TIOGA
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

TIOGA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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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, 2023, at a meeting of the Board of Trustees of such school district on the 20 day of November 2023.

Signature of Board Secretary

Signature of Board President

Independent Auditor's Report

Board of Trustees
Tioga Independent School District
Tioga, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tioga Independent School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Tioga Independent School 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 Tioga Independent School District as of June 30, 2023, and the respective changes in financial position 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 Tioga Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility 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 auditors' 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 general 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 Tioga Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Error Correction – Prior Period Adjustment to Beginning Net Position

As described in Note 18 to the basic financial statements, the District has recorded a $1,569,055 prior period adjustment to beginning net position for an unrecorded liability to the State of Texas as of June 30, 2022, due to overestimating enrollment growth in the 2021-2022 academic year. As a result of the estimated enrollment overstatement, state aid was overstated, net position was overstated, and liabilities (due to state) were understated by $1,569,055 in the District's audited financial statements for the year ended June 30, 2022. To date, the District and its previous auditor have not reissued the financial statements and related independent auditor's reports in the fiscal 2022 annual financial report. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and Teacher Retirement System schedules 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 Tioga Independent School District's basic financial statements. The accompanying combining and TEA schedules listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and required TEA schedules, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 26, 2023, on our consideration of Tioga Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tioga Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tioga Independent School District's internal control over financial reporting and compliance.

Hankins Eastup Deaton Tonn Seay & Scarborough, LLC

Denton, Texas
September 26, 2023

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED)

As management of Tioga Independent School District (the "District"), we offer the readers of this annual financial report a narrative discussion and analysis of the District's financial performance as of and for the year ended June 30, 2023. Please read this narrative in conjunction with the independent auditor's report on page 3, and the District's basic financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The District's net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2023, is a negative $5,873,978.

- The District's total net position decreased by $2,373,695 during the fiscal year as compared to the District's net position that was reported in last year's annual financial report. This decrease has two components: (1) a prior period adjustment to beginning net position of negative $1,569,055 for amounts owed to the State of Texas as June 30, 2022, (liabilities were understated and state aid overstated in last year's annual financial report) and (2) a decrease of $804,640 in net position for financial activities occurring during the year ended June 30, 2023.

- As of June 30, 2023, the District's governmental funds report combined ending fund balances of negative $1,194,397.

- As of June 30, 2023, the fund balance of the general fund is negative $3,883,544.

- As of June 30, 2023, the fund balance of the child nutrition fund is negative $89,740.

- As of June 30, 2023, the general fund owes the debt service fund $2,729,360.

- As of June 30, 2023, the District owes the State of Texas $1,947,332, which is to be repaid over five years.

- On November 14, 2022, the District declared financial exigency.

- On March 20, 2023, Moody's downgraded the District's underlying bond rating from Ba3 to B1 with a negative outlook.

- On March 21, 2023, Moody's updated its credit analysis after downgrading the District's underlying bond rating to B1 and offered the following analysis:

  > "Tioga Independent School District's credit profile is challenged by a financial position that has further deteriorated recently as a result of continued inaccurate enrollment and revenue budget estimates. The general fund will continue to be pressured by escalating debt service costs associated with the district's general fund lease revenue debt obligations as well as reduced state aid allotments as a result of overestimated enrollment growth in recent years. General fund balance has been declining for the past several years and turned negative in fiscal 2019, and weak liquidity has resulted in no financial flexibility and the need to cash flow borrow each of the past four years. Positively, the district has new management that is pursuing various strategies to improve the district's financial position. Additionally, pension and OPEB liabilities are manageable and the district's enrollment trend is positive."

- On March 24, 2023, Standard & Poor's lowered the District's underlying bond rating two notches from BB- to B with a negative outlook.

- On June 30, 2023, the Texas Education Agency (TEA) issued its final report on the fiscal management review of the District's 2022 and 2021 fiscal years. In that report, TEA notes that the District has violated the Texas Tax Code by using debt service fund property tax revenues for payments that do not meet the definition of debt service. Using debt service funds to pay operating expenses are also a violation of bond covenants. All funds transferred from the debt service fund to the general fund are to be scheduled for repayment to the debt service fund. In addition, the TEA noted that a negative balance in the District's general fund is a violation of Texas Education Code §44.006, which prohibits funds of a current year being used to pay debts of a preceding year, which makes end-of-year fund deficits unlawful. Finally, the TEA noted deficiencies in the District's annual budgeting process and cited Texas Education Code §44.052, which provides for Class C misdemeanor penalties for superintendents and trustees failing to comply with state budget requirements.

- After June 30, 2023, the Texas Commissioner of Education approved the above-mentioned repayment plan and appointed a conservator to oversee the operations of the District until the amount owed to the State of Texas is repaid.

- On August 14, 2023, the District board of trustees approved the issuance of a 9.5% $1,200,000 tax anticipation note payable, which is due and payable in principal installments from October 2023 to February 2024.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The District's basic financial statements consists of three components: 1) *government-wide* financial statements, 2) *fund* financial statements, and 3) *notes* to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The *government-wide* financial statements include the Statement of Net Position and the Statement of Activities. These financial statements provide information about the activities of the District as a whole and provide a comprehensive view of the District's financial position and its results of operations. The government-wide financial statements report a flow of total economic resources similar to the financial statements of business enterprises.

The *fund* financial statements report the District's operations at the fund level—for both major funds individually and for nonmajor funds collectively. For governmental activities, fund financial statements report fund flows during the fiscal year and fund balances at the end of the fiscal year. Custodial fund financial statements provide information about funds held for other organizations.

The *notes* to the financial statements provide narrative explanations and additional information to better understanding amounts in the government-wide financial statements and fund financial statements.

The combining statements for nonmajor funds contain financial information about each of the District's nonmajor funds.

The information listed in the table of contents under TEA Required Schedules and the Federal Awards Section contain information used by monitoring agencies to determine whether the District is complying with federal and state requirements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current year and prior year summary financial information and discusses significant changes in line items. The analysis focuses on the District's net position (Table I) and changes in net position (Table II) of the District's governmental activities.

net position (Table II) of the District's governmental activities.

The largest portion of the District's assets is its capital assets—land, buildings, furniture, and equipment. The District uses these capital assets to provide services to students; capital assets, however, are *not* available for current or future spending.

As shown below, the District's net position decreased from a negative $5,069,338 (after restatement for the $1,569,055 prior period adjustment discussed earlier) to a negative $5,873,978 during the fiscal year.

Table I
NET POSITION

	Governmental Activities June 30, 2023	Governmental Activities June 30, 2022	Difference
Current and other assets	$ 1,432,607	$ 1,296,903	$ 135,704
Capital assets	29,020,023	29,811,860	(791,837)
Total assets	30,452,630	31,108,763	(656,133)
Deferred outflows of resources	2,854,601	1,945,008	909,593
Total assets and deferred outflows of resources	33,307,231	33,053,771	253,460
Long-term liabilities	32,416,468	32,464,035	(47,567)
Other liabilities	3,910,036	3,273,061 *	636,975
Total liabilities	36,326,504	35,737,096	(589,408)
Deferred inflows of resources	2,853,962	2,386,013	467,949
Total liabilities and deferred inflows of resources	39,180,466	38,123,109	1,057,357
Net Position:			
Net investments in capital assets	(826,154)	(394,184)	(431,970)
Restricted	2,208,570	2,356,627	(148,057)
Unrestricted	(7,256,394)	(7,031,781) *	(224,613)
Total Net Position	$ (5,873,978)	$ (5,069,338)	$ (804,640)

* Restated by prior period adjustment ($1,569,055 in state aid).

The decrease in capital assets and the District's net investment in capital assets is primarily attributable to the recording of annual depreciation expense.

The increase in deferred outflows, long-term liabilities, and deferred inflows is primarily attributable to changes in the District's share of TRS benefit obligations.

