200	Accrued Expenditures	3,505	-	-
2000	Total Liabilities	2,598,429	-	1,311,637
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	60,721	22,955	-
2600	Total Deferred Inflows of Resources	60,721	22,955	-
	FUND BALANCES			
	Restricted Fund Balance:			
3480	Retirement of Long-Term Debt	-	2,356,627	-
3600	Unassigned Fund Balance	(1,611,056)	-	3
3000	Total Fund Balances	(1,611,056)	2,356,627	3
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 1,048,094	$ 2,379,582	$ 1,311,640

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

Other Funds	Total Governmental Funds
$ 33,235	$ 188,982
-	115,161
-	(5,758)
343,433	985,250
40,000	3,872,349
$ 416,668	$ 5,155,984
$ 2,501	$ 182,364
32,913	213,300
326,038	3,872,349
2,530	6,035
363,982	4,274,048
-	83,676
-	83,676
-	2,356,627
52,686	(1,558,367)
52,686	798,260
$ 416,668	$ 5,155,984

TIOGA INDEPENDENT SCHOOL DISTRICT EXHIBIT C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2022

	Total Fund Balances - Governmental Funds	$	798,260
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		7,074
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $35,701,638 and the accumulated depreciation was ($5,256,666). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(466,268)
3	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.		944,124
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $742,815, a deferred resource inflow in the amount of $924,020 and a net pension liability in the amount of $844,186. This resulted in a decrease in net position.		(1,025,391)
5	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability as required by GASB 75. The net position related to TRS included a deferred resource outflow of $1,202,193, a deferred resource inflow of $1,461,993, and a net OPEB liability in the amount of $2,101,920. This resulted in a decrease in net position.		(2,361,720)
6	The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(801,406)
7	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(594,956)
19	**Net Position of Governmental Activities**	$	(3,500,283)

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

TIOGA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 2,196,649	$ 634,600	$ 3
5800	State Program Revenues	7,082,782	81,810	-
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	9,279,431	716,410	3
	EXPENDITURES:			
	Current:			
0011	Instruction	4,879,338	-	-
0012	Instructional Resources and Media Services	48,314	-	-
0013	Curriculum and Instructional Staff Development	2,248	-	-
0023	School Leadership	554,945	-	-
0031	Guidance, Counseling, and Evaluation Services	148,492	-	-
0033	Health Services	155,484	-	-
0034	Student (Pupil) Transportation	110,432	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	769,710	-	-
0041	General Administration	603,056	-	-
0051	Facilities Maintenance and Operations	1,010,497	-	-
0052	Security and Monitoring Services	46,188	-	-
0053	Data Processing Services	25,082	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	555,830	220,000	-
0072	Interest on Long-Term Liabilities	1,187,479	178,644	-
0073	Bond Issuance Cost and Fees	12,479	11,300	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	65,400	-	-
	Intergovernmental:			
0091	Contracted Instructional Services Between Schools	123,463	-	-
0093	Payments to Fiscal Agent/Member Districts of SSA	173,627	-	-
6030	Total Expenditures	10,472,064	409,944	-
1200	Net Change in Fund Balances	(1,192,633)	306,466	3
0100	Fund Balance - July 1 (Beginning)	(418,423)	2,050,161	-
3000	Fund Balance - June 30 (Ending)	$ (1,611,056)	$ 2,356,627	$ 3

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

Other Funds	Total Governmental Funds
$ 67,380	$ 2,898,632
89,110	7,253,702
903,045	903,045
1,059,535	11,055,379
585,891	5,465,229
-	48,314
-	2,248
-	554,945
-	148,492
-	155,484
-	110,432
494,957	494,957
5,005	774,715
-	603,056
-	1,010,497
-	46,188
-	25,082
-	775,830
-	1,366,123
-	23,779
-	65,400
-	123,463
-	173,627
1,085,853	11,967,861
(26,318)	(912,482)
79,004	1,710,742
$ 52,686	$ 798,260

TIOGA INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total Net Change in Fund Balances - Governmental Funds	$	(912,482)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.		(328)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase net position.		944,124
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(801,406)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(67,245)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $151,056. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling $119,700. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $42,371. The net result is a decrease in the change in net position.		(11,015)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $40,711. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling $35,045. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by $25,016. The net result is a decrease in the change in net position.		(19,350)
Change in Net Position of Governmental Activities	$	(867,702)

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

EXHIBIT D-1

TIOGA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 13,268
Total Assets	13,268
LIABILITIES	
Current Liabilities:	
6194 Accounts Payable	6,194
Total Liabilities	6,194
NET POSITION	
Unrestricted Net Position	7,074
Total Net Position	$ 7,074

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

TIOGA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 42,107
Total Operating Revenues	42,107
OPERATING EXPENSES:	
Other Operating Costs	42,435
Total Operating Expenses	42,435
Operating Income (Loss)	(328)
Total Net Position July 1 (Beginning)	7,402
Total Net Position June 30 (Ending)	$ 7,074

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

EXHIBIT D-3

TIOGA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Payments for Insurance Claims	$ (328)
Net Decrease in Cash and Cash Equivalents	(328)
Cash and Cash Equivalents at Beginning of Year	13,596
Cash and Cash Equivalents at End of Year	$ 13,268
Reconciliation of Total Cash and Cash Equivalents:	
Cash and Cash Equivalents on Balance Sheet	$ 13,268
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	$ (328)

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Board of School Trustees (the "Board") is elected by the public and as the authority to make decision, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB).

In accordance with GASB, a financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the District are financially accountable, or for which the relationship to the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize they are legally separate from the school district. Blended component units, although a legally separate entity, are in substance a part of the District's operations, and thus the data is combined with data of the primary government. The criteria used to determine whether an organization is a component unit of the District includes:

- financial accountability of the District for the component unit
- whether the District appoints a voting majority of the entity's board
- the ability to impose the District's will on the component unit
- fiscal dependency criterion
- if it is a financial benefit to or burden to the District
- and whether services are provided entirely or almost entirely to the District

The Tioga Independent School District Public Facility Corporation (the "PFC") was incorporated on December 5, 2015. The PFC is a non-profit public corporation organized exclusively to act on behalf of the District to finance, refinance, or provide the costs of certain public facilities.

