

BIG SPRING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

BIG SPRING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

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**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022**

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BIG SPRING INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
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CERTIFICATE OF BOARD

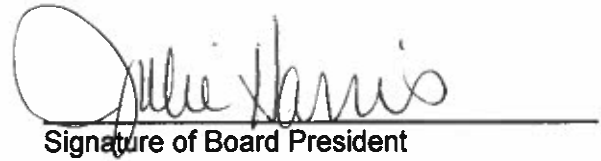
Big Spring Independent School District
Name of School District

Howard
County

114-901
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2022, at a meeting of the Board of Trustees of such school district on the 8th day of December 2022.


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved of the Auditor's Report, the reason(s) for disapproving it is (are):
(attach list as necessary)

FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Big Spring Independent School District
Big Spring, Texas

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Spring Independent School District (the District), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Big Spring Independent School District, as of August 31, 2022, 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 (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

GAAP requires that the management's discussion and analysis on pages 4-11, budgetary comparison information on page 48, and pension and other post-retirement benefit obligation (OPEB) related information on pages 49-53 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining non-major fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining non-major fund financial statements, required TEA schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 1, 2022

BIG SPRING INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of Big Spring Independent School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District ended the year, August 31, 2022, with total net position of \$29,856,802, including unrestricted net position of \$5,352,878. The balance of cash and investments at August 31, 2022, was \$35,273,310.
- Total government-wide expenses were \$44,236,892 for the year ended August 31, 2022. This compares with expenses of \$47,475,314 for the year ended August 31, 2021. The District's total revenues on the Statement of Activities increased from \$48,608,811 in 2020-21 to \$49,102,818 in 2021-22.
- The District made principal payments on bonds of \$1,650,000 during the year ended August 31, 2022. Bonds payable at August 31, 2022 total \$39,245,000. This compares to a balance of \$40,895,000 in 2021.
- Total general fund expenditures were \$36,795,144 for the year ended August 31, 2022. This compares with general fund expenditures of \$38,453,418 for the year ended August 31, 2021. This net decrease is mainly due to the recognition of some of these expenses in ESSER grant funds.
- The District's total revenues on the fund financial statements increased from \$48,058,810 in 2020-21 to \$51,586,518 in 2021-22.
- The general fund reported a fund balance this year of \$27,821,322. Of this amount, \$3,500,000 is committed for future construction.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1. Major Features of the District's Government-Wide and Fund Financial Statements

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

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Our analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District's governmental activities.

Net Position: The District's restricted net position represents proceeds from debt service taxes (\$4,335,727) and amounts restricted for cafeteria fund (\$1,374,397). The debt service tax proceeds, when received, are restricted to payment on bonded debt. The \$5,352,878 of unrestricted net position represents resources available to fund the programs of the District next year; however, this figure is also reduced by the pension and OPEB liabilities that the District contributes to on a pay-as-you-go basis.

Without the recognition of the District's proportionate share of the State's pension and OPEB liabilities, the District would have reported total net position of \$54,677,982 and unrestricted net position of \$30,174,058.

Table A-1
Net Position
August 31, 2022 and 2021
(In thousands)

| | Governmental Activities | | Total Percentage Change |
|------------------------------------------|-------------------------|---------------------|-------------------------------|
| | 2022 | 2021 | 2022-2021 |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 35,273.3 | \$ 36,161.0 | -2.5% |
| Property Taxes Receivable | 2,558.5 | 2,407.2 | 6.3% |
| Due from Other Governments | 2,947.4 | 2,107.3 | 39.9% |
| Due from Fiduciary Funds | 61.7 | 61.7 | 0.0% |
| Other Receivables | 2.4 | 7.5 | -68.0% |
| Other Current Assets | 18.7 | 18.7 | 0.0% |
| Total Current Assets | \$ 40,862.0 | \$ 40,763.4 | 0.2% |
| Noncurrent Assets: | | | |
| Land | \$ 2,558.9 | \$ 2,558.9 | 0.0% |
| Buildings and Improvements | 120,990.5 | 119,835.7 | 1.0% |
| Equipment and Vehicles | 9,767.8 | 9,679.9 | 0.9% |
| Less: Accumulated Depreciation | (73,941.4) | (70,346.7) | 5.1% |
| Right of Use Asset, Net | 101.6 | | |
| Construction Work in Progress | 921.9 | | |
| Total Noncurrent Assets | \$ 60,399.3 | \$ 61,727.8 | -2.2% |
| Total Assets | \$ 101,261.3 | \$ 102,491.2 | -1.2% |
| Deferred Outflows of Resources | \$ 6,756.0 | \$ 7,274.9 | -7.1% |
| Current Liabilities: | | | |
| Accrued Liabilities and Unearned Revenue | \$ 5,013.0 | \$ 7,951.8 | -37.0% |
| Due Within One Year | 1,532.1 | 1,650.0 | -7.1% |
| Total Current Liabilities | \$ 6,545.1 | \$ 9,601.8 | -31.8% |
| Long-Term Liabilities: | | | |
| Due in More than One Year | \$ 37,821.9 | \$ 39,245.0 | -3.6% |
| Unamortized Bond Premium | 3,891.5 | 4,292.5 | -9.3% |
| Net Pension Liability | 4,858.1 | 9,854.9 | -50.7% |
| Net OPEB Liability | 10,750.2 | 10,730.2 | 0.2% |
| Total Long-Term Liabilities | \$ 57,321.7 | \$ 64,122.6 | -10.6% |
| Total Liabilities | \$ 63,866.8 | \$ 73,724.4 | -13.4% |
| Deferred Inflows of Resources | \$ 14,293.8 | \$ 11,050.8 | 29.3% |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 18,793.8 | \$ 18,396.5 | 2.2% |
| Restricted | 5,710.1 | 4,461.3 | 28.0% |
| Unrestricted | 5,352.8 | 2,133.1 | 150.9% |
| Total Net Position | \$ 29,856.7 | \$ 24,990.9 | 19.5% |

Changes in Net Position: The total increase in net position for the year ended August 31, 2022 was \$4,865,926 compared to an increase of \$1,133,497 in the prior year.

Table A-2
Changes in Net Position
For the Years Ended August 31, 2022 and 2021
(In thousands)