The increase in other liabilities is primarily attributable to an increase in accounts payable, accrued wages payable, and other accrued expenses.

Table II
CHANGES IN NET POSITION

	Governmental Activities Year Ended June 30, 2023	Governmental Activities Year Ended June 30, 2022		Difference
Revenues:				
Program Revenues:				
Charges for services	$ 689,185	$ 413,545		$ 275,640
Operating grants and contributions	1,390,534	917,639	*	472,895
General Revenues:				
Maintenance and operations taxes	1,751,544	1,454,768		296,776
Debt service taxes	688,088	636,244		51,844
State aid	6,522,669	5,215,491	*	1,307,178
Investment earnings	1,350	1,951		(601)
Miscellaneous	220,046	372,724		(152,678)
Total Revenue	11,263,416	9,012,362		2,251,054
Expenses:				
Instruction, curriculum and media services	5,895,157	5,635,272		259,885
Instructional and school leadership	555,883	569,387		(13,504)
Student support services	499,356	474,108		25,248
Child nutrition	624,714	496,724		127,990
Cocurricular activities	780,117	785,897		(5,780)
General administration	647,273	668,837		(21,564)
Plant maintenance, security and data	1,164,635	1,061,268		103,367
Debt services	1,603,520	1,460,536		142,984
Intergovernmental charges	297,401	297,090		311
Total Expenses	12,068,056	11,449,119		618,937
Increase (decrease) in net position	(804,640)	(2,436,757)		1,632,117
Net position - beginning of period	(5,069,338)	(2,632,581)		(2,436,757)
Net position - end of period	$ (5,873,978)	$ (5,069,338)		$ (804,640)

* Restated by prior period adjustment ($1,569,055 in state aid).

Revenues from governmental activities for the year ended June 30, 2023, were $11,263,416. The cost of all governmental programs and services were $12,068,056. Governmental activities decreased the District's net position during fiscal 2023 by $804,640.

Property taxes and state aid are the District's chief sources of operating revenues.

The increase in operating grants and contributions is primarily attributable to increases in state grants and contributions in fiscal 2023.

The increase in state aid is attributable to an increase in enrollments during the 2022-23 academic school year.

THE DISTRICT'S FUNDS

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the *unassigned fund balance* in the general fund is a negative $3,883,544.

The fund balance in the debt service fund is $2,687,377; the debt service fund is carrying a $2,729,360 receivable from the general fund as of June 30, 2023.

The child nutrition fund had a negative net change in fund balance of $92,224 during the year ended June 30, 2023, which decreased its fund balance from $2,484 at the beginning of the year to a negative $89,740 at the end of the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District had $29,019,280 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

There were no capital additions during the year ended June 30, 2023.

More detailed information about the District's capital assets is presented in the notes to the basic financial statements.

Debt Administration

As of June 30, 2023, the District has $31,905,780 (par value) in bonds outstanding as compared to $32,542,734 (par value) at the beginning of the year, a decrease of $636,954 during the fiscal year. The District's general obligation bond rating is B1 according to Moody's, but it is considered Aaa due to guarantees provided by the Texas Permanent School Fund.

During the fiscal year, the District issued and repaid $1,700,000 of Tax Anticipation Notes Payable with Cadence Bank.

On August 14, 2023, the District board of trustees approved the issuance of a 9.5% $1,200,000 tax anticipation note payable to Cadence Bank, which is due and payable in principal installments from October 2023 to February 2024.

More detailed information about the District's long-term debt is presented in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District considers various economic factors when setting its annual operating budgets and tax rates including population growth, projected student enrollments, labor markets, and the state of the overall economy.

On June 26, 2023, the District's board of trustees approved the District's 2023-24 operating budget. The District's 2023-24 operating budget includes estimated revenues of $11,590,884 and budgeted expenditures of $10,041,003 based on projected enrollments of 710 students.

On August 21, 2023, the board of trustees set the following tax rates for the 2023-24 tax year:

- $0.7292 for each $100 of property valuation for maintenance and operations
- $0.36 for each $100 of property valuation for debt service

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This annual financial report is designed to provide citizens, taxpayers, vendors, investors, and creditors an overview of the District's finances and to demonstrate fiscal accountability for the money the District receives to accomplish its educational mission. 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. The District's telephone number is 940-437-2366.

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BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

TIOGA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

Data Control Codes			Primary Government Governmental Activities
	ASSETS		
1110	Cash and Cash Equivalents	$	481,950
1220	Property Taxes - Delinquent		128,953
1230	Allowance for Uncollectible Taxes		(6,448)
1240	Due from Other Governments		828,152
	Capital Assets:		
1510	Land		1,618,575
1520	Buildings, Net		27,109,275
1530	Furniture and Equipment, Net		136,182
1540	Other Capital Assets, Net		155,248
1000	Total Assets		30,451,887
	DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflow Related to TRS Pension		1,716,950
1706	Deferred Outflow Related to TRS OPEB		1,137,651
1700	Total Deferred Outflows of Resources		2,854,601
	LIABILITIES		
2110	Accounts Payable		30,986
2140	Accrued Interest Payable		548,010
2160	Accrued Wages Payable		444,062
2180	Due to Other Governments		2,028,699
2200	Accrued Expenses		751
	Noncurrent Liabilities:		
2501	Due Within One Year: Bonds, Notes, Loans, etc.		857,528
	Due in More than One Year:		
2502	Bonds, Notes, Loans, etc.		28,918,702
2540	Net Pension Liability (District's Share)		2,142,736
2545	Net OPEB Liability (District's Share)		1,355,030
2000	Total Liabilities		36,326,504
	DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension		783,692
2606	Deferred Inflow Related to TRS OPEB		2,070,270
2600	Total Deferred Inflows of Resources		2,853,962
	NET POSITION		
3200	Net Investment in Capital Assets		(826,154)
3850	Restricted for Debt Service		2,208,570
3900	Unrestricted		(7,256,394)
3000	Total Net Position	$	(5,873,978)

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

EXHIBIT B-1

TIOGA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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	$ 5,824,100	$ 349,187	$ 843,991	$ (4,630,922)
12	Instructional Resources and Media Services	70,877	-	1,466	(69,411)
13	Curriculum and Instructional Staff Development	180	-	-	(180)
23	School Leadership	555,883	-	14,475	(541,408)
31	Guidance, Counseling, and Evaluation Services	171,426	-	3,848	(167,578)
33	Health Services	136,388	-	2,382	(134,006)
34	Student (Pupil) Transportation	191,542	-	1,099	(190,443)
35	Food Services	624,714	112,248	396,907	(115,559)
36	Extracurricular Activities	780,117	218,797	10,444	(550,876)
41	General Administration	647,273	-	8,978	(638,295)
51	Facilities Maintenance and Operations	1,005,206	8,953	5,680	(990,573)
52	Security and Monitoring Services	136,048	-	5,130	(130,918)
53	Data Processing Services	23,381	-	-	(23,381)
72	Debt Service - Interest on Long-Term Debt	1,593,555	-	96,134	(1,497,421)
73	Debt Service - Bond Issuance Cost and Fees	9,965	-	-	(9,965)
91	Contracted Instructional Services Between Schools	50,709	-	-	(50,709)
93	Payments Related to Shared Services Arrangements	199,681	-	-	(199,681)
99	Other Intergovernmental Charges	47,011	-	-	(47,011)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 12,068,056	$ 689,185	$ 1,390,534	(9,988,337)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,751,544
DT	Property Taxes, Levied for Debt Service	688,088
SF	State Aid - Formula Grants	6,522,669
IE	Investment Earnings	1,350
MI	Miscellaneous Local and Intermediate Revenue	220,046
TR	Total General Revenues	9,183,697
CN	Change in Net Position	(804,640)
NB	Net Position - Beginning	(3,500,283)
PA	Prior Period Adjustment	(1,569,055)
NE	Net Position - Ending	$ (5,873,978)