For financial reporting purposes, the PFC is included as a blended component unit in the operations and activities of the District. The criteria used to include the Public Facility Corporation as a blended component unit of the District include:

- the District appoints a voting majority of the Public Facility Corporation's governing body
- the District is able to impose its will on the Public Facility Corporation
- the Public Facility Corporation serves the District exclusively as a financing vehicle for capital projects.

The PFC's data is included in the Other Funds column of the governmental funds' financial statements. Financial information for the PFC may be obtained from the District's business office.

Basis of Presentation

Government-wide Statements – The statement of net position ("SNP") 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.

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. This is a budgeted fund and a separate bank account is maintained for this fund.

Debt Service Fund – This is used to account for tax revenues and for the payment of principal, interest and related costs on long-term debts for which a tax has been dedicated. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met. This is a budgeted fund and a separate bank account is maintained for this fund.

Capital Projects Fund – This fund is used to account for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a projects, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

In addition, the District reports the following fund types as Other Funds:

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. The District's Food Service Fund is considered a special revenue fund since it meets the following criteria:

- User fees are charged to supplement the National School Lunch Program (NSLP),
- The General Fund may subsidize the Food Service Program for expenditures in excess of NSLP, and
- Food Service fund balances are used exclusively for child nutrition program purposes.

ESSER - School Emergency Relief - This fund is part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. It provides funds to help Local Education Agencies prevent, prepare for and respond to the COVID-19 pandemic and to the greatest extent practicable, continue to pay employees
during the period of any disruptions or closures related to Coronavirus (CARES Act, Section 18003)(CFDA 84.425D).

The Tioga Independent School District Public Facility Corporation (the "PFC") – Accounts for a non-profit public facility corporation to act on behalf of the District to finance, refinance, or provide the costs of certain public facilities.

Proprietary Funds:

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

Workers' Compensation Fund - This fund accounts for all financial activity associated with the District's self-insured workers' compensation plan.

The internal service fund is a type of proprietary fund. Proprietary funds distinguish operating revenues and expense from non-operating items. 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.

Measurement Focus – Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; Le., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year of less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

Budgetary Data

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Food Service Fund, and the Debt Service Fund. The special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

Cash and Cash Equivalents

For presentation in the financial statements, investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with a maturity of more than three months are reported as investments. Investments are recorded at fair value, which is based on quoted market prices.

Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order
or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2022.

Inventories

The District records purchases of supplies as expenditures.

Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

Fund Balances

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

<u>Fund Balance Classification</u>: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects resources are restricted for future capital outlay.

Committed fund balance - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned fund balance - This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.
When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of $5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvement	15-50 years
Vehicles	5-10 years
Other Equipment	3-15 years

Compensated Absences

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

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pensions

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

Other Post-Employment Benefits (“OPEB”)

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

Implementation of New Accounting Standards

GASB Statement No. 87, Leases, was issued in June 2017 and provides guidance to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. Upon implementation of this standard, the District recognized its previous capital leases as financed purchases.

B. DEPOSITS, SECURITIES AND INVESTMENTS

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

Cash Deposits

On June 30, 2022, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was $188,982 and the bank balance was $354,169. The District's cash deposits at June 30, 2022, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the 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) bankers' acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

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 disclosures.

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. At June 30, 2022, 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 June 30, 2022, the District had no exposure to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At June 30, 2022, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At June 30, 2022, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2022, the District was not exposed to foreign currency risk.

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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The District had no investments as of June 30, 2022. Certificates of Deposit held in prior years were disbursed for completion of the new High School.

C. DEPOSITS, SECURITIES AND INVESTMENTS – TISD Public Facilities Corporation ("PFC")

Cash Deposits

On June 30, 2022, the carrying amount of the PFC's deposits (checking accounts and interest-bearing demand accounts) was $20,738 and the bank balance was $20,738. The PFC's cash deposits at June 30, 2022, were entirely covered by FDIC insurance.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the PFC to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3)
allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the PFC 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) bankers' acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the PFC to have independent auditors perform test procedures related to investment practices as provided by the Act. The PFC is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. At June 30, 2022, the PFC was not 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 PFC's name. On June 30, 2022, the PFC's cash deposits totaled $0.00. Thus, the PFC's deposits were not exposed to custodial credit risk as of June 30, 2022. The PFC's deposits were fully collateralized with securities held by the PFC's agent or covered by FDIC Insurance throughout the fiscal year.

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 PFC's name. On June 30, 2022, the PFC held no investments in certificates of deposit.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of the PFC's investment in a single issuer. Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At June 30, 2022, the PFC was not exposed to concentration of credit risk.

d. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2022, the PFC was not exposed to foreign currency risk.

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

D. 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 uncollectible taxes 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 $0.9375 to fund general operations, and $0.3600 for debt service. The rates were levied on property assessed totaling $164,543,426.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

E. CAPITAL ASSETS

Capital asset activities during the year ended were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Non-depreciable Capital Assets				
Land	$ 1,618,575	$ -	$ -	$ 1,618,575
Total Non-Depreciable Assets	1,618,575	-	-	1,618,575
Capital Assets being Depreciated				
Buildings & Improvements	33,083,232	101,219	-	33,184,451
Equipment	330,733	67,075	-	397,808
Vehicles	669,098	-	-	669,098
Total Depreciable Assets	34,083,063	168,294	-	34,251,357
Less Accumulated Depreciation				
Buildings & Improvements	4,623,666	725,324	-	5,348,990
Equipment	215,794	23,283	-	239,077
Vehicles	417,206	52,799	-	470,005
Total Accumulated Depreciation	5,256,666	801,406	-	6,058,072
Total Depreciable, Net	28,826,397	(633,112)	-	28,193,285
Governmental Activities, Net	$ 30,444,972	$ (633,112)	$ -	$ 29,811,860