| | Governmental Activities | | Total |
|-----------------------------------------------------|-------------------------|--------------------|-----------------------------------|
| | 2022 | 2021 | Percentage Change 2022-2021 |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 390.4 | \$ 430.2 | -9.3% |
| Operating Grants and Contributions | 9,282.4 | 9,457.4 | -1.9% |
| General Revenues: | | | |
| Property Taxes | 30,479.9 | 32,424.2 | -6.0% |
| State Aid - Formula | 6,950.9 | 5,476.6 | 26.9% |
| Investment Earnings | 179.4 | 24.8 | 623.4% |
| Other | 1,819.8 | 795.6 | 128.7% |
| Total Revenues | <u>\$ 49,102.8</u> | <u>\$ 48,608.8</u> | <u>1.0%</u> |
| Expenses: | | | |
| Instruction | \$ 21,802.2 | \$ 23,469.8 | -7.1% |
| Instructional Resources and Media Services | 357.3 | 449.0 | -20.4% |
| Curriculum Dev. And Instructional Staff Development | 1,059.0 | 1,176.5 | -10.0% |
| Instructional Leadership | 677.9 | 592.0 | 14.5% |
| School Leadership | 2,653.6 | 2,856.0 | -7.1% |
| Guidance, Counseling and Evaluation Services | 1,593.6 | 1,781.4 | -10.5% |
| Social Work Services | 63.8 | 46.4 | 37.5% |
| Health Services | 341.8 | 422.5 | -19.1% |
| Student (Pupil) Transportation | 1,165.3 | 1,302.8 | -10.6% |
| Food Services | 2,271.4 | 2,477.1 | -8.3% |
| Curricular/ Extracurricular Activities | 1,701.7 | 1,696.1 | 0.3% |
| General Administration | 1,098.9 | 1,101.5 | -0.2% |
| Plant Maintenance and Operation | 6,409.3 | 6,863.8 | -6.6% |
| Security and Monitoring Services | 67.9 | 53.7 | 26.4% |
| Data Processing Services | 1,031.8 | 1,142.2 | -9.7% |
| Debt Services | 1,609.6 | 1,626.3 | -1.0% |
| Other Intergovernmental Charges | 331.8 | 418.2 | -20.7% |
| Total Expenses | <u>\$ 44,236.9</u> | <u>\$ 47,475.3</u> | <u>-6.8%</u> |
| Increase in Net Position | <u>\$ 4,865.9</u> | <u>\$ 1,133.5</u> | <u>329.3%</u> |

The District's total revenues were \$49,102,818; a significant portion, about 62%, of the District's revenue comes from property taxes and about 14% comes from state funding. (See Figure A-2)

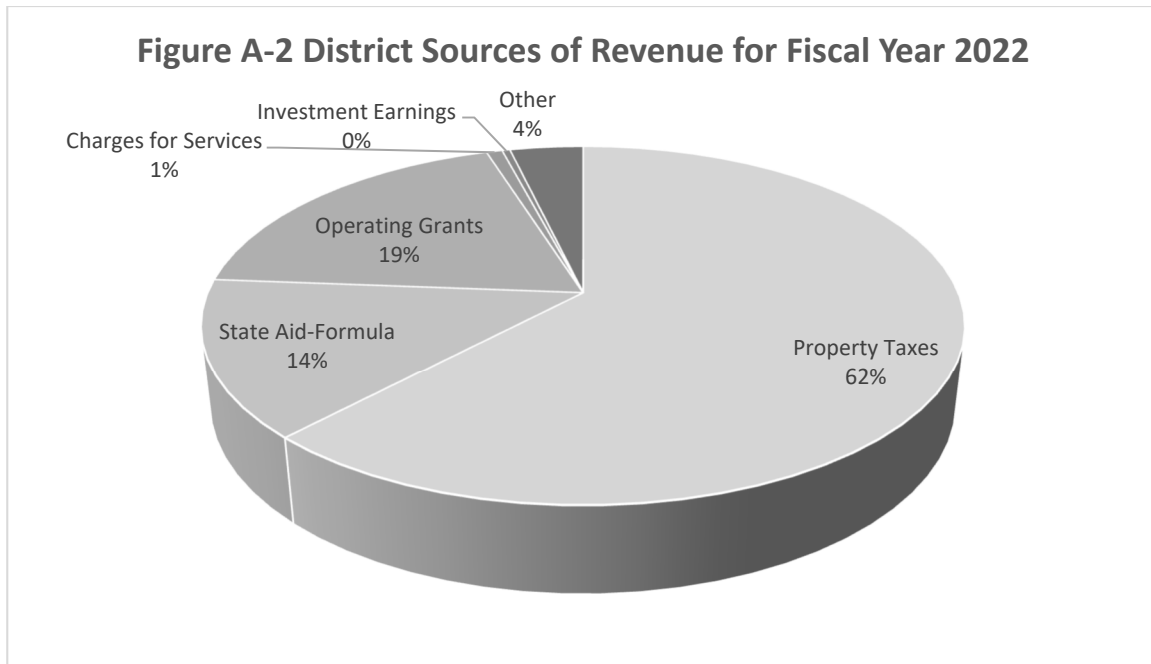


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$44,236,892.
- 49% of these costs are for instructional services.
- Only 69% of these total costs were funded by property taxes.

Table A-3
Net Cost of Selected District Functions
For the Years Ended August 31, 2022 and 2021
(In thousands)

| | Total Cost of Services | | | Net Cost of Services | | |
|--------------------------------|------------------------|-------------|----------|----------------------|-------------|----------|
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Instruction | \$ 21,802.2 | \$ 23,469.8 | -7.1% | \$ 19,563.6 | \$ 19,727.9 | -0.8% |
| School Administration | 1,098.9 | 1,101.5 | -0.2% | 1,071.2 | 1,013.2 | 5.7% |
| Plant Maintenance & Operations | 6,409.3 | 6,863.8 | -6.6% | 4,270.0 | 6,169.8 | -30.8% |
| Food Service | 2,271.4 | 2,477.1 | -8.3% | (706.0) | 37.1 | -2003.0% |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$51,586,518, an increase of 7.3% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. After these adjustments, actual expenditures were \$3,400,616 below final budget amounts.

Resources available were \$1,593,169 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$134,340,676 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$2,085,915 from last year.

Table A-4
Capital Assets
For the Years Ended August 31, 2022 and 2021
(In thousands)

| | Governmental Activities | | Total Percentage |
|--------------------------------|---------------------------|---------------------------|---------------------|
| | 2022 | 2021 | Change 2022-2021 |
| Land | \$ 2,558.9 | \$ 2,558.9 | 0.0% |
| Buildings and Improvements | 120,990.5 | 119,835.7 | 1.0% |
| Equipment and Vehicles | 9,767.8 | 9,679.9 | 0.9% |
| Right of Use Asset | 101.6 | | |
| Construction Work in Progress | 921.9 | | |
| Totals at Historical Cost | <u>\$ 134,340.7</u> | <u>\$ 132,074.5</u> | <u>1.7%</u> |
| Total Accumulated Depreciation | 73,941.4 | 70,346.7 | 5.1% |
| Net Capital Assets | <u><u>\$ 60,399.3</u></u> | <u><u>\$ 61,727.8</u></u> | <u><u>-2.2%</u></u> |

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

Long-Term Debt

At year-end the District had \$39,245,000 in bonds outstanding and \$109,009 in lease liabilities as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
Long-Term Debt
For the Years Ended August 31, 2022 and 2021
(In thousands)

| | Governmental Activities | | Percentage |
|----------------------|-------------------------|--------------------|---------------------|
| | 2022 | 2021 | Change 2022-2021 |
| Bonds Payable | \$ 39,245.0 | \$ 40,895.0 | -4.0% |
| Lease Liability | 109.0 | | |
| Total Long-Term Debt | <u>\$ 39,354.0</u> | <u>\$ 40,895.0</u> | <u>-3.8%</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The property tax valuation used for the 2023 budget preparation is up a total of \$1.088 billion, or 36.5% from 2022, which is reflective of a regional trend. Oil and gas drilling has increased significantly, in addition, to higher oil and gas prices.