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

TIOGA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 351,056	$ 39,384	$ 91,510	$ 481,950
1220	Property Taxes - Delinquent	93,631	35,322	-	128,953
1230	Allowance for Uncollectible Taxes	(4,682)	(1,766)	-	(6,448)
1240	Due from Other Governments	689,326	-	138,826	828,152
1260	Due from Other Funds	191,700	2,729,360	-	2,921,060
1000	Total Assets	$ 1,321,031	$ 2,802,300	$ 230,336	$ 4,353,667
	LIABILITIES				
2110	Accounts Payable	$ 30,986	$ -	$ -	$ 30,986
2160	Accrued Wages Payable	407,947	-	36,115	444,062
2170	Due to Other Funds	2,729,360	-	191,700	2,921,060
2180	Due to Other Governments	1,947,332	81,367	-	2,028,699
2200	Accrued Expenditures	-	-	751	751
2000	Total Liabilities	5,115,625	81,367	228,566	5,425,558
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	88,950	33,556	-	122,506
2600	Total Deferred Inflows of Resources	88,950	33,556	-	122,506
	FUND BALANCES				
	Restricted Fund Balance:				
3480	Retirement of Long-Term Debt	-	2,687,377	-	2,687,377
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	91,510	91,510
3600	Unassigned Fund Balance	(3,883,544)	-	(89,740)	(3,973,284)
3000	Total Fund Balances	(3,883,544)	2,687,377	1,770	(1,194,397)
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 1,321,031	$ 2,802,300	$ 230,336	$ 4,353,667

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

TIOGA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	$	(1,194,397)
1 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 $35,869,932 and the accumulated depreciation was ($6,058,072). In addition, 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.		(1,002,182)
2 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 2023 capital outlays and debt principal payments is to increase net position.		764,086
3 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 $1,716,950, a deferred resource inclow in the amount of $783,692 and a net position liability in the amount of $2,142,736. This resulted in a decrease in net position.		(1,209,478)
4 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 $1,137,651, a deferred resource inflow of $2,070,270, and a net OPEB liability in the amount of $1,355,030. This resulted in a decrease in net position.		(2,287,649)
5 The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(791,837)
6 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 increase net position.		(152,521)
19 **Net Position of Governmental Activities**	$	(5,873,978)

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, 2023

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 2,315,353	$ 690,784	$ 305,246	$ 3,311,383
5800	State Program Revenues	6,941,401	96,134	190,411	7,227,946
5900	Federal Program Revenues	192,790	-	727,974	920,764
5020	Total Revenues	9,449,544	786,918	1,223,631	11,460,093
	EXPENDITURES:				
	Current:				
0011	Instruction	4,937,578	-	530,533	5,468,111
0012	Instructional Resources and Media Services	67,974	-	-	67,974
0023	School Leadership	521,348	-	-	521,348
0031	Guidance, Counseling, and Evaluation Services	162,118	-	-	162,118
0033	Health Services	125,540	-	-	125,540
0034	Student (Pupil) Transportation	148,456	-	-	148,456
0035	Food Services	-	-	591,668	591,668
0036	Extracurricular Activities	551,981	-	173,171	725,152
0041	General Administration	535,135	-	-	535,135
0051	Facilities Maintenance and Operations	928,137	-	-	928,137
0052	Security and Monitoring Services	135,831	-	-	135,831
0053	Data Processing Services	21,370	-	-	21,370
	Debt Service:				
0071	Principal on Long-Term Liabilities	577,132	186,954	-	764,086
0072	Interest on Long-Term Liabilities	1,171,610	216,865	-	1,388,475
0073	Bond Issuance Cost and Fees	1,065	8,900	-	9,965
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	50,709	-	-	50,709
0093	Payments to Fiscal Agent/Member Districts of SSA	199,681	-	-	199,681
0099	Other Intergovernmental Charges	47,011	-	-	47,011
6030	Total Expenditures	10,182,676	412,719	1,295,372	11,890,767
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(733,132)	374,199	(71,741)	(430,674)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	7,074	-	20,825	27,899
8911	Transfers Out (Use)	(20,825)	-	-	(20,825)
7080	Total Other Financing Sources (Uses)	(13,751)	-	20,825	7,074
1200	Net Change in Fund Balances	(746,883)	374,199	(50,916)	(423,600)
0100	Fund Balance - July 1 (Beginning)	(1,611,056)	2,356,628	52,686	798,258
1300	Prior Period Adjustment	(1,525,605)	(43,450)	-	(1,569,055)
3000	Fund Balance - June 30 (Ending)	$ (3,883,544)	$ 2,687,377	$ 1,770	$ (1,194,397)

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

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, 2023

Total Net Change in Fund Balances - Governmental Funds	$	(430,674)
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 2023 capital outlays and debt principal payments is to increase the change net position.		559,006
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 the change in net position.		(792,580)
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 the change in net position.		(31,755)
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 $155,168. 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 $151,056. 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 $184,088. The net result is a decrease in the change in net position.		(179,976)
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 $37,980. 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 $40,711. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $74,070. The net result is a increase in the change in net position.		71,339
Change in Net Position of Governmental Activities	$	(804,640)

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

TIOGA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ -
Total Assets	-
LIABILITIES	
Current Liabilities:	
Accounts Payable	-
Total Liabilities	-
NET POSITION	
Unrestricted Net Position	-
Total Net Position	$ -

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, 2023

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ -
Total Operating Revenues	-
OPERATING EXPENSES:	
Supplies and Materials	6,194
Other Operating Costs	-
Total Operating Expenses	6,194
Income (Loss) Before Transfers	(6,194)
Transfers Out	(7,074)
Change in Net Position	(13,268)
Total Net Position - July 1 (Beginning)	13,268
Total Net Position - June 30 (Ending)	$ -

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, 2023

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Payments for Supplies and Materials	$ (6,194)
Cash Flows from Capital & Related Financing Activities:	
Transfers Out	(7,074)
Net Decrease in Cash and Cash Equivalents	(13,268)
Cash and Cash Equivalents at Beginning of Year	13,268
Cash and Cash Equivalents at End of Year	$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	$ (6,194)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tioga Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's *Financial Accountability System Resource Guide* (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven-member group elected by registered voters of the District, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved to the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The Tioga Independent School District Public Facility Corporation (the "PFC") was incorporated on December 5, 2015, for the purpose of issuing bonds to finance the construction of a school for the District and then leasing the school to the District until such time the bonds are repaid. For financial reporting purposes, the PFC is included as a blended component unit of the District.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity within the governmental activities columns has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended June 30, 2023.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities into separate funds to facilitate financial management and demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund -** This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to satisfy District responsibilities.

2. **Debt Service Fund -** This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after the related debt obligations have been met.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds -** These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds. In the State of Texas, funds committed for campus activities are also included in special revenue funds.

2. **Internal Service Funds** – These funds are established to account for services provided to parties inside the District on a cost reimbursement basis. The District discontinued its internal service fund operations during the year.

C. 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 liabilities (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; i.e., 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. 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 District records its proportionate share of the net pension liability of the Teacher Retirement System of Texas (TRS). The fiduciary net position 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 disclosed about TRS assets, liabilities and additions to/deductions from TRS's fiduciary net position. TRS benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. TRS investments are reported at fair value.

The District records its proportionate share of the net OPEB liability of the Teacher Retirement System of Texas (TRS) TRS-Care Plan. The fiduciary net position 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 disclosed about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. TRS benefit payments are recognized when due and payable in accordance with the benefit terms. There are no TRS investments as this is a pay-as-you-go plan and all cash is held in a cash account.

The revenue susceptible to accrual in the government-wide financial statements are property taxes, charges for services, interest income and intergovernmental revenues. 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 pool, 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 Texas Education Agency's Financial Accountability System Resource Guide (FASRG), 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 Resource Guide.