Depreciation was charged to governmental activities as follows:

Instruction	$ 441,495
Instructional Resources & Media Services	3,903
Curriculum and Instructional Staff Development	182
School Leadership	44,830
Guidance, Counseling & Evaluation Services	11,996
Health Services	12,560
Student Transportation	52,799
Food Services	39,984
Cocurricular/Extracurricular Activities	61,210
General Administration	48,716
Plant Maintenance and Operations	77,974
Security and Monitoring Services	3,731
Data Processing Services	2,026
	$ 801,406

LONG-TERM DEBT

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

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance	Due Within One Year
Bonds Payable					
Series 2015 - 2% - 5%	2,155,000	-	145,000	2,010,000	150,000
Series 2019 PFC - 3% - 4.5%	27,660,000	-	435,000	27,225,000	450,000
Series 2021 - 3% - 5%	3,382,734	-	75,000	3,307,734	36,954
Bonds Payable - Total	33,197,734	-	655,000	32,542,734	636,954
Loans Payable - 3.43% - 3.89%	657,178	-	120,830	536,348	125,912
Accreted Interest	1,289	3,726	-	5,015	-
Bond Premium (Discount)	1,062,243	-	64,342	997,901	-
Refunding (Gain) Loss	(4,007,204)	-	(206,001)	(3,801,203)	-
Total Governmental Activities	$ 30,911,240	$ 3,726	$ 634,171	$ 30,280,795	$ 762,866

Bonds Payable

On January 15, 2021, The District issued $3,382,734 in Unlimited Tax School Refunding Bonds, Series 2021 for debt service savings on the shorter maturities and to restructure debt service on the longer maturities and pay costs of issuance on the bonds. The bonds, payable in August and February of each year, carry interest rates of 3.0% to 5.0% and mature on August 15, 2038. The 2021 series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2022 through 2027. Interest accrues on these bonds each year even though the interest is not paid until maturity.

On April 10, 2019, the Tioga Independent School District Public Facility Corporation issued $28,075,000 (par value) in Lease Revenue Refunding Bonds to refund the TISD PFC School Facility Lease Revenue Bonds, Series 2016 for debt service savings on the shorter maturities and to restructure debt service on the longer maturities and to pay costs of issuance on the bonds. The bonds, payable in August and February of each year, carry interest rates of 3.0% to 4.5% and mature on August 15, 2041.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are several limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2022.

Maturity requirements on Bonds outstanding at year end are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2023	636,954	1,336,640	1,973,594
2024	656,493	1,337,451	1,993,944
2025	679,311	1,312,033	1,991,344
2026	1,004,148	1,291,171	2,295,319
2027	1,335,829	1,259,302	2,595,131
2028 - 2032	8,119,999	4,977,378	13,097,377
2033 - 2037	9,815,000	3,095,376	12,910,376
2038 - 2042	10,295,000	1,014,275	11,309,275
Total	$ 32,542,734	$ 15,623,626	$ 48,166,360

Loans Payable

In 2021, the District executed a lease agreement with Government Capital Corporation in the amount of $195,000 for the acquisition of two new buses. The lease calls for annual payments of $ 45,003 and bears an interest rate of 4.97%. The outstanding balance at year end was $159,689.

Maturity requirements on loans outstanding at year end are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2023	125,912	22,589	148,501
2024	131,210	17,290	148,500
2025	136,734	11,766	148,500
2026	142,495	6,006	148,501
Total	$ 536,351	$ 57,651	$ 594,002

F. RISK MANAGEMENT

Health Care

During the year ended June 30, 2022, employees of Tioga Independent School District were covered by a health insurance plan (the "Plan"). The District contributed from $325 to $376 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contributions. All contributions were paid to a fully insured plan ("TRS ActiveCare").

Workers Compensation

During the year ended June 30, 2022, Tioga ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher-than-expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of $2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2021, the Fund carries a discounted reserve of $54,747,609 for future development on reported claims that have been incurred but not yet reported.

The Fund's audited financial statements are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

G. DEFINED BENEFIT PENSION PLAN

Plan Description

Tioga Independent School 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.

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 ("ACFR") that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 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 (A) above.

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

In May 2019, 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 2019. 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.

Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if it increases the period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceed 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 in the 86th Legislature set contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. Contribution Rates can be found in the TRS 2020 CAFR, Note 11, on page 82.

Contribution Rates

	2021	2022
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%

District's 2022 FY Employer Contributions	$ 177,822
District's 2022 FY Member Contributions	$ 460,547
Measurement Year NECE On-Behalf Contributions	$ 344,212

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 and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the Plan during the fiscal year reduced by the amounts described below which are paid by 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.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

Roll Forward - 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 Board of Trustees based upon analysis and recommendations by the System's actuary. The 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 ending August 31, 2017, and were adopted in July 2018.

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 were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

The following table discloses the assumptions that were applied to this measurement period.

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 Rate	7.25%	
Municipal Bond Rate as of August 2020	1.95% - Source for the rate is the Fixed Income	
	Market Data/Yield Curve/Data Municipal Bonds	with
20 years to maturity that include only	federally tax-exempt municipal bonds as reported	in
Fidelity index's "20-Year Municipal GO AA	Index."	
Last year ending August 31 in		
Projection Period (100 years)	2120	
Inflation	2.30%	
Salary Increases	3.05% to 9.05% including inflation	
Ad hoc Post Employment Benefit Changes	None	

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the TRS actuarial valuation report dated November 9, 2020.

Discount Rate

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021, are presented in the Asset Allocations the following table from the TRS Comprehensive Annual Financial Report for 2021, page 53.

Table 3.A.1: Asset Allocations

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	0.00
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	0.00
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	**100.0 %**		**6.90 %**

*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.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2021 TRS CAFR, Note 11, page 87.

