

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Year Ended August 31, 2023

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CERTIFICATE OF THE BOARD

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Name of School District

PECOS  
County

186-902  
County -  
District  
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

  X   approved        disapproved for the year ended August 31, 2023, at a meeting of the Board of Trustees of such School District  
(Check One)

on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Anastacio Dominguez  
Signature of Board Secretary

\_\_\_\_\_  
Florentino Garcia, III  
Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

## FINANCIAL SECTION



**A Limited Liability Partnership**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Fort Stockton Independent School District  
101 West Division  
Fort Stockton, TX 79735

**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 Fort Stockton Independent School District as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Fort Stockton 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 the Fort Stockton Independent School District as of August 31, 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 the Fort Stockton 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.

***Emphasis of Matter***

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, described in Note I., O. to the financial statements. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fort Stockton 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Fort Stockton Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fort Stockton Independent School District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information and net OPEB liability and contributions information for the Teacher Retirement System of Texas be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Stockton Independent School District's basic financial statements. The other supplementary information 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 accompanying other supplementary information and the schedule of expenditures of federal awards are/is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of the Fort Stockton 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 the Fort Stockton 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 the Fort Stockton Independent School District's internal control over financial reporting and compliance.

***Eckert & Company, LLP***

December 27, 2023



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Fort Stockton Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2023. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

### Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$68,768,464 (net position). Of this amount, \$20,091,911 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$5,471,393 or 9%. This amount consists of a \$5,085,411 increase attributable to current year operations and a \$385,982 increase attributable to prior period adjustments described in Note IV., I. to the financial statements. The District's statement of activities shows total revenues of \$55,169,957 and total expenses of \$50,084,546.

The total fund balance of the General Fund is \$35,508,334 which is an increase of \$1,541,043 or 5% compared to the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net position presents information on all of the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.



## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

**Fiduciary Funds** - Fiduciary Funds account for assets held by the District in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the District's own programs.

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Government-Wide Financial Analysis

**Net Position** - A summary of the District's net position is presented below:

#### NET POSITION

	Governmental Activities	
	August 31,	
	2023	2022
Current and Other Assets	\$ 71,115,722	\$ 41,121,287
Capital Assets	68,293,537	64,512,198
Investments - Long-Term	<u>1,631,773</u>	<u>137,257</u>
 Total Assets	 <u>\$ 141,041,032</u>	 <u>\$ 105,770,742</u>
 Deferred Outflows of Resources	 <u>\$ 6,295,393</u>	 <u>\$ 4,831,112</u>
 Other Liabilities	 \$ 7,184,170	 \$ 4,552,526
Long-Term Liabilities Outstanding	<u>62,569,574</u>	<u>32,850,241</u>
 Total Liabilities	 <u>\$ 69,753,744</u>	 <u>\$ 37,402,767</u>
 Deferred Inflows of Resources	 <u>\$ 8,814,217</u>	 <u>\$ 9,902,016</u>
 Net Position		
Net Investment in Capital Assets	\$ 47,278,535	\$ 43,383,964
Restricted	1,398,018	2,049,806
Unrestricted	<u>20,091,911</u>	<u>17,863,301</u>
 Total Net Position	 <u><u>\$ 68,768,464</u></u>	 <u><u>\$ 63,297,071</u></u>

A large portion of the District's net position (\$47,278,535) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$1,398,018) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$20,091,911) may be used to meet the District's ongoing obligations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Government-Wide Financial Analysis - Continued

**Governmental Activities** - Governmental activities increased the District's net position by \$5,085,411 and \$6,389,599 for the fiscal years ended August 31, 2023 and 2022, respectively. Key elements of these increases are as follows:

#### CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2023	2022
Revenues		
Program Revenues		
Charges for Services	\$ 299,746	\$ 235,516
Operating Grants and Contributions	5,357,199	6,336,190
Capital Grants and Contributions	31,138	74,180
General Revenues		
Maintenance and Operations Taxes	30,319,857	22,537,259
Debt Service Taxes	9,723,173	7,476,736
State Aid - Formula Grants	4,025,587	4,957,163
Chapter 313 Payment	1,254,249	740,958
Investment Earnings	3,191,261	268,514
Other	967,747	484,723
Total Revenues	<u>\$ 55,169,957</u>	<u>\$ 43,111,239</u>
Expenses		
Instruction and Instructional-Related Services	\$ 19,475,105	\$ 15,810,569
Instructional and School Leadership	2,573,117	2,310,619
Support Services - Student (Pupil)	6,315,118	6,079,726
Administrative Support Services	1,495,313	1,643,254
Support Services - Nonstudent Based	6,326,317	5,762,038
Ancillary Services	310,047	287,525
Debt Service	1,863,189	559,033
Intergovernmental Charges	11,726,340	4,268,876
Total Expenses	<u>\$ 50,084,546</u>	<u>\$ 36,721,640</u>
Change in Net Position	\$ 5,085,411	\$ 6,389,599
Net Position - Beginning	63,297,071	56,778,001
Prior Period Adjustments	<u>385,982</u>	<u>129,471</u>
Net Position - Ending	<u>\$ 68,768,464</u>	<u>\$ 63,297,071</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$65,389,498, an increase of \$29,508,352 or 82% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$35,508,334. Of this balance \$26,440 is nonspendable representing inventories, \$15,024,610 is committed for future construction, equipment purchases, and instruction, and \$66,766 is assigned for campus discretionary expenditures.

Debt Service Fund \$2,069,393. This balance is restricted for payment of long-term debt principal and interest.

Capital Projects Fund \$27,811,771. This balance is restricted for construction costs.

### General Fund Budget

The original budget for the General Fund was \$43,108,561, and the final amended budget was \$44,896,561 which represents a \$1,788,000 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit E-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$40,590,899 for the fiscal year 2024, which is a decrease of \$4,305,662 from the fiscal year 2023.

### Capital Assets and Debt

**Capital Assets** - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2023.

**Long-Term Debt** - Financial statement footnote III., H. discloses the District's debt activity for the year ended August 31, 2023.

### Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Maria Gomez, Director of Financial Services, Fort Stockton Independent School District, 101 West Division, Fort Stockton, TX 79735.

## Basic Financial Statements

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2023

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 56,299,232
1120 Investments - Current	13,095,607
1220 Property Taxes - Delinquent	1,560,869
1230 Allowance for Uncollectible Taxes	(489,291)
1240 Due from Other Governments	580,971
1250 Accrued Interest	37,633
1290 Other Receivables, Net	4,261
1300 Inventories	26,440
Capital Assets:	
1510 Land	1,398,866
1520 Buildings, Net	61,278,616
1530 Furniture and Equipment, Net	2,875,062
1580 Construction in Progress	2,740,993
1990 Investments - Long-Term	1,631,773
1000 Total Assets	<u>141,041,032</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	3,868,350
1706 Deferred Outflow Related to TRS OPEB	2,427,043
1700 Total Deferred Outflows of Resources	<u>6,295,393</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	1,110,953
2140 Interest Payable	901,727
2150 Payroll Deductions and Withholdings	17,264
2160 Accrued Wages Payable	1,237,150
2180 Due to Other Governments	1,775,281
2200 Accrued Expenses	41,299
2300 Unearned Revenue	2,100,496
Noncurrent Liabilities:	
2501 Due Within One Year: Bonds	3,275,000
Due in More than One Year:	
2502 Bonds	45,551,773
2540 Net Pension Liability (District's Share)	8,602,981
2545 Net OPEB Liability (District's Share)	5,139,820
2000 Total Liabilities	<u>69,753,744</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	857,441
2606 Deferred Inflow Related to TRS OPEB	7,956,776
2600 Total Deferred Inflows of Resources	<u>8,814,217</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	47,278,535
3850 Restricted for Debt Service	1,398,018
3900 Unrestricted	20,091,911
3000 Total Net Position	<u><u>\$ 68,768,464</u></u>