D. BUDGETARY CONTROL

Formal budgetary accounting was employed for all required Governmental Fund Types, as outlined in TEA's FASRG 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 was 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 Debt Service Fund, and the Child Nutrition Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal period. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the period by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2023 Fund Balance
Appropriated Budget Funds	$ 91,510
Nonappropriated Budget Funds	(89,740)
All Special Revenue Funds	$ 1,770

E. 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 June 30 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, 2023.

F. 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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances" and "internal advances."

G. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. 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 Improvements	20-40 Years
Furniture and Equipment	5-10 Years

H. COMPENSATED ABSENCES

The District accrues a liability for vacation benefits that carry-forward across fiscal years.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that quality for reporting in this category:

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 5.7052 years.

A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date.

Deferred outflows of resources for OPEB - Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2179 years.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only on the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as revenues in the period the amounts become available to fund current period expenditures. The District reports property taxes that are unavailable as deferred inflows of resources in the fund financial statements.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five-year period.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2179 years for the 2022 measurement year).

L. NET POSITION

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciations, 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 their 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.

M. 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, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year 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 in the year they are incurred.

N. RISK MANAGEMENT

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

O. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

P. DATA CONTROL CODES

Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resources Guide*. TEA requires school districts to display these codes in the financial statements filed with the agency to ensure accuracy in building a statewide data base for policy development and funding plans.

NOTE 2. FUND BALANCE AND NET POSITION

Net position on the government-wide *Statement of Net Position* includes the following:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that is directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by the bond covenants.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities and deferred inflows that is not invested in capital assets or restricted for specific purposes.

It is the District's policy to spend funds available from restricted sources prior to unrestricted sources.

Fund Balance Classification: 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:

- Nonspendable: 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: 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 fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.

- Committed: 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. The Board of Trustees have committed resources as of June 30, 2023 for campus activities.

- Assigned: 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. The Board of Trustees has no assigned fund balance as of June 30, 2023.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance/deficit for 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.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

   The District's cash deposits at June 30, 2023 and during all of fiscal year 2023 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

   The 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.

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

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, the District's cash balances were either collateralized with securities or a letter of credit held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2023, the District had no investments in public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

c. Credit Risk: This 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.

d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2023, the District was not exposed to foreign currency risk.

f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	June 30, 2022	Additions	Disposals	June 30, 2023
Land	$ 1,618,575			$ 1,618,575
Buildings	33,184,451			33,184,451
Accumulated depreciation - buildings	(5,348,990)	(726,186)		(6,075,176)
	27,835,461	(726,186)	-	27,109,275
Furniture and equipment	397,808			397,808
Accumulated depreciation - furniture and equipment	(239,077)	(21,806)		(260,883)
	158,731	(21,806)	-	136,925
Vehicles	669,098			669,098
Accumulated depreciation - vehicles	(470,005)	(43,845)		(513,850)
	199,093	(43,845)	-	155,248
	$ 29,811,860	$ (791,837)	$ -	$ 29,020,023

Depreciation expense was charged as a direct expense to programs of the District as follows:

Governmental activities:

Instruction	$ 438,189
Instructional Resources and Media Services	3,874
Curriculum/Instructional Staff Development	180
School Leadership	44,494
Guidance, Counseling, and Evaluation Services	11,906
Health Services	12,466
Student Transportation	43,845
Food Services	39,684
Extracurricular Activities	62,115
General Administration	48,351
Facilitiies Maintenance and Operations	81,019
Security and Minutoring Services	3,703
Data Processing Services	2,011
	$ 791,837

NOTE 5. LONG-TERM DEBT

Long-term debt includes bonds and notes payable. All long-term debt represents transactions in the District's governmental activities.

The following is a summary of changes in the District's long-term debt for the year ended June 30, 2023:

	Beginning Balance	Additions	Disposals	Ending Balance	Due Within One Year
Bonds Payable					
Series 2015 Refunding Bonds (2% to 5%)	$ 2,010,000		$ 150,000	$ 1,860,000	$ 160,000
Series 2019 PFC Refunding Bonds (3% to 4.5%)	27,225,000		450,000	26,775,000	470,000
Series 2021 Refunding Bonds (3% to 57.4%)	3,307,734		36,954	3,270,780	26,493
Series 2021 Refunding Bonds Accreted Interest	5,015	160,908	43,046	122,877	68,507
Total Bonds Payable	32,547,749	160,908	680,000	32,028,657	725,000
Notes Payable					
Note Payable - Security State Bank (3.4%)	376,659		90,066	286,593	93,620
Note Payable - Schertz Bank & Trust (3.9%)	159,689		37,066	122,623	38,908
Total Notes Payable	536,348	-	127,132	409,216	132,528
Total Bonds and Notes Payable	33,084,097	160,908	807,132	32,437,873	857,528
Bond Premium (Discount)	997,901		(206,001)	1,203,902	
Refunding Gain (Loss)	(3,801,203)		64,342	(3,865,545)	
	$ 30,280,795	$ 160,908	$ 665,473	$ 29,776,230	$ 857,528

The bonds mature variously through 2042. Interest accrues on these bonds each February 15 and August 15.

The Series 2015 and Series 2021 refunding bonds are general obligation bonds, which 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. There are a number of limitations and restrictions contained in the general obligation bonds indentures. The District has violated the Texas Tax Code and bond covenants by using debt service fund property tax revenues for general fund obligations. The Texas Education Agency is requiring the District to repay all funds transferred from the debt service fund to the general fund. As of June 30, 2023, the amount to be repaid is $2,729,360.

The Series 2019 PFC refunding bonds are lease revenue bonds that were issued by the PFC to finance the construction of a new school for the District; the PFC leases the school to the District until the lease revenue bonds are repaid. The PFC is included as a blended component unit of the District. Thus, for financial reporting purposes, the Series 2019 refunding bonds are reported as bonds payable in lieu of a capital lease obligation.

Notes payable as of June 30, 2023, amortize through 2026.

Presented below is a summary of long-term debt requirements to maturity:

Year Ended June 30	Principal	Interest	Total Requirements
2024	$ 857,528	$ 1,424,112	$ 2,281,640
2025	848,480	1,403,740	2,252,220
2026	1,153,194	1,385,876	2,539,070
2027	1,348,670	1,259,302	2,607,973
2008	1,470,000	1,122,207	2,592,207
2029-2033	8,450,000	4,695,460	13,145,460
2034-2038	10,235,000	2,678,538	12,913,538
2039-2042	8,075,000	650,675	8,725,675
	$ 32,437,873	$ 14,619,909	$ 47,057,782

NOTE 6. DEFEASED BONDS

The District has issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds. Accordingly, the trust account assets and liabilities are not included in the District's financial statements. As of June 30, 2023, the District (including the PFC) has $26,164,930 of bonds considered defeased but still outstanding.

NOTE 7. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Grayson Central Appraisal District (GCAD) is responsible for the appraisal of property for all taxing units in Grayson County, including the District.

Property taxes are considered available when collected within the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2022-23 fiscal year was based was $163,743,040. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.9146 and $0.3600 per $100 valuation, respectively, for a total of $1.2746 per $100 valuation.

Current tax collections for the year ended June 30, 2023, were 97.0% of the year-end adjusted tax levy. Delinquent 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 on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NOTE 8. 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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard 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 https://trs.texas.gov/pages/aboutpublications.aspx, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 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 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 this manner are determined by the System's actuary.

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

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

Contribution Rates

	2022	2023
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%

Tioga ISD FY2023 Employer Contributions	$ 187,072
Tioga ISD FY2023 Member Contributions	$ 465,923
Measurement Year NECE On-Behalf Contributions	$ 441,948

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- All public schools must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91%
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

The long-term rate of return on pension plan investments is 7.00%.