Due to the large increase in values, the make-up of the state funding has changed. A district with local revenue in excess of entitlement is subject to the provision of Texas Education Code, Chapter 49. In the past, the District was able to net local excess against foundation payments from the state. The "recapture" payments are now too large to be offset by state funds. As a result, an election was held and passed on November 8, 2022 to allow the District to pay the recapture payment straight to the state. As long as values stay this high and enrollment does not increase, the District anticipates making large recapture payments to the state in the future.

The District's 2023 refined average daily attendance had been trending downward but it is beginning to level off at 3,285. General operating fund spending per student increased in the 2023 budget from \$10,735 to \$13,074, or 22%.

The largest increase in expenditures for 2023 is for roof repairs caused by hailstorms in both 2020 and 2021. The budget for these repairs is \$5.1 million. The District has also dedicated funds for security upgrades totaling \$2.2 million. As discussed above, a budget has been made in the approximate amount of \$3.5 million for the Chapter 49 recapture payment.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease at the close of 2023. However, the District has a healthy fund balance and anticipates future budgets to be economical, but appropriate to the changes in student enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

**STATEMENT OF NET POSITION
AUGUST 31, 2022**

| <u>Data Control Codes</u> | | <u>Primary Government Governmental Activities</u> |
|-----------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|
| | ASSETS AND OTHER DEBITS: | |
| 1110 | Cash and Temporary Investments | \$ 35,273,310 |
| 1220 | Property Taxes - Delinquent | 2,675,447 |
| 1230 | Allowance for Uncollectible Taxes | (116,947) |
| 1240 | Due from Other Governments | 2,947,436 |
| 1267 | Due from Fiduciary Funds | 61,718 |
| 1290 | Other Receivables | 2,400 |
| 1490 | Other Current Assets | 18,711 |
| | Capital Assets: | |
| 1510 | Land | 2,558,889 |
| 1520 | Buildings, Net | 54,098,972 |
| 1530 | Vehicles and Equipment, Net | 2,717,991 |
| 1570 | Right of Use Asset, Net | 101,567 |
| 1580 | Construction Work in Progress | 921,851 |
| 1000 | Total Assets | \$ <u>101,261,345</u> |
| | DEFERRED OUTFLOWS OF RESOURCES: | |
| 1702 | Unamortized Loss on Refunding of Debt | \$ 1,675,163 |
| 1705 | Deferred Outflows of Resources Related to Pension Liability | 3,110,013 |
| 1706 | Deferred Outflows of Resources Related to OPEB Liability | 1,970,828 |
| | Total Deferred Outflows of Resources | \$ <u>6,756,004</u> |
| | LIABILITIES: | |
| 2110 | Accounts Payable | \$ 415,852 |
| 2140 | Accrued Interest Payable | 35,078 |
| 2150 | Payroll Deductions and Withholdings | 368,455 |
| 2160 | Accrued Wages Payable | 1,608,449 |
| 2200 | Accrued Expenditures/Expenses | 31,804 |
| 2300 | Unearned Revenue | 2,553,333 |
| | Noncurrent Liabilities: | |
| 2501 | Due Within One Year | 1,532,141 |
| 2502 | Due in More Than One Year | 37,821,868 |
| 2516 | Unamortized Bond Premium | 3,891,546 |
| 2540 | Net Pension Liability | 4,858,090 |
| 2545 | Net OPEB Liability | 10,750,161 |
| 2000 | Total Liabilities | \$ <u>63,866,777</u> |
| | DEFERRED INFLOWS OF RESOURCES: | |
| 2605 | Deferred Inflows of Resources Related to Pension Liability | \$ 6,079,641 |
| 2606 | Deferred Inflows of Resources Related to OPEB Liability | 8,214,129 |
| | Total Deferred Inflows of Resources | \$ <u>14,293,770</u> |
| | NET POSITION: | |
| 3200 | Net Investment in Capital Assets | \$ 18,793,800 |
| 3850 | Restricted for Debt Service | 4,335,727 |
| 3890 | Restricted for Other Purposes | 1,374,397 |
| 3900 | Unrestricted Net Position | 5,352,878 |
| 3000 | Total Net Position | \$ <u><u>29,856,802</u></u> |

The accompanying notes are an integral part of these financial statements.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022**

| Data Control Codes | 1 | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | |
|--------------------|-----------------------------------------------|----------------------|------------------------------------|-------------------------------------------------|------------------------|
| | | Expenses | 3 | 4 | 6 |
| | | Charges for Services | Operating Grants and Contributions | Total Governmental Activities | |
| 11 | Instruction | \$ 21,802,176 | \$ 81,357 | \$ 2,157,183 | \$ (19,563,636) |
| 12 | Instructional Resources and Media Services | 357,261 | | 16,970 | (340,291) |
| 13 | Curriculum and Staff Development | 1,059,008 | | 863,554 | (195,454) |
| 21 | Instructional Leadership | 677,900 | | 295,562 | (382,338) |
| 23 | School Leadership | 2,653,635 | | 14,592 | (2,639,043) |
| 31 | Guidance, Counseling, and Evaluation Services | 1,593,563 | | 651,947 | (941,616) |
| 32 | Social Work Services | 63,838 | | 12,836 | (51,002) |
| 33 | Health Services | 341,764 | | 26,063 | (315,701) |
| 34 | Student Transportation | 1,165,303 | | 40,683 | (1,124,620) |
| 35 | Food Services | 2,271,390 | 111,670 | 2,865,728 | 706,008 |
| 36 | Extracurricular Activities | 1,701,694 | 180,366 | 49,624 | (1,471,704) |
| 41 | General Administration | 1,098,921 | | 27,678 | (1,071,243) |
| 51 | Plant Maintenance and Operations | 6,409,319 | 17,049 | 2,122,284 | (4,269,986) |
| 52 | Security and Monitoring Services | 67,882 | | 34,708 | (33,174) |
| 53 | Data Processing Services | 1,031,829 | | 55,620 | (976,209) |
| 72 | Debt Service - Interest | 1,607,975 | | 47,417 | (1,560,558) |
| 73 | Debt Service - Fees | 1,653 | | | (1,653) |
| 99 | Other Intergovernmental Charges | 331,781 | | | (331,781) |
| TP | Total Primary Government | \$ <u>44,236,892</u> | \$ <u>390,442</u> | \$ <u>9,282,449</u> | \$ <u>(34,564,001)</u> |

Data Control Codes

General Revenues:

| | | |
|----|------------------------------------------------------|----------------------|
| MT | Property Taxes, Levied for General Purposes | \$ 26,688,112 |
| DT | Property Taxes, Levied for Debt Service | 3,791,803 |
| SF | State Aid - Formula Grants | 6,950,881 |
| IE | Investment Earnings | 179,380 |
| MI | Miscellaneous Local and Intermediate Revenue | <u>1,819,751</u> |
| TR | Total General Revenues, Special Items, and Transfers | \$ <u>39,429,927</u> |
| CN | Change in Net Position | \$ 4,865,926 |
| NB | Net Position - Beginning | <u>24,990,876</u> |
| NE | Net Position - Ending | \$ <u>29,856,802</u> |