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

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 18,605,108	\$ -	\$ 3,113,652
12 Instructional Resources and Media Services	34,912	-	-
13 Curriculum and Instructional Staff Development	835,085	-	474,400
21 Instructional Leadership	364,747	-	73,813
23 School Leadership	2,208,370	-	35,114
31 Guidance, Counseling, and Evaluation Services	809,474	-	39,704
32 Social Work Services	50,869	-	49,198
33 Health Services	320,168	-	5,309
34 Student (Pupil) Transportation	1,280,302	-	50,924
35 Food Services	2,283,775	21,934	1,403,559
36 Extracurricular Activities	1,570,530	85,564	13,313
41 General Administration	1,495,313	-	12,986
51 Facilities Maintenance and Operations	4,879,539	192,248	44,292
52 Security and Monitoring Services	538,274	-	9,523
53 Data Processing Services	908,504	-	10,471
61 Community Services	310,047	-	20,941
72 Debt Service - Interest on Long-Term Debt	1,331,160	-	-
73 Debt Service - Bond Issuance Cost and Fees	532,029	-	-
91 Contracted Instructional Services Between Schools	11,379,281	-	-
99 Other Intergovernmental Charges	347,059	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 50,084,546	\$ 299,746	\$ 5,357,199

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustments
NE	Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
5		6	
Capital Grants and Contributions		Governmental Activities	
\$	-	\$	(15,491,456)
	-		(34,912)
	-		(360,685)
	-		(290,934)
	-		(2,173,256)
	-		(769,770)
	-		(1,671)
	-		(314,859)
	-		(1,229,378)
	-		(858,282)
	-		(1,471,653)
	-		(1,482,327)
	-		(4,642,999)
	31,138		(497,613)
	-		(898,033)
	-		(289,106)
	-		(1,331,160)
	-		(532,029)
	-		(11,379,281)
	-		(347,059)
\$	<u>31,138</u>		<u>(44,396,463)</u>

30,319,857
9,723,173
4,025,587
3,191,261
<u>2,221,996</u>
49,481,874
<u>5,085,411</u>
63,297,071
<u>385,982</u>
<u>\$ 68,768,464</u>

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 22,843,788	\$ 2,053,006	\$ 31,401,283
1120 Investments - Current	13,095,607	-	-
1220 Property Taxes - Delinquent	1,262,446	298,423	-
1230 Allowance for Uncollectible Taxes	(421,220)	(68,071)	-
1240 Due from Other Governments	184,686	-	-
1250 Accrued Interest	37,633	-	-
1260 Due from Other Funds	2,744,856	20,363	-
1290 Other Receivables	4,261	-	-
1300 Inventories	26,440	-	-
1900 Investments - Long-Term	1,631,773	-	-
1000 Total Assets	<u>\$ 41,410,270</u>	<u>\$ 2,303,721</u>	<u>\$ 31,401,283</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 14,565	\$ -	\$ 1,096,388
2140 Interest Payable - Current	-	3,976	-
2150 Payroll Deductions and Withholdings Payable	17,264	-	-
2160 Accrued Wages Payable	1,106,020	-	-
2170 Due to Other Funds	20,954	-	2,493,124
2180 Due to Other Governments	1,775,281	-	-
2200 Accrued Expenditures	26,130	-	-
2300 Unearned Revenue	2,100,496	-	-
2000 Total Liabilities	<u>5,060,710</u>	<u>3,976</u>	<u>3,589,512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	841,226	230,352	-
2600 Total Deferred Inflows of Resources	<u>841,226</u>	<u>230,352</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	26,440	-	-
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	2,069,393	-
3490 Other Restricted Fund Balance	-	-	27,811,771
Committed Fund Balance:			
3510 Construction	9,114,773	-	-
3530 Capital Expenditures for Equipment	3,569,837	-	-
3545 Other Committed Fund Balance	2,340,000	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	66,766	-	-
3600 Unassigned Fund Balance	20,390,518	-	-
3000 Total Fund Balances	<u>35,508,334</u>	<u>2,069,393</u>	<u>27,811,771</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 41,410,270</u>	<u>\$ 2,303,721</u>	<u>\$ 31,401,283</u>

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



Other Funds		Total Governmental Funds	
\$	1,155	\$	56,299,232
	-		13,095,607
	-		1,560,869
	-		(489,291)
	396,285		580,971
	-		37,633
	591		2,765,810
	-		4,261
	-		26,440
	-		1,631,773
<u>\$</u>	<u>398,031</u>	<u>\$</u>	<u>75,513,305</u>
\$	-	\$	1,110,953
	-		3,976
	-		17,264
	131,130		1,237,150
	251,732		2,765,810
	-		1,775,281
	15,169		41,299
	-		2,100,496
	398,031		9,052,229
	-		1,071,578
	-		1,071,578
	-		26,440
	-		2,069,393
	-		27,811,771
	-		9,114,773
	-		3,569,837
	-		2,340,000
	-		66,766
	-		20,390,518
	-		65,389,498
<u>\$</u>	<u>398,031</u>	<u>\$</u>	<u>75,513,305</u>

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$ 65,389,498
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities 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 of capital assets (net of depreciation and amortization) and long-term debt in the governmental activities is to increase net position.	43,304,274
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 capital outlays and debt principal payments is to decrease net position.	16,478,307
3 Issuance of debt is shown as other resources in the governmental fund financial statements but is shown as an increase in long-term debt in the government-wide financial statement.	(36,982,430)
4 Depreciation and amortization expenses increase accumulated depreciation and amortization. The net effect of the current year's depreciation and amortization is to decrease net position.	(3,400,123)
5 Included in the items related to debt are the recognition of the District's proportionate share of the net pension liability required by GASB 68 and related deferred resources outflows and deferred resources inflows. The net effect of these adjustments is to decrease net position.	(5,592,072)
6 Included in the items related to debt are the recognition of the District's proportionate share of the net other postemployment benefits liability required by GASB 75 and related deferred resources outflows and deferred resources inflows. The net effect of these adjustments is to decrease net position.	(10,669,553)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, 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.	240,563
<b>19 Net Position of Governmental Activities</b>	<u>\$ 68,768,464</u>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 34,805,026	\$ 9,855,612	\$ 898,683
5800 State Program Revenues	5,261,593	27,242	-
5900 Federal Program Revenues	1,561,029	-	-
5020 Total Revenues	41,627,648	9,882,854	898,683
EXPENDITURES:			
Current:			
0011 Instruction	12,339,944	-	2,628,478
0012 Instructional Resources and Media Services	34,579	-	-
0013 Curriculum and Instructional Staff Development	339,813	-	1,359
0021 Instructional Leadership	270,125	-	6,474
0023 School Leadership	2,015,826	-	11,002
0031 Guidance, Counseling, and Evaluation Services	717,616	-	20,798
0032 Social Work Services	-	-	-
0033 Health Services	294,469	-	-
0034 Student (Pupil) Transportation	1,170,408	-	108,771
0035 Food Services	2,202,515	-	-
0036 Extracurricular Activities	1,467,656	-	604,376
0041 General Administration	1,424,691	-	14,822
0051 Facilities Maintenance and Operations	4,514,313	-	819,971
0052 Security and Monitoring Services	384,689	-	1,731,080
0053 Data Processing Services	1,174,684	-	26,876
0061 Community Services	267,511	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	119,485	9,175,000	-
0072 Interest on Long-Term Liabilities	7,923	542,216	-
0073 Bond Issuance Cost and Fees	-	10,100	521,929
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	3,573,406
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	11,379,281	-	-
0099 Other Intergovernmental Charges	347,059	-	-
6030 Total Expenditures	40,472,587	9,727,316	10,069,342
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,155,061	155,538	(9,170,659)
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	-	33,965,000
7915 Transfers In	671,563	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	3,017,430
8911 Transfers Out (Use)	(671,563)	-	-
7080 Total Other Financing Sources (Uses)	-	-	36,982,430
1200 Net Change in Fund Balances	1,155,061	155,538	27,811,771
0100 Fund Balance - September 1 (Beginning)	33,967,291	1,913,855	-
1300 Increase (Decrease) in Fund Balance	385,982	-	-
3000 Fund Balance - August 31 (Ending)	\$ 35,508,334	\$ 2,069,393	\$ 27,811,771