	1% Decrease in Discount Rate (6.25%)	Current Single Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	$1,844,680	$844,186	$32,481

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

At June 30, 2022, Tioga Independent School District reported a liability of $844,186 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 Tioga Independent School District were as follows:

District's Proportionate share of the collective net pension liability	$ 844,186
State's proportionate share that is associated with the District	2,054,112
Total	$ 2,898,298

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

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0033148933% which was an increase of 0.0004084899% from its proportion measured as of August 31, 2020.

Changes In Actuarial Assumptions Since the Prior Actuarial Valuation – There were no changes in assumptions since the prior measurement date.

Changes in Benefits - In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or $2,000, whichever was less.

For the year ended June 30, 2022, the District recognized pension expense of $178,283 and revenue of $8,212 for support provided by the State.

At June 30, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$ 1,413	$ 59,431
Changes in actuarial assumptions	289,403	130,078
Net Difference between projected and actual investment earnings	-	707,839
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	291,943	26,672
Total as of August 31, 2021 measurement date	$ 591,759	$ 924,020
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	151,056	-
Total	$ 742,815	$ 924,020

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

Year ended June 30:	Pension Expense Amount
2023	$ (14,829)
2024	(56,865)
2025	(119,504)
2026	(173,500)
2027	24,730
Thereafter	7,707

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. 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 General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at $271,311,000 as of August 31, 2021.

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

TRS-Care Monthly Premium Rates

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

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers based on active employee compensation. 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 .65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2021. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	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%
District's 2022 FY Employer Contributions		$ 48,459
District's 2022 FY Member Contributions		$ 38,126

Measurement Year NECE On-Behalf Contributions	$	57,033

The State of Texas contributed $18,700, $25,163, and $20,119 in 2022, 2021, and 2020, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether 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.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $5.5 million in fiscal year 2021 to maintain premiums and benefit levels in the 2021-2022 biennium.

Actuarial Assumptions

The total OPEB liability in the August 31, 2020, actuarial valuation was rolled forward to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2021, TRS pension actuarial valuation:

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

The active mortality rates were based on 90% of the RP-2014 Employee Mortality tables for males and females, with full generational mortality using Scale BB. 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 most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020, Rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.20% as of August 31, 2021
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.30% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate

A single discount rate of 2.20 percent was used to measure the Total OPEB Liability. There was a decrease of 0.77 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2021 TRS ACFR on page 81.* Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to ***not be able*** *to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021, using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	$2,535,399	$2,101,920	$1,760,757

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	$1,702,485	$2,101,920	$2,637,861

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

At June 30, 2022, Tioga Independent School District reported a liability of $2,101,920 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 Tioga Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	$ 2,101,920
State's proportionate share that is associated with the District	2,816,104
Total	$ 4,918,024

The Net OPEB Liability was measured as of 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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020, thru August 31, 2021.

At August 31, 2021, the employer's proportion of the collective Net OPEB Liability was 0.0054489916% which was an increase of 0.0006253561% from its proportion measured as of August 31, 2020.

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

- The discount rate changed from 2.33% as of August 31, 2020, to 2.20% as of August 31, 2021. This change increased the Total OPEB liability ("TOL").
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the Total OPEB Liability.
- The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB liability.

Changes in Benefit Terms - There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2022, Tioga Independent School District recognized OPEB expense of ($43,875) and revenue of ($103,936) for support provided by the State.

At June 30, 2022, Tioga Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$ 90,498	$ 1,017,476
Changes in actuarial assumptions	232,812	444,517
Net Difference between projected and actual investment earnings	2,282	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	835,890	-
Total as of August 31, 2021 measurement date	$ 1,161,482	$ 1,461,993
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	40,711	
Total as of fiscal year-end	$ 1,202,193	$ 1,461,993

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

Year ended June 30:	OPEB Expense Amount	
2023	$	(88,380)
2024		(88,431)
2025		(88,417)
2026		(33,089)
2027		41,816
Thereafter	$	(44,010)

I. <u>INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS</u>

Interfund receivables and payables on June 30, 2022, represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2022.

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
Due from Other Funds	$ 326,038	$ 2,217,512	$ 1,288,799	$ 40,000	$ 3,872,349
Due to Other Funds	2,234,673	-	1,311,638	326,038	3,872,349
Total	$ 2,560,711	$ 2,217,512	$ 2,600,437	$ 366,038	$ 7,744,698

During the fiscal year ended June 30, 2022, a net $175,000 was transferred from the Debt Service Fund and $40,000 was transferred from Special Revenue Funds to cover the operating deficit of the General Fund. The amounts in the General Fund were not transferred back to the respective funds as of June 30, 2022.

J. <u>DUE FROM OTHER GOVERNMENTS</u>

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2022, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
State Grants	$ 844,291	$ -	$ -	$ -	$ 844,291
Federal Grants	-	-	-	140,960	140,960
Local Governments	-	-	-	-	-
Total	$ 844,291	$ -	$ -	$ 140,960	$ 985,251

K. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
Property Taxes	$ 1,454,768	$ 636,244	$ -	$ -	$ 2,091,012
Food Sales	-	-	-	49,774	49,774
Investment Income	1,540	400	3	119	2,062
Penalties, Interest and other Tax-Related Income	1,495	574	-	-	2,069
Co-Curricular student activities	31,363	-	-	15,011	46,374
Tuition	319,968	-	-	-	319,968
Lease Income	440	-	-	-	440
Other	371,922	-	-	15,011	386,933
Total	$ 2,181,496	$ 637,218	$ 3	$ 79,915	$ 2,898,632

L. UNEARNED REVENUE

There was no Unearned revenue at year-end.

M. JOINT VENTURES

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.

Shared Service Agreement	Fiscal Agent	Service
Grayson County Special Education SSA	Gunter Independent School District	Special Education
Title I, Part A Improving Basic Programs	Region X ESC	Title I, Part A
Title II, Part A Teacher & Principal Training	Region X ESC	Title II, Part A
Title III, Part A English Language Acquisition	Region X ESC	Title III, Part A

N. LITIGATION

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 on June 30, 2022, 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.

O. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through November 14, 2022, the date which the financial statements were available for use. See Note P, Going Concern, for details.

P. GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes the District will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At June 30, 2022, the District has a negative fund balance in the General Fund of $1,611,056, which is a decrease of $1,192,633 from FY2021. The primary reason for the decrease is that state allotments for FY2022 were reduced by a $1,361,804 overpayment in FY2021 due to unrealistic estimates in ADA. The shortfall in resources resulted in depletion of the General Fund cash balance requiring cash transfers of $200,000 from the Debt Service fund to cover payroll expenses in Spring 2022.

Subsequent to the financial statement date of June 30, 2022, the District issued a $1,200,000 Tax Anticipation Note to fund the lease purchase principal and interest payments of $1,005,388 in August 2022. A few weeks later, the District issued another $500,000 note to cover payroll expenses for August 2022, payable upon the first FY2023 allotment payment of $978,705 in September 2022. FY2023 allotment payments will be reduced by $1,525,601 due to the overestimate of ADA for FY2022. Estimated monthly payroll is $720,000 per month while estimated monthly allotment payments for the remainder of FY2023 are roughly $685,000. Future debt related payments from the General Fund service in February 2023 include a $564,388 interest payment on the lease purchase bonds and the repayment of the $1,200,000 Tax Anticipation Note. The District does not anticipate having the cash available to make the debt payments.

Management believes these conditions raise substantial doubt about the District's ability to continue as a going concern within the next twelve months from the date these financial statements are available to be issued. The ability to continue as a going concern is dependent upon positive cash flows, reduction in force, and debt restructuring.

As of the date these financial statements are available to be issued, the District has not developed a formal plan to mitigate the conditions previously noted. While the District may be able declare Financial Exigency to reduce payroll expenses, the District's ability to restructure debt or generate additional cash flows is not known at this time.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 2,692,500	$ 2,692,500	$ 2,196,649	$ (495,851)
5800	State Program Revenues	8,430,000	8,430,000	7,082,782	(1,347,218)
5900	Federal Program Revenues	450,000	450,000	-	(450,000)
5020	Total Revenues	11,572,500	11,572,500	9,279,431	(2,293,069)
	EXPENDITURES:				
	Current:				
0011	Instruction	4,529,942	4,529,942	4,879,338	(349,396)
0012	Instructional Resources and Media Services	73,136	73,136	48,314	24,822
0013	Curriculum and Instructional Staff Development	2,500	2,500	2,248	252
0023	School Leadership	441,734	441,734	554,945	(113,211)
0031	Guidance, Counseling, and Evaluation Services	183,673	183,673	148,492	35,181
0033	Health Services	159,577	159,577	155,484	4,093
0034	Student (Pupil) Transportation	120,992	120,992	110,432	10,560
0035	Food Services	12,211	12,211	-	12,211
0036	Extracurricular Activities	696,218	696,218	769,710	(73,492)
0041	General Administration	665,920	665,920	603,056	62,864
0051	Facilities Maintenance and Operations	1,862,600	1,862,600	1,010,497	852,103
0052	Security and Monitoring Services	52,500	52,500	46,188	6,312
0053	Data Processing Services	55,500	55,500	25,082	30,418
	Debt Service:				
0071	Principal on Long-Term Liabilities	110,000	110,000	555,830	(445,830)
0072	Interest on Long-Term Liabilities	-	-	1,187,479	(1,187,479)
0073	Bond Issuance Cost and Fees	-	-	12,479	(12,479)
	Capital Outlay:				
0081	Facilities Acquisition and Construction	1,600,000	1,600,000	65,400	1,534,600
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	150,000	150,000	123,463	26,537
0093	Payments to Fiscal Agent/Member Districts of SSA	177,500	177,500	173,627	3,873
6030	Total Expenditures	10,894,003	10,894,003	10,472,064	421,939
1100	Excess (Deficiency) of Revenues Over Expenditures	678,497	678,497	(1,192,633)	(1,871,130)
	OTHER FINANCING SOURCES (USES):				
7913	Right-to-Use Leases	195,000	195,000	-	(195,000)
1200	Net Change in Fund Balances	873,497	873,497	(1,192,633)	(2,066,130)
0100	Fund Balance - July 1 (Beginning)	(418,423)	(418,423)	(418,423)	-
3000	Fund Balance - June 30 (Ending)	$ 455,074	$ 455,074	$ (1,611,056)	$ (2,066,130)

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE YEAR ENDED JUNE 30, 2022

	Measurement Year Ended August 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0033148933%	0.0029064034%	0.0028995859%	0.0025131896%	0.0027032268%	0.0025291028%	0.0017523000%	0.0004740000%
District's Proportionate Share of Net Pension Liability (Asset)	$ 844,186	$ 1,556,610	$ 1,507,295	$ 1,383,321	$ 864,346	$ 955,710	$ 619,415	$ 126,612
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,054,112	3,970,824	3,480,117	3,167,915	1,812,676	1,916,262	1,685,546	1,209,293
Total	$ 2,898,298	$ 5,527,434	$ 4,987,412	$ 4,551,236	$ 2,677,022	$ 2,871,972	$ 2,304,961	$ 1,335,905
District's Covered Payroll	$ 5,444,512	$ 5,333,966	$ 4,713,811	$ 3,518,076	$ 3,141,888	$ 2,636,080	$ 2,346,091	$ 1,843,677
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	15.51%	29.18%	31.98%	39.32%	27.51%	36.25%	26.40%	6.87%
Plan Fiduciary Net Position as a % of 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."

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2022

	Fiscal Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 177,822	$ 125,257	$ 133,401	$ 84,663	$ 89,872	$ 85,272	$ 80,685	$ 51,885
Contribution in Relation to Contractually Required Contribution	(177,822)	(125,257)	(133,401)	(84,663)	(89,872)	(85,272)	(80,685)	(51,885)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 5,792,010	$ 5,333,966	$ 4,713,811	$ 3,518,076	$ 3,571,963	$ 3,141,888	$ 2,636,080	$ 2,346,091
Contributions as a % of Covered Payroll	3.07%	2.35%	2.83%	2.41%	2.52%	2.71%	3.06%	2.21%

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."