The accompanying notes are an integral part of these financial statements.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022**

| Data Control Codes | | Major Funds | | Non-Major Governmental Funds | 98 Total Governmental Funds |
|---------------------------------------|-------------------------------------------------------------------|----------------------|----------------------|------------------------------|-----------------------------|
| | | 10 General Fund | 50 Debt Service Fund | | |
| ASSETS AND OTHER DEBITS: | | | | | |
| 1110 | Cash and Temporary Investments | \$ 29,859,660 | \$ 3,963,119 | \$ 1,450,531 | \$ 35,273,310 |
| 1220 | Property Taxes - Delinquent | 2,289,439 | 386,008 | | 2,675,447 |
| 1230 | Allowance for Uncollectible Taxes | (103,547) | (13,400) | | (116,947) |
| 1240 | Due from Other Governments | 121,504 | | 2,825,932 | 2,947,436 |
| 1260 | Due from Other Funds | 2,310,037 | | | 2,310,037 |
| 1290 | Other Receivables | 2,400 | | | 2,400 |
| 1490 | Other Current Assets | 18,711 | | | 18,711 |
| 1000 | Total Assets | <u>\$ 34,498,204</u> | <u>\$ 4,335,727</u> | <u>\$ 4,276,463</u> | <u>\$ 43,110,394</u> |
| LIABILITIES: | | | | | |
| 2110 | Accounts Payable | \$ 84,016 | \$ | \$ 331,836 | \$ 415,852 |
| 2150 | Payroll Deductions and Withholdings | 368,455 | | | 368,455 |
| 2160 | Accrued Wages Payable | 1,455,383 | | 153,066 | 1,608,449 |
| 2170 | Due to Other Funds | 4,526 | | 2,243,793 | 2,248,319 |
| 2200 | Accrued Expenditures/Expenses | 29,251 | | 2,553 | 31,804 |
| 2300 | Unearned Revenues | 2,549,359 | | 3,974 | 2,553,333 |
| 2000 | Total Liabilities | <u>\$ 4,490,990</u> | <u>\$ 0</u> | <u>\$ 2,735,222</u> | <u>\$ 7,226,212</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| 2601 | Unavailable Revenue - Property Taxes | \$ 2,185,892 | \$ 372,608 | \$ | \$ 2,558,500 |
| 2600 | Total Deferred Inflows | <u>\$ 2,185,892</u> | <u>\$ 372,608</u> | <u>\$ 0</u> | <u>\$ 2,558,500</u> |
| FUND BALANCES: | | | | | |
| Restricted for: | | | | | |
| 3480 | Retirement of Long-Term Debt | \$ | \$ 3,963,119 | \$ | \$ 3,963,119 |
| 3490 | Other | | | 1,374,397 | 1,374,397 |
| Committed for: | | | | | |
| 3510 | Construction | 3,500,000 | | | 3,500,000 |
| Assigned for: | | | | | |
| 3590 | Campus Activity Funds | | | 166,844 | 166,844 |
| 3600 | Unassigned | 24,321,322 | | | 24,321,322 |
| 3000 | Total Fund Balances | <u>\$ 27,821,322</u> | <u>\$ 3,963,119</u> | <u>\$ 1,541,241</u> | <u>\$ 33,325,682</u> |
| 4000 | Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 34,498,204</u> | <u>\$ 4,335,727</u> | <u>\$ 4,276,463</u> | <u>\$ 43,110,394</u> |

The accompanying notes are an integral part of these financial statements.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
AUGUST 31, 2022**

Data
Control
Codes

| | | |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| | Total Fund Balances - Governmental Funds (Exhibit C-1) | \$ 33,325,682 |
| 1 | General capital assets are not financial resources and are not reported in the fund financial statements. This amount is the cost, net of accumulated depreciation, of the District's general capital assets. | 60,399,270 |
| 2 | Long-term liabilities (e.g., bonds, capital leases, etc.), including premiums on related debt and gains and losses on debt refunding, do not require current financial resources and are not reported in the funds. This amount is the District's total long-term liabilities. | (41,570,392) |
| 3 | A liability for accrued interest on long-term debt is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including this liability is to decrease net position. | (35,078) |
| 4 | Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB 68, a deferred resource inflow, and a deferred resource outflow. This amounted to a decrease in net position. | (7,827,718) |
| 5 | Included in the items related to debt is the recognition of the District's proportionate share of the net post employment obligation liabilities required by GASB 75, a deferred resource inflow, and a deferred resource outflow. This amounted to a decrease in net position. | (16,993,462) |
| 6 | Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position. | <u>2,558,500</u> |
| 19 | Total Net Position of Governmental Activities (Exhibit A-1) | \$ <u><u>29,856,802</u></u> |

The accompanying notes are an integral part of these financial statements.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022**

| Data Control Codes | Major Funds | | Non-Major Governmental Funds | 98 Total Governmental Funds | |
|----------------------------------------|----------------------------------------------------|----------------------|------------------------------|-----------------------------|----------------------|
| | 10 General Fund | 50 Debt Service Fund | | | |
| Revenues: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 28,687,132 | \$ 3,813,586 | \$ 217,426 | \$ 32,718,144 |
| 5800 | State Program Revenues | 8,869,157 | 47,417 | 172,678 | 9,089,252 |
| 5900 | Federal Program Revenues | 858,484 | | 8,920,638 | 9,779,122 |
| 5020 | Total Revenues | <u>\$ 38,414,773</u> | <u>\$ 3,861,003</u> | <u>\$ 9,310,742</u> | <u>\$ 51,586,518</u> |
| Expenditures: | | | | | |
| 0011 | Instruction | \$ 20,019,516 | \$ | \$ 2,127,503 | \$ 22,147,019 |
| 0012 | Instructional Resources and Media Services | 382,965 | | 10,852 | 393,817 |
| 0013 | Curriculum and Staff Development | 141,017 | | 891,638 | 1,032,655 |
| 0021 | Instructional Leadership | 461,225 | | 329,461 | 790,686 |
| 0023 | School Leadership | 2,739,170 | | 30,531 | 2,769,701 |
| 0031 | Guidance, Counseling, and Evaluation Services | 951,506 | | 713,264 | 1,664,770 |
| 0032 | Social Work Services | 58,211 | | 12,844 | 71,055 |
| 0033 | Health Services | 365,787 | | 23,061 | 388,848 |
| 0034 | Student Transportation | 1,142,960 | | 9,377 | 1,152,337 |
| 0035 | Food Services | | | 2,159,226 | 2,159,226 |
| 0036 | Extracurricular Activities | 1,565,887 | | 110,021 | 1,675,908 |
| 0041 | General Administration | 1,115,649 | | 6,087 | 1,121,736 |
| 0051 | Plant Maintenance and Operations | 4,694,375 | | 1,699,166 | 6,393,541 |
| 0052 | Security and Monitoring Services | 484,995 | | 1,014 | 486,009 |
| 0053 | Data Processing Services | 1,037,423 | | 20,511 | 1,057,934 |
| 0071 | Debt Service - Principal | 89,692 | 1,650,000 | 125 | 1,739,817 |
| 0072 | Debt Service - Interest | 3,131 | 1,789,650 | 4 | 1,792,785 |
| 0073 | Debt Service - Fees | | 1,653 | | 1,653 |
| 0081 | Facilities Acquisition and Construction | 1,209,854 | | 339,439 | 1,549,293 |
| 0099 | Other Intergovernmental Charges | 331,781 | | | 331,781 |
| 6030 | Total Expenditures | <u>\$ 36,795,144</u> | <u>\$ 3,441,303</u> | <u>\$ 8,484,124</u> | <u>\$ 48,720,571</u> |
| 1100 | Excess (Deficiency) of Revenues Under Expenditures | <u>\$ 1,619,629</u> | <u>\$ 419,700</u> | <u>\$ 826,618</u> | <u>\$ 2,865,947</u> |
| Other Financing Sources (Uses): | | | | | |
| 7913 | Lease Proceeds | \$ 18,567 | \$ | \$ | \$ 18,567 |
| 7080 | Total Other Financing Sources | <u>\$ 18,567</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 18,567</u> |
| 1200 | Net Change in Fund Balance | \$ 1,638,196 | \$ 419,700 | \$ 826,618 | \$ 2,884,514 |
| 0100 | September 1 - Fund Balance | <u>26,183,126</u> | <u>3,543,419</u> | <u>714,623</u> | <u>30,441,168</u> |
| 3000 | August 31 - Fund Balance | <u>\$ 27,821,322</u> | <u>\$ 3,963,119</u> | <u>\$ 1,541,241</u> | <u>\$ 33,325,682</u> |