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

		Total	
Other		Governmental	
Funds		Funds	
\$ -		\$ 45,559,321	
146,617		5,435,452	
3,325,984		4,887,013	
3,472,601		55,881,786	
2,759,059		17,727,481	
-		34,579	
473,202		814,374	
69,173		345,772	
-		2,026,828	
27,215		765,629	
49,198		49,198	
-		294,469	
37,446		1,316,625	
-		2,202,515	
-		2,072,032	
-		1,439,513	
-		5,334,284	
40,661		2,156,430	
-		1,201,560	
16,647		284,158	
-		9,294,485	
-		550,139	
-		532,029	
-		3,573,406	
-		11,379,281	
-		347,059	
3,472,601		63,741,846	
-		(7,860,060)	
-		33,965,000	
-		671,563	
-		3,017,430	
-		(671,563)	
-		36,982,430	
-		29,122,370	
-		35,881,146	
-		385,982	
\$ -		\$ 65,389,498	

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 29,122,370</b>
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 capital outlays and debt principal payments is to decrease net position.	16,478,307
Issuance of debt is shown as other resources in the governmental fund financial statements but is shown as an increase in long-term debt in the government-wide financial statement.	(36,982,430)
Depreciation and amortization are not recognized as expenses in governmental funds since they do not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease net position.	(3,400,123)
Current year changes due to GASB 68 include adjustments to the net pension liability, deferred resources outflows, deferred resources inflows, and the corresponding effect on pension expense. The net effect of these adjustments is to decrease net position.	(221,959)
Current year changes due to GASB 75 include adjustments to the net other postemployment benefits liability, deferred resources outflows, deferred resources inflows, and the corresponding effect on other postemployment benefits expense. The net effect of these adjustments is to increase net position.	673,555
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the 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, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(584,309)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 5,085,411</b>

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

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2023

	Private Purpose Trust Fund	Custodial Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 109,179
Restricted Assets	<u>96,131</u>	<u>-</u>
Total Assets	<u>96,131</u>	<u>\$ 109,179</u>
<b>NET POSITION</b>		
Restricted for Student Organizations	-	109,179
Restricted for Scholarships	<u>96,131</u>	<u>-</u>
Total Net Position	<u><u>\$ 96,131</u></u>	<u><u>\$ 109,179</u></u>

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

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

	Private Purpose Trust Fund	Custodial Fund
<b>ADDITIONS:</b>		
Miscellaneous Revenues - Student Organizations	\$ -	\$ 128,543
Earnings from Temporary Deposits	5,261	-
Total Additions	<u>5,261</u>	<u>128,543</u>
<b>DEDUCTIONS:</b>		
Student Organizations	-	117,081
Scholarships	4,467	-
Total Deductions	<u>4,467</u>	<u>117,081</u>
Change in Fiduciary Net Position	794	11,462
Total Net Position - September 1 (Beginning)	<u>95,337</u>	<u>97,717</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 96,131</u></u>	<u><u>\$ 109,179</u></u>

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

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements  
August 31, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fort Stockton Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

**A. Reporting Entity**

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Fort Stockton Independent School District (the primary government). There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they become measurable and a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected



FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The Capital Projects Fund accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Additionally, the government reports the following fund types:

Special Revenue Funds - These Funds account for resources restricted to, or committed for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds account for assets held by the District in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the District's own programs.

The District has the following Fiduciary Funds:

Private Purpose Trust Fund - This Fund accounts for resources used to provide scholarships for former students.

Custodial Fund - This Fund reports resources that are held by the District for other parties. This Fund is used to account for the District's student activity funds.

**D. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Receivables and Payables**

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

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

**F. Inventories**

All inventories are valued at cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**G. Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	5-10
Furniture and Equipment	5-15
Right-to-Use Leased Assets	3-5

**H. Restricted Assets**

Restricted assets for the Private Purpose Trust Fund consist of cash and cash equivalents held to provide scholarships.

**I. Long-Term Obligations**

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

In the fund financial statements, 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.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**J. Pensions**

In accordance with accounting guidance prescribed by GASB Statement No. 68, the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**K. Other Postemployment Benefits (OPEB)**

In accordance with accounting guidance prescribed by GASB Statement No. 75, the fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan, and all cash is held in a cash account.

**L. Compensated Absences**

On voluntary separation from employment employees, who have been employed by the District for 20 years including the last 15 consecutive years, are eligible for payment of local leave provided the required notice of intent to separate from employment is provided. The District pays for a maximum of 90 days at a rate of \$200 per day for a professional employee and \$100 per day for any other employee.

A liability for these amounts is reported in governmental funds only if they are payable as a result of employees' voluntary separations from service.

**M. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

**N. Fund Balance/Equity**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**N. Fund Balances/Equity - Continued**

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed. The intent can be expressed by the Board of Trustees or by a Board designee.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are 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.

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is five months of operating expenditures.

Restricted net position for the Private Purpose Trust Fund represents funds held to provide scholarships for former students, and restricted net position for the Custodial Fund represents funds held by the District in a custodial capacity for student organizations.

**O. Implementation of New Accounting Standard**

The District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The District determined there was no impact upon its financial position, results of operations, or cash flows upon adoption.

**P. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**P. Property Tax Revenues - Continued**

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

**Q. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 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.

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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and 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, and (9) 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, and (10) 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.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

**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 and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

**Concentration of Credit Risk:** The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2023, the District was not significantly exposed to credit risk.

**Interest Rate Risk:** The District's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates. However, the Board may specifically authorize a longer maturity for a given investment.