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

Asset Class	Target Allocation[1]	Long-Term Expected Arithmetic Real Rate of Return[2]	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.6%	1.12%
Non-U.S. Developed	13%	4.9%	0.90%
Emerging Markets	9%	5.4%	0.75%
Private Equity	14%	7.7%	1.55%
Stable Value			
Government Bonds	16%	1.0%	0.22%
Absolute Return[4]	0%	3.7%	0.00%
Stable Value Hedge Funds	5%	3.4%	0.18%
Real Return			
Real Estate	15%	4.1%	0.94%
Energy, Natural Resources	6%	5.1%	0.37%
Commodities	0%	3.6%	0.00%
Risk Parity			
Risk Parity	8%	4.6%	0.43%
Leverage			
Cash	2%	3.0%	0.01%
Asset Allocation Leverage	-6%	3.6%	-0.05%
Inflation Expectation	-		2.70%
Volatility Drag[3]	-		-0.93%
Total	100%		8.19%

[1] Target allocations are based on the FY22 policy model.
[2] Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).
[3] The volatility drag results from the conversion between arithmetic and geometric mean returns.
[4] Absolute Return includes credit sensitive investments.

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Tioga ISD's proportionate share of the net pension liability:	$3,333,298	$2,142,736	$1,177,741

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, Tioga Independent School District reported a liability of $1,813,844 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Tioga Independent School District. The amount recognized by Tioga Independent School 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	$ 2,142,736
State's proportionate share that is associated with the District	4,623,433
Total	$6,766,169

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

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.0036092786%, an increase of 8.8% from its proportionate share of 0.0033148933% at August 31, 2021.

Changes Since the Prior Actuarial Valuation – The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

For the year ended June 30, 2023, Tioga Independent School District recognized pension expense of $441,948 and revenue of $441,948 for support provided by the State.

At June 30, 2023, Tioga Independent School 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 economic experience	$ 31,069	$ 46,716
Changes in actuarial assumptions	399,261	99,507
Difference between projected and actual investment earnings	832,539	620,843
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	298,913	16,626
Contributions paid to TRS subsequent to the measurement date	155,168	-
Total	$1,716,950	$783,692

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

Year ended June 30:	Pension Expense Amount
2024	$ 205,903
2025	137,991
2026	79,918
2027	296,523
2028	57,756
Thereafter	-

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

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

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

TRS-Care Monthly for Retirees		
	Medicare	Non-Medicare
Retiree*	$ 135	$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

** or surviving spouse*

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2022	2023
Active Employee	**0.65%**	**0.65%**
Non-Employer Contributing Entity (State)	**1.25%**	**1.25%**
Employers	**0.75%**	**0.75%**
Federal/private Funding remitted by Employers	**1.25%**	**1.25%**

Tioga ISD FY23 Employer Contributions	**$ 46,306**
Tioga ISD FY23 Member Contributions	**$ 37,846**
Measurement Year NECE On-behalf Contributions	**$ 56,700**

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether or not they participate in the TRS Care OPEB program. When hiring a TRS retiree, employers are required to pay 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 $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021, TRS pension actuarial valuation that was rolled forward to August 31, 2022:

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

The active mortality rates were based on 90 percent 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 mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of the Net OPEB Liability:	$1,597,688	$1,355,030	$1,158,446

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	$1,116,551	$1,355,030	$1,664,187

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2023, the District reported a liability of $1,086,012 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	$ 1,355,030
State's proportionate share that is associated with the District	$ 1,652,923
Total	$ 3,007,953

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

At August 31, 2022, the employer's proportion of the collective Net OPEB Liability was 0.0056591610%, an increase of 3.86% compared to the August 31, 2021 proportionate share of 0.0054489916%.

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

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

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

The amount of OPEB expense recognized by the District in the reporting period was a negative $292,470.

At June 30, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 75,335	$1,128,861
Changes in actuarial assumptions	206,398	941,394
Difference between projected and actual investment earnings	4,051	15
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	813,887	
Contributions paid to TRS subsequent to the measurement date	37,980	
Total	$ 1,137,651	$2,070,270

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

Year ended June 30:	OPEB Expense Amount
2024	$ (970,599)
2025	(184,687)
2026	(184,672)
2027	(127,210)
2028	(49,416)
Thereafter	(424,614)

NOTE 10. HEALTH CARE

During the year ended June 30, 2023, employees of Tioga Independent School District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed $410 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan (TRS Active-Care).

NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2023, the contribution made on behalf of the District was $27,297.

NOTE 12. DISTRICT INSURANCE PROGRAMS

Workers' Compensation

During fiscal 2023, the District met its statutory workers' compensation obligations through participation in the Texas Association of School Boards (TASB) Risk Management Fund. The fund provides statutory worker's compensation benefits to the District's injured employees. As of August 31, 2022, the fund carried a discounted reserve of $50,647,775 for future developments on reported claims and claims that have been incurred but not yet reported. For the fiscal year ended June 30, 2023, the Fund anticipated no additional liability to its members beyond their contractual obligations for payment of contributions.

Unemployment Compensation

The District provides unemployment compensation coverage to its employees through the TASB Risk Management Fund. For the year ended June 30, 2023, the fund anticipated no additional District liability beyond its contractual obligation for payment of contribution.

Auto, Liability, and Property

The District participates in the following TASB risk management programs: auto liability, auto physical damage, privacy and information security, property, and school liability. TASB purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its audit, liability, and property programs. The terms and limits of the stop-loss program vary by line coverage.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables at June 30, 2023, represented short-term advances between funds because much activity of the District flows through a pooled bank account. These amounts are expected to be repaid in less than one year from June 30, 2023. Also, as discussed in Note 5 – Long-Term Debt, the District has violated the Texas Tax Code and bond covenants by using debt service fund property tax revenues for general fund obligations. The Texas Education Agency is requiring the District to repay all funds transferred from the debt service fund to the general fund. As of June 30, 2023, the amount to be repaid is $2,729,360.

	General Fund	Debt Service Fund	Special Revenue Fund
Due from Other Funds	$ 2,921,060		
Due to Other Funds		$ 2,729,360	$ 191,700

In fiscal 2023, the District closed its internal service fund and transferred the fund balance to the general fund.

NOTE 14. EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

For the year ended June 30, 2023, the District had budgeted expenditures that exceeded approved budgets as follows:

General Fund	
Instruction	$213,856
School leadership	63,855
Principal on long-term debt	47,132
Bond issuance cost and fees	1,065
Other intergovernmental charges	47,011
Debt Service Fund	
Interest on long-term liabilities	25,865
Bond issuance cost and fees	4,400
Child Nutrition Program	
Food services	94,513
	$ 96,054

NOTE 15. SHARED SERVICE ARRANGEMENT

The District participates in a special education cooperative program with other school districts. Although a portion of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

NOTE 16. LITIGATION AND CONTINGENCIES

On August 4, the District received a letter from parents alleging an inappropriate relationship between a District teacher and their student. Attorneys for the district are unable to predict the outcome of this matter at this time.

State aid foundation funding received from the State of Texas is based primarily upon information concerning average daily attendance, which is compiled by the District and supplied to the Texas Education Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

NOTE 17. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, GASB issued Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITA). This statement increases the usefulness of governments' financial statements by requiring recognition of certain right-to-use subscription assets and corresponding subscription liabilities for SBITAs that were previously recognized as outflows of resources based on the payment provisions of the contract. The statement is effective for fiscal years beginning after June 15, 2022.

Per review of the information technology arrangements identified by the District as potential SBITAs, the arrangements were determined to either not meet the definition of a SBITA or were immaterial to the financial statements.

NOTE 18. ERROR CORRECTION - PRIOR PERIOD ADJUSTMENT TO BEGINNING NET POSITION

The District has recorded a $1,569,055 prior period adjustment to beginning net position for an unrecorded liability to the State of Texas as of June 30, 2022, due to overestimating enrollment growth in the 2021-2022 academic year. As a result of the enrollment overstatement, state aid was overstated, net position was overstated, and liabilities (due to state) were understated by $1,569,055 in the District's audited financial statements for the year ended June 30, 2022. To date, the District and its previous auditor have not reissued the financial statements and related independent auditor's reports in the fiscal 2022 annual financial report.