The accompanying notes are an integral part of these financial statements.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022**

Net Change in Fund Balance - Total Governmental Funds (Exhibit C-3) \$ 2,884,514

Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (1,403,929)

The net loss on retirement of capital items is recognized on the government-wide financial statements. The effect of recognizing the current year net loss is a decrease in net position. (7,550)

Property Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 151,344

A liability for accrued interest on long-term debt is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including the change in this liability is to increase the change in net position. 1,696

Repayment of the bonds and other long-term debt principal of \$1,650,000 are expenditures in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This amount of repayments, plus amortization bond premiums net of amortization of loss on refunding of \$183,114 increases the change in net position. 1,833,114

The District entered into new leases during the year. These are reported as other financing sources in the governmental funds, but increase the lease liability in the government-wide financial statements. The amount of the new lease decreases net position. (18,567)

Repayment of the leases are expenditures in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Right of use assets, recognized in government-wide financial statements are amortized straight-line over the term of the lease. This amount by which amortization exceeded lease repayments decreases the (7,442)

GASB 68 and 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2021 are recognized as deferred outflows. The District's share of the unrecognized deferred inflows and outflows as of the measurement date had to be amortized. The impact of these transactions is to decrease the change in net position. 1,432,746

Change in Net Position of Governmental Activities (Exhibit B-1) \$ 4,865,926

The accompanying notes are an integral part of these financial statements.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022**

| | <u>Custodial Funds</u> |
|--------------------------------|----------------------------|
| ASSETS: | |
| Cash and Temporary Investments | \$ <u>317,022</u> |
| Total Assets | \$ <u>317,022</u> |
| LIABILITIES: | |
| Due to Other Funds | \$ 61,718 |
| Due to Other Governments | <u>21,424</u> |
| Total Liabilities | \$ <u>83,142</u> |
| NET POSITION: | |
| Unrestricted Net Position | \$ <u><u>233,880</u></u> |

The accompanying notes are an integral part of these financial statements.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022**

| | <u>Custodial Funds</u> |
|----------------------------------------|----------------------------|
| ADDITIONS: | |
| Other Revenues | \$ <u>307,801</u> |
| Total Additions | \$ <u>307,801</u> |
| DEDUCTIONS | |
| Student Activities | \$ <u>292,372</u> |
| Total Deductions | \$ <u>292,372</u> |
| Change in Net Position | \$ 15,429 |
| Net Position - September 1 (Beginning) | <u>218,451</u> |
| Net Position - August 31 (Ending) | <u><u>\$ 233,880</u></u> |

The accompanying notes are an integral part of these financial statements.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Big Spring Independent School District's (the District) is a public education 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 promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The District also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of School Trustees (the Board), a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (the Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

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

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District currently has no business-type activities.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or statement of net position. Bond premiums are deferred and amortized over the life of the bonds. Bond issue costs are expensed when paid.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

These government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "Operating Grants and Contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide statement of activities. All other interfund activity is eliminated.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

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 within 60 days of the end of the current fiscal period.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after August 31, 2022. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

In the fund financial statements, governmental fund types recognize bond issue costs in the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Premiums and discounts on bonds issued, as well as applicable gain or loss on refinancing of bonds, are recognized on the statement of net position and amortized over the life of the applicable bonds.

The fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless the pronouncements conflict or contradict GASB pronouncements.

GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and unassigned fund balances are considered resources available for current operations.

Debt Service Fund – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

Additionally, the government reports the following governmental fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specified project periods.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The food service fund is the only required budgeted special revenue fund and historically operates at a deficit that is funded by an operating transfer from the general fund. The District's food service is considered a special revenue fund since the general fund only subsidizes the food service program for all expenditures in excess of National School Lunch Program (NSLP) and user fees. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

FIDUCIARY FUND TYPES

Custodial Funds – These custodial funds are used to account for activities of student groups and other organizational activities. Student activity organizations exist with the explicit approval of, and are subject to revocation by the District's Board of School Trustees. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and construction in progress are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as unearned revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund, debt service fund, and the food service special revenue fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and they are reflected in the official minutes of the Board. During the year, several amendments were necessary.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2022.

F. FUND EQUITY

The District has adopted GASB Statement 54, which defines how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of School Trustees, the highest level of decision making authority.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Assigned – Amounts that can be used only for specific purposes determined by an individual authorized to do so by the Board of School Trustees.

Unassigned – Amounts not included in other spendable classifications.

The Board of School Trustees has adopted a minimum fund balance policy for the general fund. The policy requires the unassigned fund balance at fiscal year-end to be at least 10% of the current fiscal expenditures less capital outlay and transfers out budgeted for the fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure 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 has provided otherwise in its commitment or assignment actions.

G. NET POSITION ON THE STATEMENT OF NET POSITION

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

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds that 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.

Restricted for Other – this component of net position represents the difference between assets and liabilities of other special revenue funds that consist of constraints placed on their use by granting agencies.

Unrestricted – the difference between assets and liabilities that is not reported in Net Position Net Investment in Capital Assets, Net Position Restricted for Capital Projects, and Net Position Restricted for Debt Service.

H. PENSIONS

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The fiduciary net position of the 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 post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

J. MANAGEMENT'S USE OF ESTIMATES

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

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) (the Act) 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 and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A", (4) no load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated not lower than "AA-" or the equivalent, (8) public investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. 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.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits 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 or 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 and investments in certificates of deposit are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. 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. At August 31, 2022, all of the District's investments are in an investment pool and mutual funds.
- c. Credit Risk – The risk that an issuer of 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, 2022, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2022, approximates fair value and consisted of the following shown below:

| | <u>Amount</u> | <u>Percent</u> | Maturity in <u>Less than 1 Year</u> | <u>Credit Rating</u> |
|-------------------------------------|----------------------|----------------|--------------------------------------------|--------------------------|
| Cash on Hand | \$ 12,450 | 0.0% | \$ 12,450 | N/A |
| Cash in Bank | 1,914,581 | 5.4% | 1,914,581 | N/A |
| Lone Star Investment Pool | <u>33,663,301</u> | <u>94.6%</u> | <u>33,663,301</u> | AAAm |
| | <u>\$ 35,590,332</u> | <u>100.0%</u> | <u>\$ 35,590,332</u> | |
| Statement of Net Position | \$ 35,273,310 | | | |
| Statement of Fiduciary Net Position | <u>317,022</u> | | | |
| | <u>\$ 35,590,332</u> | | | |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investment in Pools are 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 2a7 of the Investment Company Act of 1940.

3. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due 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.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. All property taxes remaining uncollected after ten years are provided for in the allowance for uncollectible taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

4. RECEIVABLE FROM OTHER GOVERNMENTS

The amount due from other governments consisted of the following:

| | General Fund | Special Revenue Funds | Total |
|-------------------------------------|-------------------|-----------------------------|---------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| State Foundation Revenue Receivable | \$ 94,779 | \$ | \$ 94,779 |
| Grant Funds Receivable | <u>26,725</u> | <u>2,825,932</u> | <u>2,852,657</u> |
| Total Due from Other Governments | <u>\$ 121,504</u> | <u>\$ 2,825,932</u> | <u>\$ 2,947,436</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2022, consisted of the following individual fund receivables and payables:

| | <u>Due From Other Funds</u> | <u>Due to Other Funds</u> |
|-----------------------|---------------------------------|-------------------------------|
| General Fund | | |
| Special Revenue Funds | \$ 2,248,319 | \$ 4,526 |
| Custodial Funds | 61,718 | |
| Special Revenue Funds | | |
| General Fund | | 2,243,793 |
| Agency Funds | | |
| General Fund | | 61,718 |
| | <u>\$ 2,310,037</u> | <u>\$ 2,310,037</u> |

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2022, was as follows:

| | <u>9/1/2021</u> | <u>Additions</u> | <u>Retirements</u> | <u>Amortization</u> | <u>8/31/2022</u> |
|-----------------------------------|-----------------------|-----------------------|--------------------|---------------------|-----------------------|
| Capital Assets: | | | | | |
| Land | \$ 2,558,889 | \$ | \$ | \$ | \$ 2,558,889 |
| Building | 119,835,734 | 1,154,846 | | | 120,990,580 |
| Equipment/Vehicles | 9,679,879 | 114,557 | 26,647 | | 9,767,789 |
| Right of Use Asset | 180,259 | 18,567 | | (97,259) | 101,567 |
| Construction Work in Progress | | 921,851 | | | 921,851 |
| | <u>\$ 132,254,761</u> | <u>\$ 2,209,821</u> | <u>\$ 26,647</u> | <u>\$ (97,259)</u> | <u>\$ 134,340,676</u> |
| Accumulated Depreciation: | | | | | |
| Buildings | \$ 63,828,357 | \$ 3,063,251 | \$ | \$ | \$ 66,891,608 |
| Equipment/Vehicles | 6,518,396 | 550,499 | 19,097 | | 7,049,798 |
| | <u>\$ 70,346,753</u> | <u>\$ 3,613,750</u> | <u>\$ 19,097</u> | <u>\$ 0</u> | <u>\$ 73,941,406</u> |
| Total Net Value of Capital Assets | <u>\$ 61,908,008</u> | <u>\$ (1,403,929)</u> | <u>\$ 7,550</u> | <u>\$ (97,259)</u> | <u>\$ 60,399,270</u> |

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

| | |
|----------------------------|---------------|
| Buildings and Improvements | 15 - 50 years |
| Furniture and Equipment | 3 - 15 years |

During the year ended August 31, 2022, the District adopted GASB Statement 87 (GASB 87) for Leases. As a result the District was required to record the unamortized portion of right of use assets and outstanding lease liabilities as of August 30, 2021. The right of use asset is included with fixed assets and is being accounted for net of amortization. Amortization expense was recognized in the Instruction function in fiscal year 2022.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Depreciation expense were allocated by function as follows:

| | <u>Depreciation</u> | <u>Net Loss</u> |
|----------------------------------|---------------------|-----------------|
| Instruction | \$ 1,942,682 | \$ 4,058 |
| Curriculum and Instruction | 90,894 | 190 |
| School Leadership | 243,788 | 509 |
| Guidance, Counseling | 146,532 | 306 |
| Student Transportation | 101,428 | 212 |
| Food Service | 190,044 | 397 |
| Extracurricular Activities | 143,967 | 301 |
| General Administration | 98,601 | 206 |
| Plant Maintenance and Operations | 562,695 | 1,176 |
| Data Processing Services | 93,119 | 195 |
| | <u>\$ 3,613,750</u> | <u>\$ 7,550</u> |

7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Inflows and Outflows on the Statement on Net Position consist of the following:

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|-------------------------------|------------------------------|-----------------------------|
| Pension Related (See Note 12) | \$ 3,110,013 | \$ 6,079,641 |
| OPEB Related (See Note 13) | 1,970,828 | 8,214,129 |
| Unamortized Loss (See Note 9) | 1,675,163 | |
| Deferred Outflows/Inflows | <u>\$ 6,756,004</u> | <u>\$ 14,293,770</u> |

Deferred Inflows on the Balance Sheet – Governmental Funds consist of the following:

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|-----------------------------------------|-------------------------|----------------------------------|
| Property Taxes - Delinquent | \$ 2,289,439 | \$ 386,008 |
| Less: Allowance for Uncollectible Taxes | 103,547 | 13,400 |
| Total Unavailable Tax Revenues | <u>\$ 2,185,892</u> | <u>\$ 372,608</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

8. UNEARNED REVENUE

Unearned revenue consists of the following:

| | General Fund | Special Revenue Fund | Totals |
|----------------------------------------------|---------------------|-------------------------|---------------------|
| State Foundation Overpayment | \$ 2,549,359 | \$ | \$ 2,549,359 |
| Unearned Grant Proceeds | | 3,974 | 3,974 |
| Total Unearned Revenue (Exhibit A-1 and C-1) | <u>\$ 2,549,359</u> | <u>\$ 3,974</u> | <u>\$ 2,553,333</u> |

9. LONG-TERM LIABILITIES

A summary of long-term liabilities as of August 31, 2022, is as follows:

| Description | Interest Rates | Amounts Originally Issued | Current Year Interest Expense | Due Within 1 Year |
|----------------------|-------------------|---------------------------------|-------------------------------------|----------------------|
| 2017 Refunding Bonds | 3.15% | \$ 46,715,000 | \$ 1,789,650 | \$ 1,440,000 |
| Lease Liability | | | \$ 3,134 | \$ 92,141 |
| | | <u>\$ 46,715,000</u> | <u>\$ 1,792,784</u> | <u>\$ 1,532,141</u> |

A summary of changes in long-term liabilities for the year ended August 31, 2022, is as follows:

| Description | Amount Outstanding 9/1/2021 | Increases Current Year | Retired Current Year | Amount Outstanding 8/31/2022 |
|------------------------------|-----------------------------------|------------------------------|----------------------------|------------------------------------|
| 2017 Refunding Bonds | \$ 40,895,000 | \$ | \$ (1,650,000) | \$ 39,245,000 |
| Lease Liability | 180,259 | 18,567 | (89,817) | 109,009 |
| Total Current Interest Bonds | <u>\$ 41,075,259</u> | <u>\$ 18,567</u> | <u>\$ (1,739,817)</u> | <u>\$ 39,354,009</u> |

In September 2017, the District issued \$46,715,000 in unlimited tax refunding bonds with an average interest rate of 3.15% to refund \$47,545,000 of 2010 unlimited tax building bonds with an average interest rate of 4.685%. The net proceeds of \$52,126,900 were deposited in escrow to be used to advance refund the majority of the outstanding 2010 bonds. The result caused a loss on refunding to be recognized on the statement of net position and amortized over the life of the new debt. The balance of this unamortized loss at August 31, 2022 is \$1,675,163.