EXHIBIT G-4

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2022

	Measurement Year Ended August 31,				
	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0054489916%	0.0048236355%	0.0046544907%	0.0045264449%	0.0034873939%
District's Proportionate Share of the Net OPEB Liability (Asset)	$ 2,101,920	$ 1,833,682	$ 2,201,164	$ 2,260,095	$ 1,516,537
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	2,816,104	2,464,029	2,924,857	3,000,239	2,542,846
Total	$ 4,918,024	$ 4,297,711	$ 5,126,021	$ 5,260,334	$ 4,059,383
District's Covered Payroll	$ 5,444,512	$ 5,333,966	$ 4,713,811	$ 3,571,963	$ 3,141,888
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	38.61%	34.38%	46.70%	63.27%	48.27%
Plan Fiduciary Net Position as a % of Total OPEB Liability	6.18%	4.99%	2.66%	1.57%	0.91%

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

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2022

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 48,459	$ 39,729	$ 35,354	$ 31,226	$ 23,217
Contribution in Relation to Contractually Required Contribution	(48,459)	(39,729)	(35,354)	(31,226)	(23,217)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 5,792,010	$ 5,333,966	$ 4,713,811	$ 3,518,076	$ 3,571,963
Contributions as a % of Covered Payroll	0.84%	0.74%	0.75%	0.89%	0.65%

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

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COMBINING SCHEDULES

TIOGA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2022

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1240	Due from Other Governments	27,797	152,891	25,210	10,208
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ 27,797	$ 152,891	$ 25,210	$ 10,208
	LIABILITIES				
2110	Accounts Payable	$ (6,526)	$ 3,729	$ 2,665	$ -
2160	Accrued Wages Payable	(1,609)	21,063	-	-
2170	Due to Other Funds	35,149	125,594	14,178	7,685
2200	Accrued Expenditures	(525)	20	-	-
2000	Total Liabilities	26,489	150,406	16,843	7,685
	FUND BALANCES				
3600	Unassigned Fund Balance	1,308	2,485	8,367	2,523
3000	Total Fund Balances	1,308	2,485	8,367	2,523
4000	Total Liabilities and Fund Balances	$ 27,797	$ 152,891	$ 25,210	$ 10,208

266 ESSER -School Emergency Relief -CARES	277 Coronavirus Relief Fund CARES	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	283 ESSER-SUPP	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds
$ -	$ -	$ -	$ -	$ 4,053	$ -	$ -	$ -
1,054	-	51,987	45,514	-	(11,776)	-	40,548
-	-	-	-	-	-	-	-
$ 1,054	$ -	$ 51,987	$ 45,514	$ 4,053	$ (11,776)	$ -	$ 40,548
$ -	$ -	$ -	$ 5	$ 3	$ -	$ -	$ -
-	-	-	13,459	-	-	-	-
2,108	-	39,503	82,323	-	15,442	4,056	-
-	-	-	3,035	-	-	-	-
2,108	-	39,503	98,822	3	15,442	4,056	-
(1,054)	-	12,484	(53,308)	4,050	(27,218)	(4,056)	40,548
(1,054)	-	12,484	(53,308)	4,050	(27,218)	(4,056)	40,548
$ 1,054	$ -	$ 51,987	$ 45,514	$ 4,053	$ (11,776)	$ -	$ 40,548

EXHIBIT H-1

TIOGA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes		461 Campus Activity Funds	498 Scholarship Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 3,548	$ 21,745	$ 3,889	$ 33,235
1240	Due from Other Governments	-	-	-	343,433
1260	Due from Other Funds	30,000	10,000	-	40,000
1000	Total Assets	$ 33,548	$ 31,745	$ 3,889	$ 416,668
	LIABILITIES				
2110	Accounts Payable	$ -	$ 2,625	$ -	$ 2,501
2160	Accrued Wages Payable	-	-	-	32,913
2170	Due to Other Funds	-	-	-	326,038
2200	Accrued Expenditures	-	-	-	2,530
2000	Total Liabilities	-	2,625	-	363,982
	FUND BALANCES				
3600	Unassigned Fund Balance	33,548	29,120	3,889	52,686
3000	Total Fund Balances	33,548	29,120	3,889	52,686
4000	Total Liabilities and Fund Balances	$ 33,548	$ 31,745	$ 3,889	$ 416,668

TIOGA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 49,774	$ -	$ -
5800	State Program Revenues	-	20,431	-	-
5900	Federal Program Revenues	53,103	427,237	22,004	8,682
5020	Total Revenues	53,103	497,442	22,004	8,682
	EXPENDITURES:				
	Current:				
0011	Instruction	48,709	-	23,037	7,351
0035	Food Services	-	494,957	-	-
0036	Extracurricular Activities	-	-	-	-
6030	Total Expenditures	48,709	494,957	23,037	7,351
1200	Net Change in Fund Balance	4,394	2,485	(1,033)	1,331
0100	Fund Balance - July 1 (Beginning)	(3,086)	-	9,400	1,192
3000	Fund Balance - June 30 (Ending)	$ 1,308	$ 2,485	$ 8,367	$ 2,523

266 ESSER -School Emergency Relief -CARES	277 Coronavirus Relief Fund CARES	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	283 ESSER-SUPP	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	1,801	-	-	-	26,330	40,548
-	-	56,923	265,976	60,883	8,237	-	-
-	-	58,724	265,976	60,883	8,237	26,330	40,548
2,108	-	64,514	319,284	56,833	18,296	30,384	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,108	-	64,514	319,284	56,833	18,296	30,384	-
(2,108)	-	(5,790)	(53,308)	4,050	(10,059)	(4,054)	40,548
1,054	-	18,274	-	-	(17,159)	(2)	-
$ (1,054)	$ -	$ 12,484	$ (53,308)	$ 4,050	$ (27,218)	$ (4,056)	$ 40,548