REQUIRED SUPPLEMENTARY INFORMATION

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TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 3,568,750	$ 3,569,389	$ 2,315,353	$ (1,254,036)
5800	State Program Revenues	7,450,000	7,450,000	6,941,401	(508,599)
5900	Federal Program Revenues	-	-	192,790	192,790
5020	Total Revenues	11,018,750	11,019,389	9,449,544	(1,569,845)
	EXPENDITURES:				
	Current:				
0011	Instruction	4,644,987	4,723,722	4,937,578	(213,856)
0012	Instructional Resources and Media Services	83,500	87,001	67,974	19,027
0013	Curriculum and Instructional Staff Development	2,000	2,000	-	2,000
0023	School Leadership	457,491	457,493	521,348	(63,855)
0031	Guidance, Counseling, and Evaluation Services	191,260	191,260	162,118	29,142
0033	Health Services	164,135	164,135	125,540	38,595
0034	Student (Pupil) Transportation	116,731	171,731	148,456	23,275
0035	Food Services	12,699	12,699	-	12,699
0036	Extracurricular Activities	617,406	633,045	551,981	81,064
0041	General Administration	653,075	653,075	535,135	117,940
0051	Facilities Maintenance and Operations	931,025	1,001,025	928,137	72,888
0052	Security and Monitoring Services	202,500	207,500	135,831	71,669
0053	Data Processing Services	37,000	39,500	21,370	18,130
	Debt Service:				
0071	Principal on Long-Term Liabilities	530,000	530,000	577,132	(47,132)
0072	Interest on Long-Term Liabilities	1,200,000	1,200,000	1,171,610	28,390
0073	Bond Issuance Cost and Fees	-	-	1,065	(1,065)
	Capital Outlay:				
0081	Facilities Acquisition and Construction	150,999	-	-	-
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	-	125,000	50,709	74,291
0093	Payments to Fiscal Agent/Member Districts of SSA	252,500	252,500	199,681	52,819
0099	Other Intergovernmental Charges	-	-	47,011	(47,011)
6030	Total Expenditures	10,247,308	10,451,686	10,182,676	269,010
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	771,442	567,703	(733,132)	(1,300,835)
	OTHER FINANCING SOURCES (USES):				
7913	Proceeds of Right-to-Use Lease	250,000	250,000	-	(250,000)
7915	Transfers In	230,000	230,000	7,074	(222,926)
8911	Transfers Out (Use)	-	-	(20,825)	(20,825)
7080	Total Other Financing Sources (Uses)	480,000	480,000	(13,751)	(493,751)
1200	Net Change in Fund Balances	1,251,442	1,047,703	(746,883)	(1,794,586)
0100	Fund Balance - July 1 (Beginning)	(1,611,056)	(1,611,056)	(1,611,056)	-
1300	Prior Period Adjustment	-	-	(1,525,605)	(1,525,605)
3000	Fund Balance - June 30 (Ending)	$ (359,614)	$ (563,353)	$ (3,883,544)	$ (3,320,191)

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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.003609279%	0.003314893%	0.002906403%
District's Proportionate Share of Net Pension Liability (Asset)	$ 2,142,736	$ 844,186	$ 1,556,610
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,623,433	2,054,112	3,970,824
Total	$ 6,766,169	$ 2,898,298	$ 5,527,434
District's Covered Payroll	$ 6,080,058	$ 5,444,512	$ 5,333,966
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	35.24%	15.51%	29.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

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

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

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.002899586%	0.00251319%	0.002703227%	0.002529103%	0.0017523%	0.000474%
$ 1,507,295	$ 1,383,321	$ 864,346	$ 955,710	$ 619,415	$ 126,612
3,480,117	3,167,915	1,812,676	1,916,262	1,685,546	1,209,293
$ 4,987,412	$ 4,551,236	$ 2,677,022	$ 2,871,972	$ 2,304,961	$ 1,335,905
$ 4,713,811	$ 3,518,076	$ 3,141,888	$ 2,636,080	$ 2,346,091	$ 1,843,677
31.98%	39.32%	27.51%	36.25%	26.40%	6.87%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	$ 187,072	$ 177,822	$ 125,257
Contribution in Relation to the Contractually Required Contribution	(187,072)	(177,822)	(125,527)
Contribution Deficiency (Excess)	$ -	$ -	$ (270)
District's Covered Payroll	$ 5,862,924	$ 5,792,010	$ 5,333,966
Contributions as a Percentage of Covered Payroll	3.19%	3.07%	2.35%

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

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

	2020		2019		2018		2017		2016		2015
$	133,401	$	84,663	$	89,872	$	85,272	$	80,685	$	51,885
	(133,401)		(84,663)		(89,872)		(85,272)		(80,685)		(51,885)
$	-	$	-	$	-	$	-	$	-	$	-
$	4,713,811	$	3,518,076	$	3,571,963	$	3,141,888	$	2,636,080	$	2,436,091
	2.83%		2.41%		2.52%		2.71%		3.06%		2.21%

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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.005659161%	0.005448992%	0.004823636%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 1,355,030	$ 2,101,920	$ 1,833,682
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,652,923	2,816,104	2,464,029
Total	$ 3,007,953	$ 4,918,024	$ 4,297,711
District's Covered Payroll	$ 6,080,058	$ 5,444,512	$ 5,333,966
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	22.29%	38.61%	34.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

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

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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
	0.004654491%	0.004526445%	0.003487394%
	$ 2,201,164	$ 2,260,095	$ 1,516,537
	2,924,857	3,000,239	2,542,846
	$ 5,126,021	$ 5,260,334	$ 4,059,383
	$ 4,713,811	$ 3,571,963	$ 3,141,888
	46.70%	63.27%	48.27%
	2.66%	1.57%	0.91%

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	$ 46,306	$ 48,459	$ 39,729
Contribution in Relation to the Contractually Required Contribution	(46,306)	(48,459)	(39,729)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 5,862,924	$ 5,792,010	$ 5,333,966
Contributions as a Percentage of Covered Payroll	0.79%	0.84%	0.74%

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

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

	2020	2019	2018
	$ 35,354	$ 31,226	$ 23,217
	(35,354)	(31,226)	(23,217)
	$ -	$ -	$ -
	$ 4,713,811	$ 3,518,076	$ 3,571,963
	0.75%	0.89%	0.65%

PENSION LIABILITY:

Changes to benefit terms:

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

Changes to assumptions:

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

- The discount rate changed from 7.25% as of August 31, 2021, to 7.00% as of August 31, 2022. This change increased the total pension liability.