As of August 31, 2022, the District has \$3,891,546 in unamortized bond premiums.

During the year ended August 31, 2022, the District adopted GASB 87 for Leases. As a result the District was required to record the unamortized portion of right of use assets and outstanding lease liabilities as of August 31, 2021. These lease liabilities are attributable to copiers and a postage machine. None of the lease agreements have interest rates listed in the lease agreements. A discount rate of 2% was used for the calculation of net present value of lease liabilities.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Scheduled debt service requirements are as follows:

| Bonds Payable | | | |
|----------------------------------|----------------------|----------------------|----------------------|
| Fiscal Year Ending August 31, | Principal | Interest | Total |
| 2023 | \$ 1,440,000 | \$ 1,707,150 | \$ 3,147,150 |
| 2024 | 1,510,000 | 1,635,150 | 3,145,150 |
| 2025 | 1,585,000 | 1,559,650 | 3,144,650 |
| 2026 | 1,665,000 | 1,480,400 | 3,145,400 |
| 2027 | 1,750,000 | 1,397,150 | 3,147,150 |
| 2028-2032 | 10,120,000 | 5,605,000 | 15,725,000 |
| 2033-2037 | 12,450,000 | 3,278,000 | 15,728,000 |
| 2038-2041 | 8,725,000 | 707,200 | 9,432,200 |
| | <u>\$ 39,245,000</u> | <u>\$ 17,369,700</u> | <u>\$ 56,614,700</u> |

| Lease Liability | | | |
|----------------------------------|-------------------|-----------------|-------------------|
| Fiscal Year Ending August 31, | Principal | Interest | Total |
| 2023 | \$ 92,141 | \$ 1,342 | \$ 93,483 |
| 2024 | 11,568 | 237 | 11,805 |
| 2025 | 5,301 | 53 | 5,354 |
| | <u>\$ 109,010</u> | <u>\$ 1,632</u> | <u>\$ 110,642</u> |

10. GENERAL FUND FEDERAL SOURCE REVENUES

Federal revenues recognized in the General Fund consist of \$858,484 in SHARS reimbursements.

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

| | General Fund | Debt Service Fund | Special Revenue Fund | Total |
|----------------------------------------------------------------------|----------------------|----------------------|-------------------------|----------------------|
| Property Taxes, Penalties, Interest, and Other Tax-Related Income | \$ 26,536,584 | \$ 3,791,987 | \$ | \$ 30,328,571 |
| Food Sales | | | 111,670 | 111,670 |
| Interest Income | 156,822 | 21,599 | 959 | 179,380 |
| Co-Curricular Student Activities | 75,569 | | 104,797 | 180,366 |
| Tuition and Fees | 81,357 | | | 81,357 |
| Proceeds from 313 Agreement | 219,947 | | | 219,947 |
| Insurance Proceeds | 877,818 | | | 877,818 |
| Mineral Interest | 356,779 | | | 356,779 |
| Other | 382,256 | | | 382,256 |
| | <u>\$ 28,687,132</u> | <u>\$ 3,813,586</u> | <u>\$ 217,426</u> | <u>\$ 32,718,144</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

12. DEFINED BENEFIT PENSION PLAN

Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2021 and 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2021 and 2020:

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

Benefits Provided

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS's 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.

State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. The pension became actuarially sound in May 2019 with the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provided gradual contribution increases from the state, participating employers, and active employees for the fiscal years 2020 through 2025.

Contributions

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

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

The following tables show contributions to the TRS plan by type of contributor:

| | Contribution Rates | |
|------------------------------------------|--------------------|-----------|
| | 2021 | 2022 |
| Member | 7.70% | 8.00% |
| Non-Employer Contributing Entity (State) | 7.50% | 7.75% |
| Employers | 7.50% | 7.50% |
| 2022 Employer Contributions | \$ | 915,981 |
| 2022 Member Contributions | | 2,021,146 |
| 2021 NECE On-Behalf Contributions | | 1,419,076 |

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. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025. The surcharge for fiscal year 2022 is 1.7%.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

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

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

| | |
|----------------------------------------------|----------------------------------------------------|
| Valuation Date | August 31, 2020, rolled forward to August 31, 2021 |
| Actuarial Cost Method | Individual Entry Age - Normal |
| Asset Valuation Method | Market Value |
| Discount Rate | 7.25% |
| Long-Term Expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate at August 31, 2018 | 1.95%* |
| Last year ending August 31 in Projection | |
| Period (100 years) | 2120 |
| Inflation | 2.30% |
| Salary Increases Including Inflation | 3.05% to 9.05% including inflation |
| Ad hoc Post-Employment Benefit Changes | None |

* - 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."

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 are summarized below:

| Asset Class* | Target Allocation %** | Long-Term Expected Arithmetic Real Rate of Return*** | Expected Contribution to Long-Term Portfolio Returns |
|-----------------------------------------------|-----------------------|------------------------------------------------------|------------------------------------------------------|
| Global Equity | | | |
| USA | 18.00% | 3.60% | 0.94% |
| Non-U.S. Developed | 13.00% | 4.40% | 0.83% |
| Emerging Markets | 9.00% | 4.60% | 0.74% |
| Private Equity | 14.00% | 6.30% | 1.36% |
| Stable Value | | | |
| Government Bonds | 16.00% | 0.02% | 0.01% |
| Absolute Return | | 1.10% | |
| Stable Value Hedge Funds | 5.00% | 2.20% | 0.12% |
| Real Return | | | |
| Real Estate | 15.00% | 4.50% | 1.00% |
| Energy, Natural Resources, and Infrastructure | 6.00% | 4.70% | 0.35% |
| Commodities | | 1.70% | |
| Risk Parity | 8.00% | 2.80% | 0.28% |
| Asset Allocation Leverage Cash | | | |
| Cash | 2.00% | -0.70% | -0.01% |
| Asset Allocation Leverage | -6.00% | -0.50% | 0.03% |
| Inflation Expectation | | | 2.20% |
| Volatility Drag**** | | | -0.95% |
| Total | 100.00% | | 6.90% |

* - Absolute Return includes Credit Sensitive Investments

** - Target allocations are based on the FY 2021 policy model

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

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

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|-------------------------------------------------------------|--------------------------------------------|--------------------------|--------------------------------------------|
| District's Proportionate Share of the Net Pension Liability | \$ 10,615,698 | \$ 4,858,090 | \$ 186,922 |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Pension Liabilities and Pension Expense

At August 31, 2022, the District reported a liability of \$4,858,090 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 amounts 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 | \$ | 4,858,090 |
| State's Proportionate Share that is Associated with the District | | <u>8,468,434</u> |
| Total | \$ | <u><u>13,326,524</u></u> |

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

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.019076% which was an increase of 0.000676% from its proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the District recognized pension expense of \$33,856 and revenue of \$1,419,076 for support provided by the State in the government-wide statement of activities.