TIOGA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		461 Campus Activity Funds	498 Scholarship Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 64	$ 15,058	$ 2,484	$ 67,380
5800	State Program Revenues	-	-	-	89,110
5900	Federal Program Revenues	-	-	-	903,045
5020	Total Revenues	64	15,058	2,484	1,059,535
	EXPENDITURES:				
	Current:				
0011	Instruction	-	15,375	-	585,891
0035	Food Services	-	-	-	494,957
0036	Extracurricular Activities	3,081	-	1,924	5,005
6030	Total Expenditures	3,081	15,375	1,924	1,085,853
1200	Net Change in Fund Balance	(3,017)	(317)	560	(26,318)
0100	Fund Balance - July 1 (Beginning)	36,565	29,437	3,329	79,004
3000	Fund Balance - June 30 (Ending)	$ 33,548	$ 29,120	$ 3,889	$ 52,686

REQUIRED TEA SCHEDULES

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FISCAL YEAR ENDED JUNE 30, 2022

Last 10 Years		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2013	and prior years	Various	Various	$ Various
2014		1.040000	0.50000	75,685,921
2015		1.040000	0.49000	77,092,417
2016		1.040000	0.49000	85,058,370
2017		1.040000	0.49000	92,274,084
2018		1.040000	0.49000	101,002,387
2019		1.040000	0.49000	111,081,244
2020		1.060000	0.36000	126,000,499
2021		0.989800	0.36000	142,960,421
2022	(School year under audit)	0.937500	0.36000	164,543,426
1000	TOTALS			

(10) Beginning Balance 7/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2022
$ 10,621	$ -	$ -	$ -	$ -	$ 10,621
2,315	-	-	-	-	2,315
2,049	-	21	10	-	2,018
2,696	-	38	18	-	2,640
2,677	-	6	3	-	2,668
2,977	-	115	54	-	2,808
3,614	-	17	5	-	3,592
17,066	-	5,806	1,972	(2,034)	7,254
71,060	-	39,929	14,206	5,291	22,216
-	2,072,914	1,429,618	549,930	(34,337)	59,029
$ 115,075	$ 2,072,914	$ 1,475,550	$ 566,198	$ (31,080)	$ 115,161

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM

FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 125,000	$ 125,000	$ 49,774	$ (75,226)
5800	State Program Revenues	2,000	2,000	20,431	18,431
5900	Federal Program Revenues	115,000	115,000	427,237	312,237
5020	Total Revenues	242,000	242,000	497,442	255,442
	EXPENDITURES:				
	Current:				
0035	Food Services	397,803	397,803	494,957	(97,154)
6030	Total Expenditures	397,803	397,803	494,957	(97,154)
1200	Net Change in Fund Balances	(155,803)	(155,803)	2,485	158,288
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ (155,803)	$ (155,803)	$ 2,485	$ 158,288

EXHIBIT J-3

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 450,750	$ 450,750	$ 634,600	$ 183,850
5800	State Program Revenues	215,000	215,000	81,810	(133,190)
5020	Total Revenues	665,750	665,750	716,410	50,660
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	220,000	220,000	220,000	-
0072	Interest on Long-Term Liabilities	180,000	180,000	178,644	1,356
0073	Bond Issuance Cost and Fees	-	-	11,300	(11,300)
6030	Total Expenditures	400,000	400,000	409,944	(9,944)
1100	Excess of Revenues Over Expenditures	265,750	265,750	306,466	40,716
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	25,000	25,000
8911	Transfers Out (Use)	-	-	(200,000)	(200,000)
7080	Total Other Financing Sources (Uses)	-	-	(175,000)	(175,000)
1200	Net Change in Fund Balances	265,750	265,750	131,466	(134,284)
0100	Fund Balance - July 1 (Beginning)	2,050,161	2,050,161	2,050,161	-
3000	Fund Balance - June 30 (Ending)	$ 2,315,911	$ 2,315,911	$ 2,181,627	$ (134,284)

TIOGA INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	299761
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	107327

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	24745
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	36712

REPORTS ON COMPLIANCE, INTERNAL CONTROLS, AND FEDERAL AWARDS

Shawn D. Nesmith
CPA · PLLC

701 Mohawk Drive
Tioga, Texas 76271
(972) 251-3058

Member:
American Institute of Certified Public Accountants
Governmental Audit Quality Center
Texas Society of Certified Public Accountants

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

To the Board of Trustees
Tioga Independent School District
405 N Florence Street
Tioga, Texas 76271

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 Tioga Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Tioga Independent School District's basic financial statements, and have issued our report dated November 14, 2022.

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) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2002-001, 2002-002, and 2002-003 to be material weaknesses.

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.

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 determination of financial statement amounts. 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 did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Example School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Shawn D. Nesmith, CPA, PLLC

Shawn D. Nesmith, CPA, PLLC
Tioga, Texas

November 14, 2022

Shawn D. Nesmith
CPA · PLLC

701 Mohawk Drive
Tioga, Texas 76271
(972) 251-3058

Member:
American Institute of Certified Public Accountants
Governmental Audit Quality Center
Texas Society of Certified Public Accountants

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

To the Board of Trustees
Tioga Independent School District
405 N Florence Street
Tioga, Texas 76271

Report on Compliance for Each Major Federal Program

We have audited Tioga Independent School District's (the "District") compliance with the types of compliance requirements described 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 June 30, 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.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. 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 the Title 2 U.S. *Code of Federal of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* "(Uniform Guidance"). Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types 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 June 30, 2022.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 state program on a timely basis. A *material weakness in internal control over complianc*e 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 state 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 state 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 testing based on requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Shawn D. Nesmith, CPA, PLLC

Shawn D. Nesmith, CPA, PLLC
Tioga, Texas

November 14, 2022

TIOGA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None.		