**Foreign Currency Risk:** Not applicable

At August 31, 2023, the District's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
LOGIC	\$ 56,576,544	79%	35 Days	AAAm
<u>Investments</u>				
Commercial Paper	4,919,075	7%	106 Days	A1-P1
Municipal Bonds	138,823	0%	427 Days	AA
United States Treasury Bills	8,176,532	12%	59 Days	AAA
Federal Home Loan Bank Bonds	1,492,950	2%	931 Days	AAA
Total	<u>\$ 71,303,924</u>	<u>100%</u>		

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

At August 31, 2023, the District had the following investments subject to the fair value measurement:

<u>Investment by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities				
Commercial Paper	\$ 4,919,075	\$ 4,919,075	\$ -	\$ -
Municipal Bonds	138,823	138,823	-	-
United States Treasury Bills	8,176,532	8,176,532	-	-
Federal Home Loan Bank Bonds	<u>1,492,950</u>	<u>1,492,950</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 14,727,380</u>	<u>\$ 14,727,380</u>	<u>\$ -</u>	<u>\$ -</u>

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment 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 AAAM 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.

The District's investment in Pools is reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. Due from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 95,450	\$ 89,236	\$ 184,686
Special Revenue Funds	<u>365,147</u>	<u>31,138</u>	<u>396,285</u>
Totals	<u><u>\$ 460,597</u></u>	<u><u>\$ 120,374</u></u>	<u><u>\$ 580,971</u></u>

**C. Interfund Balances and Transfers**

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Debt Service Fund	\$ 0	\$ 20,363	Operating Advance
Capital Projects Fund	2,493,124	0	Operating Advance
Nonmajor Governmental Funds	<u>251,732</u>	<u>591</u>	Operating Advance
	<u>\$ 2,744,856</u>	<u>\$ 20,954</u>	
Debt Service Fund			
General Fund	20,363	0	Operating Advance
Capital Projects Fund			
General Fund	0	2,493,124	Operating Advance
Nonmajor Governmental Funds			
General Fund	<u>591</u>	<u>251,732</u>	Operating Advance
Totals	<u><u>\$ 2,765,810</u></u>	<u><u>\$ 2,765,810</u></u>	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund - Child Nutrition	<u><u>\$ 671,563</u></u>	Subsidize Food Services



FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Assets**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 1,054,137	\$ 344,729	\$ 0	\$ 0	\$ 1,398,866
Buildings and Improvements	124,421,165	2,989,730	0	0	127,410,895
Furniture and Equipment	10,784,746	1,108,370	60,437	66,354	11,899,033
Financed Purchases	66,354	0	0	(66,354)	0
Construction in Progress	<u>0</u>	<u>2,740,993</u>	<u>0</u>	<u>0</u>	<u>2,740,993</u>
Total Capital Assets	<u>\$ 136,326,402</u>	<u>\$ 7,183,822</u>	<u>\$ 60,437</u>	<u>\$ 0</u>	<u>\$ 143,449,787</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (63,262,260)	\$ (2,870,019)	\$ 0	\$ 0	\$ (66,132,279)
Furniture and Equipment	(8,517,115)	(498,579)	(58,077)	(66,354)	(9,023,971)
Financed Purchases	<u>(66,354)</u>	<u>0</u>	<u>0</u>	<u>66,354</u>	<u>0</u>
Total Accumulated Depreciation	<u>\$ (71,845,729)</u>	<u>\$ (3,368,598)</u>	<u>\$ (58,077)</u>	<u>\$ 0</u>	<u>\$ (75,156,250)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 64,480,673</u>	<u>\$ 3,815,224</u>	<u>\$ 2,360</u>	<u>\$ 0</u>	<u>\$ 68,293,537</u>
Lease Assets					
Furniture and Equipment	\$ 115,456	\$ 0	\$ 115,456	\$ 0	\$ 0
Less Accumulated Amortization					
Furniture and Equipment	<u>(83,931)</u>	<u>(31,525)</u>	<u>(115,456)</u>	<u>0</u>	<u>0</u>
Total Lease Assets Being Amortized, Net	<u>\$ 31,525</u>	<u>\$ (31,525)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 64,512,198</u></u>	<u><u>\$ 3,783,699</u></u>	<u><u>\$ 2,360</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 68,293,537</u></u>

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Assets - Continued**

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 1,919,363
Curriculum and Instructional Staff Development	69,109
Instructional Leadership	42,319
School Leadership	280,364
Guidance, Counseling, and Evaluation Services	95,558
Social Work Services	7,020
Health Services	37,375
Student (Pupil) Transportation	107,900
Food Services	165,192
Extracurricular Activities	120,765
General Administration	111,875
Facilities Maintenance and Operations	304,864
Security Monitoring Services	623
Data Processing Services	72,090
Community Services	<u>34,181</u>
Total	<u><u>\$ 3,368,598</u></u>

Amortization expense was charged to governmental activities functions as follows:

Instruction	\$ 5,725
Instructional Resources and Media Services	333
Instructional Leadership	466
Guidance, Counseling, and Evaluation Services	872
General Administration	1,283
Facilities Maintenance and Operations	<u>22,846</u>
Total	<u><u>\$ 31,525</u></u>

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**E. Deferred Outflows and Inflows of Resources**

A deferred outflow of resources is a consumption of a government's net position (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.

A deferred inflow of resources is an acquisition of a government's net position (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.

Deferred outflows and inflows of resources are reported as described below:

Deferred Outflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred outflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred outflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred inflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred inflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

**F. Due to Other Governments**

Amounts due to other governments are summarized as follows:

	<u>General Fund</u>
Due to State - Recapture	<u>\$ 1,775,281</u>

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**G. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	General Fund
Foundation School Program Act Entitlements	\$ 2,062,830
Food Service (Local)	12,116
Supply Chain Grant	25,550
Total	<u>\$ 2,100,496</u>

**H. Long-Term Debt**

The District's long-term liabilities consist of bonded indebtedness, unamortized bond premiums, net pension liability, and net other postemployment benefits liability. The current requirements for general obligation bonds principal and interest are accounted for in the Debt Service Fund. The current requirements for the net pension liability and net other postemployment benefits liability are accounted for in the General and Special Revenue Funds.

The following is a summary of changes in long-term debt for the year ended August 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 20,505,000	\$ 33,965,000	\$ 9,175,000	\$ 45,295,000	\$ 3,275,000
Unamortized Bond Premiums	583,439	3,017,430	69,096	3,531,773	-
Financed Purchases					
(Direct Borrowing)	87,732	0	87,732	0	-
Right-to-Use Leases	31,753	0	31,753	0	-
Subtotals	\$ 21,207,924	\$ 36,982,430	\$ 9,363,581	\$ 48,826,773	\$ 3,275,000
Net Pension Liability	3,546,700	5,732,478	676,197	8,602,981	-
Net OPEB Liability	8,095,617	394,719	3,350,516	5,139,820	-
Totals	<u>\$ 32,850,241</u>	<u>\$ 43,109,627</u>	<u>\$ 13,390,294</u>	<u>\$ 62,569,574</u>	<u>\$ 3,275,000</u>

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**H. Long-Term Debt - Continued**

The District's outstanding bond issues, which are payable from the Debt Service Fund, are as follows:

General Obligation Bonds		Interest Rate	Maturity Date	Original Amount Issued	Amount Outstanding August 31, 2023
Series	Description				
2016	Unlimited Tax School Building Bonds	2%	2029	\$ 9,500,000	\$ 3,100,000
2017	Unlimited Tax School Building Bonds	2%-4%	2031	9,180,000	7,755,000
2018	Unlimited Tax School Building Bonds	3%-4%	2031	6,500,000	1,975,000
2023	Unlimited Tax School Building Bonds	4%-5%	2053	<u>32,465,000</u>	<u>32,465,000</u>
Total Bonds Payable				<u>\$ 57,645,000</u>	<u>\$ 45,295,000</u>

During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. In case of default by the District in the payment of principal of and/or interest on the bonds, and in accordance with Texas Education Code 45.061, the Comptroller will withhold the amount paid, plus interest, under guarantee, from the first state money payable to the District in the following order: foundation school fund, available school fund.