OPEB LIABILITY:

Changes to benefit terms:

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

Changes to assumptions:

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

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

COMBINING SCHEDULES

TIOGA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

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	30,527	1,903	5,796	-
1000	Total Assets	$ 30,527	$ 1,903	$ 5,796	$ -
	LIABILITIES				
2160	Accrued Wages Payable	$ 1,471	$ 21,070	$ -	$ -
2170	Due to Other Funds	29,056	70,529	5,796	-
2200	Accrued Expenditures	-	44	-	-
2000	Total Liabilities	30,527	91,643	5,796	-
	FUND BALANCES				
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-	-
3600	Unassigned Fund Balance	-	(89,740)	-	-
3000	Total Fund Balances	-	(89,740)	-	-
4000	Total Liabilities and Fund Balances	$ 30,527	$ 1,903	$ 5,796	$ -

266 ESSER 1 - Emergency Sch Relief Fund	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	461 Campus Activity Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 57,922
-	26,920	44,449	-	2,313	-	26,918	-
$ -	$ 26,920	$ 44,449	$ -	$ 2,313	$ -	$ 26,918	$ 57,922
$ -	$ -	$ -	$ -	$ -	$ -	$ 13,574	$ -
-	26,920	44,449	-	2,313	-	12,637	-
-	-	-	-	-	-	707	-
-	26,920	44,449	-	2,313	-	26,918	-
-	-	-	-	-	-	-	57,922
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	57,922
$ -	$ 26,920	$ 44,449	$ -	$ 2,313	$ -	$ 26,918	$ 57,922

TIOGA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes		498 Scholarship Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	ASSETS			
1110	Cash and Cash Equivalents	$ 28,856	$ 4,732	$ 91,510
1240	Due from Other Governments	-	-	138,826
1000	Total Assets	$ 28,856	$ 4,732	$ 230,336
	LIABILITIES			
2160	Accrued Wages Payable	$ -	$ -	$ 36,115
2170	Due to Other Funds	-	-	191,700
2200	Accrued Expenditures	-	-	751
2000	Total Liabilities	-	-	228,566
	FUND BALANCES			
	Committed Fund Balance:			
3545	Other Committed Fund Balance	28,856	4,732	91,510
3600	Unassigned Fund Balance	-	-	(89,740)
3000	Total Fund Balances	28,856	4,732	1,770
4000	Total Liabilities and Fund Balances	$ 28,856	$ 4,732	$ 230,336

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TIOGA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

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	$ -	$ 112,248	$ -	$ -
5800	State Program Revenues	-	18,354	-	-
5900	Federal Program Revenues	89,387	368,842	1,218	2,218
5020	Total Revenues	89,387	499,444	1,218	2,218
	EXPENDITURES:				
	Current:				
0011	Instruction	90,695	-	9,585	4,741
0035	Food Services	-	591,668	-	-
0036	Extracurricular Activities	-	-	-	-
6030	Total Expenditures	90,695	591,668	9,585	4,741
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,308)	(92,224)	(8,367)	(2,523)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	(1,308)	(92,224)	(8,367)	(2,523)
0100	Fund Balance - July 1 (Beginning)	1,308	2,484	8,367	2,523
3000	Fund Balance - June 30 (Ending)	$ -	$ (89,740)	$ -	$ -

266 ESSER 1 - Emergency Sch Relief Fund	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	461 Campus Activity Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 186,376
-	2,594	-	-	-	28,526	140,937	-
1,054	81,327	143,765	-	40,163	-	-	-
1,054	83,921	143,765	-	40,163	28,526	140,937	186,376
-	96,405	90,457	4,050	12,945	24,470	181,485	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	172,826
-	96,405	90,457	4,050	12,945	24,470	181,485	172,826
1,054	(12,484)	53,308	(4,050)	27,218	4,056	(40,548)	13,550
-	-	-	-	-	-	-	10,825
1,054	(12,484)	53,308	(4,050)	27,218	4,056	(40,548)	24,375
(1,054)	12,484	(53,308)	4,050	(27,218)	(4,056)	40,548	33,547
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 57,922

TIOGA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		498 Scholarship Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 5,436	$ 1,186	$ 305,246
5800	State Program Revenues	-	-	190,411
5900	Federal Program Revenues	-	-	727,974
5020	Total Revenues	5,436	1,186	1,223,631
	EXPENDITURES:			
	Current:			
0011	Instruction	15,700	-	530,533
0035	Food Services	-	-	591,668
0036	Extracurricular Activities	-	345	173,171
6030	Total Expenditures	15,700	345	1,295,372
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,264)	841	(71,741)
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	10,000	-	20,825
1200	Net Change in Fund Balance	(264)	841	(50,916)
0100	Fund Balance - July 1 (Beginning)	29,120	3,891	52,686
3000	Fund Balance - June 30 (Ending)	$ 28,856	$ 4,732	$ 1,770

REQUIRED T.E.A. SCHEDULES

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2023

Last 10 Years	(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2014 and prior years	Various	Various	$ Various
2015	1.040000	0.490000	77,092,417
2016	1.040000	0.490000	85,058,370
2017	1.040000	0.490000	92,274,084
2018	1.040000	0.490000	101,002,387
2019	1.170000	0.360000	111,081,244
2020	1.060000	0.360000	126,000,499
2021	0.989800	0.360000	142,960,421
2022	0.937500	0.360000	164,543,426
2023 (School year under audit)	0.914600	0.360000	163,743,040
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.115, Tax Code			

(10) Beginning Balance 7/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2023
$ 12,936	$ -	$ 270	$ 102	$ -	$ 12,564
2,018	-	83	32	-	1,903
2,640	-	176	67	-	2,397
2,668	-	99	38	-	2,531
2,808	-	42	16	-	2,750
3,592	-	1,056	398	-	2,138
7,254	-	3,080	1,162	-	3,012
22,216	-	1,319	498	(2,548)	17,851
59,029	-	44,951	16,957	14,509	11,630
-	2,420,380	1,672,238	658,218	(17,747)	72,177
$ 115,161	$ 2,420,380	$ 1,723,314	$ 677,488	$ (5,786)	$ 128,953
$ -	$ -	$ -	$ -	$ -	$ -

TIOGA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 100,000	$ 100,000	$ 112,248	$ 12,248
5800	State Program Revenues	7,500	7,500	18,354	10,854
5900	Federal Program Revenues	385,000	385,000	368,842	(16,158)
5020	Total Revenues	492,500	492,500	499,444	6,944
	EXPENDITURES:				
	Current:				
0035	Food Services	497,155	497,155	591,668	(94,513)
6030	Total Expenditures	497,155	497,155	591,668	(94,513)
1200	Net Change in Fund Balances	(4,655)	(4,655)	(92,224)	(87,569)
0100	Fund Balance - July 1 (Beginning)	2,484	2,484	2,484	-
3000	Fund Balance - June 30 (Ending)	$ (2,171)	$ (2,171)	$ (89,740)	$ (87,569)

TIOGA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 465,400	$ 465,400	$ 690,784	$ 225,384
5800	State Program Revenues	70,000	70,000	96,134	26,134
5020	Total Revenues	535,400	535,400	786,918	251,518
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	350,000	350,000	186,954	163,046
0072	Interest on Long-Term Liabilities	191,000	191,000	216,865	(25,865)
0073	Bond Issuance Cost and Fees	4,500	4,500	8,900	(4,400)
6030	Total Expenditures	545,500	545,500	412,719	132,781
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,100)	(10,100)	374,199	384,299
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	25,000	25,000	-	(25,000)
1200	Net Change in Fund Balances	14,900	14,900	374,199	359,299
0100	Fund Balance - July 1 (Beginning)	2,356,628	2,356,628	2,356,628	-
1300	Prior Period Adjustment	-	-	(43,450)	(43,450)
3000	Fund Balance - June 30 (Ending)	$ 2,371,528	$ 2,371,528	$ 2,687,377	$ 315,849

TIOGA INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$310,310
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	$75,793

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.	$28,555
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	$65,362

FEDERAL AWARDS SECTION

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Deaton Tonn Seay & Scarborough | A Texas LLC

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

Board of Trustees
Tioga Independent School District
Tioga, Texas

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, 2023, 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 September 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as item 2023-1 that we consider to be a material weakness.

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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-2.

District's Response to Findings

Government Auditing Standards require 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 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.

Hankins Eastup Deaton Tonn Seay & Scarborough, LLC

Denton, Texas
September 26, 2023

HankinsEastup

Deaton Tonn Seay & Scarborough | A Texas LLC

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

Board of Trustees
Tioga Independent School District
Tioga, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tioga Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Tioga Independent School District's major federal programs for the year ended June 30, 2023. Tioga Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Tioga Independent School 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Tioga Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Tioga Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Tioga Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-1 to be a material weakness.