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

1.	Type of auditor's report issued on the financial statements:	Unmodified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified:	Yes
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses:	None reported
3.	Noncompliance which is material to the financial statements:	None
4.	Any findings which are required to be reported in accordance with *Generally Accepted Auditing Standards*?	No

Federal Awards

1.	Internal control over major programs:	
	a. Material weakness(es) identified:	None
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses:	None reported
2.	Type of auditor's report issued on compliance for major programs:	Unmodified
3.	Any audit findings which are required to be reported in accordance with 2 CFR 200.516(a)?	No
4.	Major programs include:	
	Child Nutrition Cluster	
	School Breakfast Program	10.553
	National School Lunch Program – Cash Assistance	10.555
	ESSER Funds	84.425D
	ESSER II	84.425D
	ESSER III	84.425D
	Supplemental ESSER	84.425U
5.	Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6.	Low risk auditee:	Yes

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

Finding: 2022-001

MATERIAL WEAKNESS
Classification of transactions/Lack of management review

Criteria: In accordance with TEA's Financial Accountability System Resource Guide ("FASRG"), short-term debt transactions, relating to repayment of debt principal, are not reflected on the statement of revenues and expenditures, nor are they included in the Debt Service Fund. These entries are recorded as balance sheet only.

Condition: The former business manager improperly recorded a short-term liability net of debt issuance expenses of $989,000 as lease proceeds which is reflected on the statement of revenues and expenditures for the General Fund. No review of monthly financial statements or significant transactions was conducted by the former superintendent.

Effect: Statement of revenues and expenditures and the balance sheet for the General Fund were materially misstated.

Cause: Due to a lack of understanding of government accounting, the former business manager recorded the transaction in error and no internal controls were in place to ensure the accuracy of financial statements.

Recommendation: The Board should implement internal control procedures that will ensure the regular monitoring of significant transactions and accuracy of the financial statements.

View of responsible officials and planned corrective actions: To be presented to the Board on November 14, 2022.

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Finding: 2022-002

MATERIAL WEAKNESS
Violation of bond covenants/Classification of transactions

Criteria: In accordance with covenants listed in the general obligation bond documents, the Debt Service fund shall be kept separate and apart from all other funds and accounts and shall be used ONLY for paying the interest on and principal of the bonds.

Condition: Various cash transfers totaling a net $175,000 were authorized by the former superintendent from the Debt Service bank account to the General Operating account during FY2022 to cover payroll obligations and other operating expenses. These transfers were recorded to accounts "7915 – Transfers In" in the General Fund and "8911 – Transfers Out" in the Debt Service Fund, instead of due to/due from accounts on the balance sheet, therefore overstating the General Fund balance and understating the Debt Service Fund balance.

Effect: Debt Service funds were used improperly in violation of bond covenants and fund financial statements were materially misstated.

Cause: Any internal controls established to prevent the misuse of Debt Service funds were completely bypassed by the direction of the former superintendent. Business office personnel were unaware of the bond covenants and were told by the former superintendent that the Debt Service funds could be used to cover payroll expenses.

Recommendation: Bank transfers over a certain amount should be approved by the Board. Typically, the county tax assessor deposits tax collections into the General Operating account and the I&S funds are transferred to the Debt Service Fund bank account on a monthly basis. The District should inquire as to whether the I&S funds can be deposited directly to the Debt Service bank account.

View of responsible officials and planned corrective actions: To be presented to the Board on November 14, 2022.

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Finding: 2022-003

MATERIAL WEAKNESS
Violation of bond covenants/Classification of transactions

Criteria: In accordance with covenants listed in the general obligation bond documents, the Debt Service fund shall be kept separate and apart from all other funds and accounts and shall be used ONLY for paying the interest on and principal of the bonds.

Condition: At the specific direction of the former superintendent, a payment of $103,498 for a finance contract used to purchase furniture and equipment for the high school was made directly from the Debt Service bank account. The loan is not general obligation debt that is covered by the Debt Service tax collections and payments are to be made from the General Operating account. No cash was transferred and no due to/due from or transfers were recorded between the General Fund and the Debt Service Fund.

Effect: Debt Service funds were used improperly in violation of bond covenants and fund financial statements were materially misstated.

Cause: Any internal controls established to prevent the misuse of Debt Service funds were completely bypassed by the direction of the former superintendent. Business office personnel were unaware of the bond covenants and were told by the former superintendent that the Debt Service funds could be used to cover payroll expenses.

Recommendation: Transactions over a certain amount should be approved by the Board.

View of responsible officials and planned corrective actions: To be presented to the Board on November 14, 2022.

TIOGA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

This page reserved for the District's response to the audit findings and corrective action plan.

EXHIBIT K-1

TIOGA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency			
ESEA, Title I, Part A	84.010A	22610101091907	$ 48,710
ESEA, Title III, Part A	84.365A	22671001091907	7,352
ESEA, Title II, Part A	84.367A	22694501091907	23,037
ESEA, Title IV, Part B	84.424	22696001091907	18,296
ESSER	84.425D	20521001057950	2,108
ESSER II	84.425D	21521001057950	64,514
ESSER III	84.425D	21528001057950	319,284
Supplemental ESSER Fund	84.425U	21528043057950	56,833
Total Assistance Listing Number 84.425			442,739
Total Passed Through Texas Education Agency			540,134
TOTAL U.S. DEPARTMENT OF EDUCATION			540,134
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Department of Agriculture			
*School Breakfast Program	10.553		93,440
*National School Lunch Program - Cash Assistance	10.555		333,797
Total Child Nutrition Cluster			427,237
*Commodity Supplemental Food Pr. - Cash Assistance	10.565		19,700
Total Passed Through the Texas Department of Agriculture			446,937
TOTAL U.S. DEPARTMENT OF AGRICULTURE			446,937
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 987,071

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

A. BASIS OF PRESENTATION

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

B. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at year end.

SCHOOLS FIRST QUESTIONNAIRE

Tioga Independent School District | Fiscal Year 2022

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	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?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Govenment Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	5015