On November 8, 2022, the District issued Unlimited Tax School Building Bonds, Series 2023. Issued for the construction, renovation, acquisition, and equipment of school buildings and athletic facilities in the District; the purchase of the necessary sites therefor; the purchase of new school buses, and to pay the costs associated with the issuance of the Bonds in the original amount of \$32,465,000. Due in variable installments through August 15, 2053, with an interest rate of 4% to 5%.

The combined annual debt service requirements are as follows:

Year Ending August 31,	General Obligation Bonds		Total
	Principal	Interest	
2024	\$ 3,275,000	\$ 2,556,782	\$ 5,831,782
2025	4,165,000	1,744,112	5,909,112
2026	4,235,000	1,580,988	5,815,988
2027	3,150,000	1,431,019	4,581,019
2028	2,685,000	1,302,269	3,987,269
2029-2033	12,030,000	5,025,956	17,055,956
2034-2038	2,670,000	3,404,500	6,074,500
2039-2043	3,430,000	2,645,250	6,075,250
2044-2048	4,285,000	1,784,400	6,069,400
2049-2053	<u>5,370,000</u>	<u>698,000</u>	<u>6,068,000</u>
Totals	<u>\$ 45,295,000</u>	<u>\$ 22,173,276</u>	<u>\$ 67,468,276</u>

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**H. Long-Term Debt - Continued**

On April 11, 2023, the District deposited cash on hand of \$2,819,132 into an escrow fund to advance refund, through an in-substance defeasance, \$2,790,000 of the Unlimited Tax School Building Bonds, Series 2016. These funds are invested in U.S. Treasury Securities, and the escrow fund is not authorized to substitute assets that are not essentially risk-free. As a result, this portion of the Series 2016 bonds are considered to be defeased, and the escrow assets and the liability for the bonds have been removed from these financial statements. The District achieved a cash flow benefit of \$271,300 from the reduction in interest. At August 31, 2023, \$2,790,000 of the defeased bonds remained outstanding. This balance is scheduled to be paid in full on February 1, 2024.

On April 11, 2023, the District deposited cash on hand of \$3,020,009 into an escrow fund to advance refund, through an in-substance defeasance, \$2,985,000 of the Unlimited Tax School Building Bonds, Series 2018. These funds are invested in U.S. Treasury Securities, and the escrow fund is not authorized to substitute assets that are not essentially risk-free. As a result, this portion of the Series 2018 bonds are considered to be defeased, and the escrow assets and the liability for the bonds have been removed from these financial statements. The District achieved a cash flow benefit of \$611,100 from the reduction in interest. At August 31, 2023, \$2,985,000 of the defeased bonds remained outstanding. This balance is scheduled to be paid in full on February 1, 2026.

**I. Outstanding Encumbrances**

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

**J. Revenues from Local and Intermediate Sources**

Local and intermediate source revenues consists of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 30,310,056	\$ 9,715,967	\$ 0	\$ 40,026,023
Chapter 313 Agreements	1,254,249	0	0	1,254,249
Other Local Sources	3,133,223	139,645	898,683	4,171,551
Cocurricular, Enterprising Services, or Activities	107,498	0	0	107,498
Totals	<u>\$ 34,805,026</u>	<u>\$ 9,855,612</u>	<u>\$ 898,683</u>	<u>\$ 45,559,321</u>

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**K. General Fund Federal Source Revenues**

<u>Program or Source</u>	<u>Federal Assistance Listing Number</u>	<u>Amount</u>
School Breakfast Program	10.553	\$ 253,371
National School Lunch Program - Cash Assistance	10.555	946,911
USDA Commodities	10.555	110,570
COVID-19 P-EBT Administrative Cost Grant	10.649	3,135
COVID-19 Supply Chain Assistance	10.555	56,030
COVID-19 Public Health Crisis Response	93.354	40,857
Indirect Costs		
ESEA, Title I, Part A - Improving Basic Programs	84.010A	5,580
ESEA, Title I, Part C - Migratory Children	84.011A	1,200
IDEA - Part B, Formula	84.027A	36,124
ESEA, Title II, Part A - Supporting Effective Instruction	84.367A	4,970
ESEA, Title III, Part A - English Language Acquisition	84.365A	1,372
ESEA, Title V, Part B - Rural and Low Income Program	84.358A	3,411
COVID-19 - ARP ESSER III Grant	84.425U	97,498
Total		<u><u>\$ 1,561,029</u></u>

**IV. OTHER INFORMATION**

**A. Defined Benefit Pension Plan**

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

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

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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 that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/pages/about\\_publication.aspx](http://www.trs.texas.gov/pages/about_publication.aspx); by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512)542-6592.

**Benefits Provided** - TRS provides service and disability retirement, as well as death and survivor benefits to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc postemployment 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 the 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 Section 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.



FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

The following table shows contribution rates by type of contributor for the fiscal years 2022 and 2023:

Contribution Rates		
	<u>2022</u>	<u>2023</u>
Member	8.00%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	7.75%	8.0%
District's 2023 Employer Contributions		\$ 818,519
District's 2023 Member Contributions		1,479,558
District's 2022 NECE On-Behalf Contributions		936,125

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. 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 (public schools, junior colleges, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional education service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025. This surcharge amount is 1.80% for fiscal year 2023.
- 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.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Actuarial Assumptions -**

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

Valuation Date	August 31, 2021 Rolled Forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-Term Expected Rate	7.00%
Municipal Bond Rate as of August 2022	3.91%. The source for the rate is the Fixed Income Market Data/ Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last Year Ending August 31 in Projection Period (100 Years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% Including Inflation
Ad hoc Postemployment Benefit Changes	None

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

**Discount Rate** - A single discount rate of 7% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7%. 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 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

The long-term expected rate of return on pension plan investments is 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 System's target asset allocation as of August 31, 2022, are presented in the following Asset Allocations table:

<u>Asset Class<sup>1</sup></u>	<u>Target Allocation<sup>2</sup> %</u>	<u>Long-Term Expected Geometric Real Rate of Return<sup>3</sup></u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
USA	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity	14.0%	7.7%	1.55%
Stable Value			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Return			
Real Estate	15.0%	4.1%	0.94%
Energy, Natural Resources, and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
Risk Parity	8.0%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	-6.0%	3.6%	-0.05%
Inflation Expectation			2.70%
Volatility Drag <sup>4</sup>			-0.91%
Expected Return	100.0%		8.19%

<sup>1</sup> Absolute Return includes Credit Sensitive Investments.

<sup>2</sup> Target Allocation are based on the FY 2022 policy model.

<sup>3</sup> Capital Market Assumptions come from Aon Hewitt (as of August 31, 2022).