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

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

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

Hankins Eastup Deaton Tonn Seay & Scarborough, LLC

Denton, Texas
September 26, 2023

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of Auditors' Results

1. Type of auditor's report issued on the financial statements: **Unmodified**

2. Internal control over financial reporting:

   Material weakness(es) identified: **2023-1**
   Significant deficiency(ies) identified that are not considered to be material weaknesses: **None**

3. Noncompliance that is material to the financial statements: **2023-2**

4. Internal controls over major federal programs:

   Material weakness(es) identified: **2023-1**
   Significant deficiency(ies) identified that are not considered to be material weaknesses: **None**

5. Type of auditor's report on compliance for major federal programs: **Unmodified**

6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)? **No**

7. Major programs include:

   Child Nutrition Cluster:
   School Breakfast Program – Assistance Listing # 10.553
   National School Lunch Program – Assistance Listing # 10.555

8. Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

9. Low risk auditee: **No**

II. Findings Related to the Financial Statements

2023-1, 2023-2

III. Federal Award Findings and Questioned Costs:

None

TIOGA INDEPENDENT SCHOOL DISTRICT
FINDING # 2023-1
FOR THE YEAR ENDED JUNE 30, 2023

Finding Type: Material Weakness

Criteria: TEA Financial Accountability Resource Guide; Texas Grant Management Standards; Compliance Supplement – Part 6; COSO internal control framework or federal government's Green Book (*Standards for Internal Control in the Federal Government*).

Condition: The State of Texas and the federal government require public school districts to have effective systems of internal control over financial reporting and internal control over federal and state program compliance. Public school districts must document and demonstrate the effectiveness of five components of internal control pertaining to financial reporting and grant compliance: control environment, risk assessment, control activities, information and communication, and monitoring. The District lacks documentation of functioning systems.

Cause: The District is a small district with few administrative personnel.

Effect: Noncompliance with state and federal requirements pertaining to establishing effective systems of internal control fails to mitigate the risks of material misstatement in financial statements and noncompliance with grant provisions.

Recommendation: Conduct control self-assessments to identify and assess risks of material misstatement and implement an effective system of internal control to mitigate risks to acceptable levels.

Management's Response: District administration will conduct control assessment workshops to identify, document, and implement systems of internal accounting and grant compliance controls that satisfy federal requirements by May 1, 2024. Mr. Josh Ballinger, Superintendent, is the person responsible for implementing management's response.

TIOGA INDEPENDENT SCHOOL DISTRICT
FINDING # 2023-2
FOR THE YEAR ENDED JUNE 30, 2023

Finding Type: Material Noncompliance

Criteria: Texas Tax Code §26.012(8); Texas Education Code §44.006; Texas Education Code §44.052.

Condition: The District has violated the Texas Tax Code by using debt service fund property tax revenues for payments that do not meet the definition of debt service. As a result, the general fund owes the debt service fund $2,729,360 as of June 30, 2023. Using debt service funds to pay operating expenditures are also a violation of bond covenants.

There are negative balances in the District's general fund and its Child Nutrition Fund as of June 30, 2023. Texas Education Code §44.006 prohibits funds of a current year being used to pay debts of a preceding year, which makes end-of-year fund deficits unlawful.

The District overspent its approved operating budget in several functional line items, which are summarized in Note 14 to the basic financial statements. Texas Education Code §44.052 provides for Class C misdemeanor penalties for superintendents and trustees failing to comply with state budget requirements.

Cause: See finding 2023-1; the District lacks effective systems of internal control over financial reporting and internal control over federal and state program compliance.

Effect: Noncompliance with the Texas Tax Code and the Texas Education Code puts the District, its leadership, and its board members at risk of operational, financial, and compliance failures.

Recommendation: The District should prepare a repayment schedule for amounts owed by the general fund to the debt service funds and budget these amounts accordingly in future operating budgets. District administration should prepare, and the board should approve annual operating budgets that reduce and eventually eliminate deficit fund balances in the general fund and the food service fund. The District should budget conservatively and monitor budget to actual performance monthly to ensure actual expenditures do not exceed budgeted expenditures in a fiscal year.

Management's Response: District administration will prepare a repayment schedule to repay funds owed by the general fund to the debt service and budget these amounts accordingly in future operating budgets. In addition, District administration will prepare, and the board will approve annual operating budgets that reduce and eventually eliminate fund deficits in the general fund and the food service fund. Finally, the District will budget conservatively and monitor budget to actual performance monthly to ensure that actual expenditures do not exceed budgeted expenditures in a fiscal year. Mr. Josh Ballinger, Superintendent, is the person responsible for implementing management's response. These corrective actions will be implemented by May 1, 2024.

TIOGA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023

(Prepared by District Administration)

In response to finding 2023-1, District administration will conduct control assessment workshops to identify, document, and implement systems of internal accounting and grant compliance controls that satisfy federal requirements by May 1, 2024. Mr. Josh Ballinger, Superintendent, is the person responsible for implementing management's response.

In response to finding 2023-2, District administration will prepare a repayment schedule to repay funds owed by the general fund to the debt service and budget these amounts accordingly in future operating budgets. In addition, District administration will prepare, and the board will approve annual operating budgets that reduce and eventually eliminate fund deficits in the general fund and the food service fund. Finally, the District will budget conservatively and monitor budget to actual performance monthly to ensure that actual expenditures do not exceed budgeted expenditures in a fiscal year. Mr. Josh Ballinger, Superintendent, is the person responsible for implementing management's response. These corrective actions will be implemented by May 1, 2024.

TIOGA INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Finding 2022-1

The District has not implemented adequate internal controls to ensure the proper recording of significant transactions and material accuracy of the financial statements. This finding is ongoing. See also current year finding 2023-1.

Finding 2022-2

Due to/from amounts have been recorded for amounts owed by the general fund to the debt service fund. The Texas Education Agency is requiring the amount owed to be scheduled for repayment, and a conservator has been appointed to oversee District administration and governance. This finding has been resolved. See also current year finding 2023-2.

Finding 2022-3

Same as follow-up to finding 2022-2. This finding has been resolved. See also current year finding 2023-2.

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(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 - Improving Basic Programs	84.010A	23610101091907	$ 90,695
Title III, Part A - English Language Acquisition	84.365A	23671001091907	4,741
ESEA, Title II, Part A, Teacher Principal Training	84.367A	23694501091907	9,585
ESEA, Title IV, Part B	84.424	22696001091907	12,945
COVID 19 - ESSER II - School Emergency Relief	84.425D	20521001057950	96,405
COVID 19 - ESSER III - School Emergency Relief	84.425U	21528001057950	90,457
COVID 19 - Supplemental ESSER Fund	84.425U	21528043057950	4,050
Total Assistance Listing Number 84.425			190,912
Total Passed Through Texas Education Agency			308,878
TOTAL U.S. DEPARTMENT OF EDUCATION			308,878
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Workforce Commission			
Child Care Relief Funding - (ARPA)	93.575	1-89161	192,790
Total Passed Through Texas Workforce Commission			192,790
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			192,790
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Department of Agriculture			
*School Breakfast Program	10.553		84,759
*National School Lunch Program - Cash Assistance	10.555		257,687
*National School Lunch Prog. - Non-Cash Assistance	10.555		26,396
Total Assistance Listing Number 10.555			284,083
Total Child Nutrition Cluster			368,842
Total Passed Through the Texas Department of Agriculture			368,842
TOTAL U.S. DEPARTMENT OF AGRICULTURE			368,842
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 870,510

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***. Special revenue funds are used to account for resources restricted to or designated for specific purposes by a grantor.

- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and fund balance are included on the balance sheet. Operating statements for these funds present increases and decreases in net current assets. Federal grant funds are earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until expended in accordance with grant provisions.

- The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).

- Assistance listing numbers for commodity assistance are the assistance listing numbers of the programs under which USDA donated the commodities.

- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal Awards	$870,510
Grant expenditures recognized in prior year	50,254
Total Federal Program Revenue Reported on Exhibit C-3	$920,764