<sup>4</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Discount Rate Sensitivity Analysis** - The following table presents the District's net pension liability of the plan using the discount rate of 7%, and what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
District's Proportionate Share of the Net Pension Liability	<u>\$ 13,382,976</u>	<u>\$ 8,602,981</u>	<u>\$ 4,728,570</u>

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At August 31, 2023, the Fort Stockton Independent School District reported a net pension liability of \$8,602,981 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 8,602,981
State's Proportionate Share that is Associated with the District	<u>11,909,945</u>
Total	<u>\$ 20,512,926</u>

The net pension liability was measured as 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 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 0.0144910790% which was an increase of 0.0005641347% from its proportion measured as of August 31, 2021.

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

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

For the year ended August 31, 2023, the Fort Stockton Independent School District recognized pension expense of \$1,138,456 and revenue of \$1,138,456 for support provided by the State in the government-wide statement of activities.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

At August 31, 2023, the Fort Stockton 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 124,743	\$ 187,561
Changes in Actuarial Assumptions	1,603,015	399,516
Net Difference Between Projected and Actual Investment Earnings	849,947	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	472,126	270,364
Contributions Paid to TRS Subsequent to the Measurement Date	<u>818,519</u>	<u>-</u>
Totals	<u>\$ 3,868,350</u>	<u>\$ 857,441</u>

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

Year Ending August 31,	Pension Expense Amount
2024	\$ 611,373
2025	327,249
2026	74,728
2027	1,012,905
2028	166,135
Thereafter	0

**B. Defined Other Postemployment Benefit Plans**

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

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

**Plan Description** - The Fort Stockton Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other postemployment benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group 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** - Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/pages/about\\_publication.aspx](http://www.trs.texas.gov/pages/about_publication.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 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 postemployment benefit changes, including automatic COLAs.

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

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

**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.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

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

Contribution Rates		
	<u>2022</u>	<u>2023</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
 District's 2023 Employer Contributions		\$ 195,384
District's 2023 Member Contributions		120,214
District's 2022 NECE On-Behalf Contributions		215,069

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 rolled forward the total OPEB liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions.

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 demographics assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

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

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

The active mortality rates were based on 90% of the RP-2014 Employee Mortality tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

The following table discloses the actuarial methods and assumptions that were applied to this measurement period:

Valuation Date	August 31, 2021 Rolled Forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05% Including Inflation
Ad hoc Postemployment Benefit Changes	None

The initial medical trend rates were 8.50% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

**Discount Rate** - A single discount rate of 3.91% was used to measure the total OPEB liability. This was an increase of 1.96% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these 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.



FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

**Sensitivity of the Net OPEB Liability**

**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:

	<u>1% Decrease in Discount Rate (2.91%)</u>	<u>Discount Rate (3.91%)</u>	<u>1% Increase in Discount Rate (4.91%)</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 6,060,255</u>	<u>\$ 5,139,820</u>	<u>\$ 4,394,149</u>

**Healthcare Cost Trend Rates Sensitivity Analysis** - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 4,235,234</u>	<u>\$ 5,139,820</u>	<u>\$ 6,312,498</u>

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs** - At August 31, 2023, the Fort Stockton Independent School District reported a liability of \$5,139,820 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	\$ 5,139,820
State's Proportionate Share that is Associated with the District	<u>6,269,772</u>
Total	<u>\$ 11,409,592</u>

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 OPEB 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 0.0214659974% which was an increase of 0.0004790146% from its proportion measured as of August 31, 2021.

**Changes of Actuarial Assumptions Since the Prior Actuarial Valuation** - 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.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**B. Defined Other Postemployment Benefit Plans - Continued**

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

For the year ended August 31, 2023, the Fort Stockton Independent School District recognized OPEB expense of \$(889,731) and revenue of \$(889,731) for support provided by the State.

At August 31, 2023, the Fort Stockton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 285,756	\$ 4,281,931
Changes in Actuarial Assumptions	782,896	3,570,841
Net Difference Between Projected and Actual Investment Earnings	15,310	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	1,147,697	104,004
Contributions Paid to TRS Subsequent to the Measurement Date	195,384	-
	<u>\$ 2,427,043</u>	<u>\$ 7,956,776</u>
Totals		

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

Year Ending August 31,	OPEB Expense Amount
2024	\$ (1,063,169)
2025	(1,063,113)
2026	(845,152)
2027	(550,068)
2028	(650,225)
Thereafter	(1,553,390)

**C. Medicare Part D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2023, August 31, 2022, and August 31, 2021, the subsidy payments received by TRS-Care on behalf of the District were \$98,164, \$72,261, and \$77,666, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**D. Health Care Coverage**

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

**E. 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, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

**F. Unemployment Compensation Coverage**

During the year ended August 31, 2023, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Premiums are paid annually and are expensed monthly. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2023, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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

**G. Worker's Compensation Insurance**

During the year ended August 31, 2023, the District Workers' Compensation Insurance was through a guaranteed cost program administered by Claims Administrative Services, Inc.

**H. Contingencies**

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

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**I. Tax Abatements**

The Fort Stockton Independent School District's Board of Trustees approved Agreements with Barilla Solar, LLC, RE Roserock, Buckthorn Westex, Taygete Energy Project, LLC, and West Texas Solar Project II, LLC, or a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code. Value limitation agreements are a part of a state program originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation, and Texas Priority projects. Barilla Solar, LLC, RE Roserock, Buckthorn Westex, Taygete Energy Project, LLC, and West Texas Solar Project II, LLC, qualified for tax limitation agreements under the Texas Tax Code §313.024(b)(5), as renewable energy electric generation projects.

The applications, the Agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The Agreements and all supporting documentation were assigned Texas Comptroller Application No. 326, 1012, 1063, 1306, and 1377, respectively.

The applicants have been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the applications' approval, it was determined by both the District's Board of Trustees and the Texas Comptroller's Office that the projects would meet these standards. After approval, the applicant companies must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that any company terminates its Agreement without the consent of the District, or in the event that the any company or its successor-in-interest fails to comply in any material respect with the terms of the Agreement or to meet any material obligations under the Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of the Agreement together with the payment of penalty and interest on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(c), or its successor statute. The Agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

	A	B	C	D	E	F	G
			Amount of	Amount of	Company	Company	Net Benefit
		Project's Value	Applicant's	Applicant's	Revenue Loss	Supplemental	(Loss) to
	Project	Limitation	M&O Taxes	M&O Taxes	Payment	Payment to	the School
Project Name	Value 2022	Amount 2022	Paid 2022	Reduced 2022	to School	School	District 2022
					District 2022	District 2022	(C+E+F)
Barilla Solar, LLC	\$ 16,805,950	\$ 16,805,950	\$ 143,624	\$ 0	\$ 0	\$ 0	\$ 143,624
RE Roserock, LLC	93,295	30,000,000	256,380	540,918	0	216,367	472,747
Buckthorn Westex	99,251,980	30,000,000	256,380	591,827	0	225,900	482,280
Taygete Energy Project, LLC	233,454	30,000,000	256,380	1,738,718	0	279,720	536,100
West Texas Solar Project II, LLC	92,282,000	30,000,000	256,380	532,262	445,205	87,057	788,642

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2023

**IV. OTHER INFORMATION - Continued**

**J. Adjustments to Net Position/Fund Balances**

The financial statements reflect the following prior period adjustments:

	Net Position <u>Exhibit B-1</u>	Fund Balances <u>Exhibit C-3</u>
General Fund		
Foundation Adjustment	\$ 317,141	\$ 317,141
Prior Year's Receivable	<u>68,841</u>	<u>68,841</u>
Totals	<u><u>\$ 385,982</u></u>	<u><u>\$ 385,982</u></u>

**K. Commitments**

The District issued bonds during the 2023 fiscal year for the purpose of acquiring, constructing, renovating, and equipping school facilities in the original amount of \$33,965,000. As of August 31, 2023, the District has \$27,811,771 remaining to be expended on these projects.

**L. Subsequent Events**

The District's management has evaluated subsequent events through December 27, 2023, the date which the financial statements were available for issue.

Required Supplementary Information

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 31,670,000	\$ 33,378,000	\$ 34,805,026	\$ 1,427,026
5800	State Program Revenues	6,564,286	6,564,286	5,261,593	(1,302,693)
5900	Federal Program Revenues	1,355,000	1,435,000	1,561,029	126,029
5020	Total Revenues	39,589,286	41,377,286	41,627,648	250,362
EXPENDITURES:					
Current:					
0011	Instruction	13,370,794	13,361,641	12,339,944	1,021,697
0012	Instructional Resources and Media Services	41,105	41,105	34,579	6,526
0013	Curriculum and Instructional Staff Development	418,950	407,693	339,813	67,880
0021	Instructional Leadership	309,115	307,650	270,125	37,525
0023	School Leadership	2,028,934	2,033,170	2,015,826	17,344
0031	Guidance, Counseling, and Evaluation Services	727,721	724,221	717,616	6,605
0033	Health Services	365,425	365,425	294,469	70,956
0034	Student (Pupil) Transportation	1,768,931	1,539,201	1,170,408	368,793
0035	Food Services	2,273,000	2,353,489	2,202,515	150,974
0036	Extracurricular Activities	1,511,143	1,505,196	1,467,656	37,540
0041	General Administration	1,450,975	1,575,975	1,424,691	151,284
0051	Facilities Maintenance and Operations	5,524,763	5,525,033	4,514,313	1,010,720
0052	Security and Monitoring Services	763,550	763,550	384,689	378,861
0053	Data Processing Services	938,750	1,286,616	1,174,684	111,932
0061	Community Services	296,405	296,405	267,511	28,894
Debt Service:					
0071	Principal on Long-Term Liabilities	71,000	262,191	119,485	142,706
0072	Interest on Long-Term Liabilities	11,000	11,000	7,923	3,077
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	10,112,000	11,412,000	11,379,281	32,719
0099	Other Intergovernmental Charges	350,000	350,000	347,059	2,941
6030	Total Expenditures	42,333,561	44,121,561	40,472,587	3,648,974
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,744,275)	(2,744,275)	1,155,061	3,899,336
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	775,000	775,000	671,563	(103,437)
8911	Transfers Out (Use)	(775,000)	(775,000)	(671,563)	103,437
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	(2,744,275)	(2,744,275)	1,155,061	3,899,336
0100	Fund Balance - September 1 (Beginning)	33,967,291	33,967,291	33,967,291	-
1300	Increase (Decrease) in Fund Balance	-	-	385,982	385,982
3000	Fund Balance - August 31 (Ending)	\$ 31,223,016	\$ 31,223,016	\$ 35,508,334	\$ 4,285,318

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.014491079%	0.013926944%	0.013711955%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,602,981	\$ 3,546,700	\$ 7,343,843
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	11,909,945	5,749,159	12,329,826
Total	<u>\$ 20,512,926</u>	<u>\$ 9,295,859</u>	<u>\$ 19,673,669</u>
District's Covered Payroll	\$ 17,555,534	\$ 17,342,865	\$ 17,121,613
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	49.00%	20.45%	42.89%
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
0.014897116%	0.013790172%	0.013497369%	0.012993204%	0.0145095%	0.0086824%
\$ 7,743,986	\$ 7,590,445	\$ 4,315,732	\$ 4,909,939	\$ 5,128,915	\$ 2,319,189
11,272,368	12,360,197	7,711,828	9,040,309	8,653,973	7,941,228
\$ 19,016,354	\$ 19,950,642	\$ 12,027,560	\$ 13,950,248	\$ 13,782,888	\$ 10,260,417
\$ 15,770,073	\$ 15,196,298	\$ 15,089,681	\$ 14,201,131	\$ 14,050,238	\$ 14,106,146
49.11%	49.95%	28.60%	34.57%	36.50%	16.44%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

FORT STOCKTON 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	\$ 818,519	\$ 676,814	\$ 595,233
Contribution in Relation to the Contractually Required Contribution	(818,519)	(676,814)	(595,233)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 18,494,473	\$ 17,555,534	\$ 17,342,865
Contributions as a Percentage of Covered Payroll	4.43%	3.86%	3.43%

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
\$ 566,393	\$ 522,596	\$ 464,829	\$ 442,365	\$ 412,827	\$ 429,632
(566,393)	(522,596)	(464,829)	(442,365)	(412,827)	(429,632)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 17,121,613	\$ 15,770,073	\$ 15,196,298	\$ 15,089,681	\$ 14,201,131	\$ 14,050,238
3.31%	3.31%	3.06%	2.93%	2.91%	3.06%

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

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.021465997%	0.020986983%	0.021095561%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 5,139,820	\$ 8,095,617	\$ 8,019,375
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	6,269,772	10,846,323	10,776,118
Total	<u>\$ 11,409,592</u>	<u>\$ 18,941,940</u>	<u>\$ 18,795,493</u>
District's Covered Payroll	\$ 17,555,534	\$ 17,342,865	\$ 17,121,613
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	29.28%	46.68%	46.84%
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	
0.021218272%		0.018743303%		0.018612578%	
\$	10,034,381	\$	9,358,703	\$	8,093,912
13,333,448		12,660,780		11,407,139	
<u>\$ 23,367,829</u>		<u>\$ 22,019,483</u>		<u>\$ 19,501,051</u>	
<u><u>\$ 15,770,073</u></u>		<u><u>\$ 15,196,298</u></u>		<u><u>\$ 15,089,681</u></u>	
63.63%		61.59%		53.64%	
2.66%		1.57%		0.91%	

FORT STOCKTON 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	\$ 195,384	\$ 175,774	\$ 164,500
Contribution in Relation to the Contractually Required Contribution	(195,384)	(175,774)	(164,500)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 18,494,473	\$ 17,555,534	\$ 17,342,865
Contributions as a Percentage of Covered Payroll	1.06%	1.00%	0.95%

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		
\$	160,341	\$	148,986	\$	129,317
	(160,341)		(148,986)		(129,317)
\$	-	\$	-	\$	-
\$	17,121,613	\$	15,770,073	\$	15,196,298
	0.94%		0.94%		0.85%

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
August 31, 2023

Note A - TRS Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

There was a change in the actuarial assumptions. The primary change was the lowering of the single discount rate from 7.25% to 7.00%.

Note B - TRS OPEB Plan

Changes of Benefit Terms

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

Changes of Assumptions

The single 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.

Lower participation rates and updates to health care trend rate assumptions were also factors that decreased the total OPEB liability.



Other Supplementary Information

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ Various
2015	1.040000	0.199200	1,175,289,874
2016	1.040000	0.219000	1,088,916,950
2017	1.040000	0.220000	1,311,268,086
2018	1.040000	0.213500	1,732,886,513
2019	1.040000	0.195400	1,946,665,230
2020	0.970000	0.255200	2,570,465,827
2021	0.901700	0.257200	2,831,661,743
2022	0.879200	0.249700	2,668,082,314
2023 (School year under audit)	0.854600	0.245400	3,645,916,345
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.115, Tax Code			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
\$ 306,610	\$ -	\$ 206	\$ 22	\$ (14,997)	\$ 291,385
20,435	-	74	14	-	20,347
17,644	-	214	45	-	17,385
19,758	-	293	62	-	19,403
70,913	-	458	94	-	70,361
76,394	-	2,696	522	-	73,176
149,588	-	16,398	4,424	(34)	128,732
240,299	-	47,867	13,856	(32)	178,544
425,848	-	146,763	42,395	(12,678)	224,012
-	40,105,080	29,952,601	9,614,955	-	537,524
<u>\$ 1,327,489</u>	<u>\$ 40,105,080</u>	<u>\$ 30,167,570</u>	<u>\$ 9,676,389</u>	<u>\$ (27,741)</u>	<u>\$ 1,560,869</u>
		<u>\$ 0.00</u>			

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,768,813	\$ 9,768,813	\$ 9,855,612	\$ 86,799
5800 State Program Revenues	-	-	27,242	27,242
5020 Total Revenues	9,768,813	9,768,813	9,882,854	114,041
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	9,090,000	9,090,000	9,175,000	(85,000)
0072 Interest on Long-Term Liabilities	663,813	663,813	542,216	121,597
0073 Bond Issuance Cost and Fees	15,000	15,000	10,100	4,900
6030 Total Expenditures	9,768,813	9,768,813	9,727,316	41,497
1200 Net Change in Fund Balances	-	-	155,538	155,538
0100 Fund Balance - September 1 (Beginning)	1,913,855	1,913,855	1,913,855	-
3000 Fund Balance - August 31 (Ending)	\$ 1,913,855	\$ 1,913,855	\$ 2,069,393	\$ 155,538

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS  
 FOR THE YEAR ENDED AUGUST 31, 2023

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**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.	2389111
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	1050454

**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.	138036
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	83122

## COMPLIANCE AND INTERNAL CONTROLS SECTION



**A Limited Liability Partnership**

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

Board of Trustees  
Fort Stockton Independent School District  
101 West Division  
Fort Stockton, TX 79735

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Stockton Independent School District as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

### **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.

*Eckert & Company, LLP*

December 27, 2023





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

Board of Trustees  
Fort Stockton Independent School District  
101 West Division  
Fort Stockton, TX 79735

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

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

We have audited the Fort Stockton 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 the Fort Stockton Independent School District's major federal programs for the year ended August 31, 2023. The Fort Stockton 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, the Fort Stockton 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 August 31, 2023.

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

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

We are required to be independent of the Fort Stockton 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 the Fort Stockton 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 the Fort Stockton 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 have occurred, whether due to fraud or error, and express an opinion on the Fort Stockton 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 auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a 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 the Fort Stockton Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *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 the Fort Stockton 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 the Fort Stockton 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 the Fort Stockton 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**

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

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

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

**Purpose of This Report**

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

*Eckert & Company, LLP*

December 27, 2023

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended August 31, 2023

**A. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<u>Unmodified</u>
Internal Control Over Financial Reporting	
Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>X</u> None Reported
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

**Federal Awards**

Internal Control Over Major Programs	
Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>X</u> None Reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ Yes <u>X</u> No

**Identification of Major Programs**

Federal  
Assistance

<u>Listing No.</u>	<u>Name of Federal Program or Cluster</u>
--------------------	-------------------------------------------

84.010A	ESEA, Title I, Part A - Improving Basic Programs
84.425U	COVID-19 ARP ESSER III Grant

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> Yes ___ No

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs - Continued  
Year Ended August 31, 2023

**B. Findings - Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None

**D. Findings - State Compliance**

None

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
<b>FEDERAL COMMUNICATIONS COMMISSION</b>			
<u>Direct Programs:</u>			
COVID-19 Emergency Connectivity Fund Program	32.009	ECF202203093	\$ 179,996
Total Direct Programs			179,996
<b>TOTAL FEDERAL COMMUNICATIONS COMMISSION</b>			179,996
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	23610101186902	611,949
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	24610101186902	79,527
Total Assistance Listing Number 84.010			691,476
ESEA, Title I, Part C - Migratory Children	84.011 A	23615001186902	21,377
*IDEA - Part B, Formula	84.027 A	236600011869026600	596,662
*IDEA - Part B, Formula	84.027 A	246600011869026600	56,062
Total Assistance Listing Number 84.027			652,724
*IDEA - Part B, Preschool	84.173 A	236610011869026610	13,857
*IDEA - Part B, Preschool	84.173 A	246610011869026610	1,237
Total Assistance Listing Number 84.173			15,094
Total Special Education Cluster (IDEA)			667,818
Career and Technical - Basic Grant	84.048 A	23420006186902	28,617
ESEA, Title V, Part B - Rural & Low Income Program	84.358 A	23696001186902	60,273
Title III, Part A - English Language Acquisition	84.365 A	23671001186902	24,246
**ESEA, Title II, Part A - Supporting Effective Instruction	84.367 A	23694501186902	79,242
**ESEA, Title II, Part A- Supporting Effective Instruction	84.367 A	24694501186902	9,473
Total Assistance Listing Number 84.367			88,715
Emergent Bilingual Student Summer School Program	84.369 A	69552202	2,939
**ESEA, Title IV, Part A, Subpart 1	84.424 A	23680101186902	58,677
ESF: COVID 19 - ARP ESSER III Grant	84.425 U	21528001186902	1,652,006
Total Passed Through Texas Education Agency			3,296,144
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			3,296,144
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Education Service Center</u>			
COVID-19 Public Health Crisis Response	93.354	223934017110015	40,857
Total Passed Through Education Service Center			40,857
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			40,857
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	23-186902	253,370
*National School Lunch Program - (Cash)	10.555	23-186902	946,911
*National School Lunch Program - (Non-Cash)	10.555	23-186902	110,570
*COVID-19 Nat'l School Lunch - Supply Chain Grant (Cash)	10.555	226TX400N8903	56,030
Total Assistance Listing Number 10.555			1,113,511
Total Child Nutrition Cluster			1,366,881

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2023

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
COVID-19 P-EBT Administrative Cost Grant (Cash)	10.649	226TX109S9009	3,135
Total Passed Through the Texas Department of Agriculture			1,370,016
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			1,370,016
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,887,013</b>

\*Clustered Programs

\*\*Title II, Part A and Title IV, Part A were transferred to Title I, Part A.

FORT STOCKTON INDEPENDENT SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
August 31, 2023

Note A - Summary of Significant Accounting Policies

The District utilizes the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Federal and state awards generally are accounted for in a Special Revenue Fund, a component of the governmental fund types. A Special Revenue Fund is used to account for resources restricted to, or committed 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 generally are included on the balance sheet. Operating statements of these funds represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District has a negotiated indirect cost rate and is not eligible to utilize the de minimis indirect cost rate.

Federal grant funds are considered to be 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 earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note B - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2023. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.