Changes since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 8,130 | \$ 342,013 |
| Changes in Actuarial Assumptions | 1,717,240 | 748,569 |
| Difference Between Projected and Actual Investment Earnings | | 4,073,446 |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | 468,662 | 915,613 |
| Contributions Paid to TRS Subsequent to the Measurement Date | <u>915,981</u> | |
| Total | <u><u>\$ 3,110,013</u></u> | <u><u>\$ 6,079,641</u></u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

| | Pension Expense Amount |
|------------|---------------------------|
| 2023 | \$ (849,772) |
| 2024 | (782,508) |
| 2025 | (1,013,057) |
| 2026 | (1,238,043) |
| 2027 | (8,328) |
| Thereafter | 6,099 |

13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

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

Other Post-Employment Benefit Plan Fiduciary Net Position

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2021 and 2020 are as follows:

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Benefits Provided

TRS-Care provides health insurance coverage at no cost to all retirees from public schools and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

The premium rates for retirees are presented below:

| TRS-Care Plan Premium Rates | | |
|------------------------------------------|----------|--------------|
| | Medicare | Non-Medicare |
| Retiree or Surviving Spouse | \$ 135 | \$ 200 |
| Retiree and Spouse | 529 | 689 |
| Retiree or Surviving Spouse and Children | 468 | 408 |
| Retiree and Family | 1,020 | 999 |

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer 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.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The following tables show contributions to the TRS-Care plan by type of contributor:

| | Contribution Rates | |
|-----------------------------------------------|--------------------|---------|
| | 2021 | 2022 |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/Private Funding Remitted by Employers | 1.25% | 1.25% |
| 2022 Employer Contributions | \$ | 228,160 |
| 2022 Member Contributions | | 163,823 |
| 2021 NECE On-Behalf Contributions | | 291,692 |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding for both years was in fiscal year 2021.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. 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 demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

| | |
|----------------------|-------------------------------|
| Rates of Mortality | Rates of Disability Incidence |
| Rates of Retirement | General Inflation |
| Rates of Termination | Wage Inflation |

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Additional Actuarial Methods and Assumptions:

| | |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | August 31, 2020 rolled forward to August 31, 2021 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 1.95% as of August 31, 2021 |
| Aging Factors | Based on Plan Specific Experience |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65, 25% of pre-65 retirees are assumed to discontinue coverage |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs |
| Projected Salary Increases | 3.05% to 9.05%, including inflation |
| Ad Hoc Post-Employment Benefit Changes | None |

The initial medical trend rates were 8.5% for Medicare retirees and 7.1% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.5% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

Discount Rate

A single discount rate of 1.95% was used to measure the Total OPEB Liability. There was a decrease of .38% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% point lower and 1% point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

| | 1% Decrease in Discount Rate (0.95%) | Discount Rate (1.95%) | 1% Increase in Discount Rate (2.95%) |
|-------------------------------------------------------------|--------------------------------------------|--------------------------|--------------------------------------------|
| District's Proportionate Share of the Net OPEB Liability | \$ <u>12,967,172</u> | \$ <u>10,750,161</u> | \$ <u>9,005,302</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% point lower or 1% point higher than the assumed healthcare cost trend rate.

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|-------------------------------------------------------------|---------------------|---------------------------------------|----------------------|
| District's Proportionate Share of the Net OPEB Liability | \$ <u>8,707,275</u> | \$ <u>10,750,161</u> | \$ <u>13,491,208</u> |

OPEB Liabilities and OPEB Expense

At August 31, 2022, the District reported a liability of \$10,750,161 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 | \$ 10,750,161 |
| State's Proportionate Share that is Associated with the District | <u>14,402,821</u> |
| Total | <u>\$ 25,152,982</u> |

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

At August 31, 2021, the employer's proportion of the collective net OPEB liability was 0.027869% which was a decrease of 0.000358% proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the District recognized OPEB expense of \$531,574 and revenue of \$291,692 for support provided by the State.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Changes Since the Prior Actuarial Valuation

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

- This discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the Total OPEB Liability.

There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Actuarial Experience | \$ 462,845 | \$ 5,203,830 |
| Changes in Actuarial Assumptions | 1,190,707 | 2,273,460 |
| Difference Between Projected and Actual Investment Earnings | 11,671 | |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | 77,445 | 736,839 |
| Contributions Paid to TRS Subsequent to the Measurement Date | 228,160 | |
| Total | <u>\$ 1,970,828</u> | <u>\$ 8,214,129</u> |

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

| | OPEB Expense Amount |
|------------|------------------------|
| 2023 | \$ (1,253,783) |
| 2024 | (1,254,046) |
| 2025 | (1,253,976) |
| 2026 | (971,007) |
| 2027 | (587,907) |
| Thereafter | (1,150,742) |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

14. SELF-INSURANCE – WORKMEN'S COMPENSATION

The District participated in a public entity risk pool for its Workmen's Compensation Insurance needs. The Pool is protected against unanticipated catastrophic loss by stop-loss coverage provided through Safety National Casualty Corporation. The stop-loss policy covers individual claims in excess of \$100,000 per incident. The District accounted for its costs associated with the Pool in the general fund.

This agreement was not renewed as of September 1, 2022. However, the District continues to have claim liabilities for plan years between September 1, 2016 and August 31, 2022. Deposits held by the claims administrator on behalf of the District total \$18,711. The District has not recorded any claims payable as of August 31, 2022.

As of September 1, 2022 the District has started participating in the Texas Association of School Boards (TASB) Workers' Compensation insurance policy.

15. HEALTH INSURANCE

During the year ended August 31, 2022, employees of the District were covered by a health insurance plan through TRS – Active Care Program administered by the Teacher Retirement System. The District contributed \$375 of the employee-only premium per month and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Payments made on behalf of the District by the state for Medicare, Part D fringe benefits and salaries amounted to \$104,346 and \$110,474 for the years ended August 31, 2022 and 2021, respectively.

16. LITIGATION

Management represents there is no litigation pending against the District which would have a material effect on the financial statements.

17. CHAPTER 313 AGREEMENT

The District entered into an agreement with Gunsight Mountain Wind Energy, LLC on December 11, 2014. The agreement was for Gunsight Mountain Wind Energy, LLC to invest capital of \$169,200,000 on a long-term basis for a valuation limitation of \$30,000,000. For fiscal year 2022, which is year seven of the agreement, with the M&O tax rate \$0.8923 per \$100, with property valued at \$91,623,750 without considering the limitation and \$30,000,000 with the limitation. When calculated, the District forgoes collecting \$549,869 in M&O tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Gunsight Mountain Wind Energy, LLC has committed to pay supplemental payments to the District in the amount of \$100 per ADA or \$50,000 whichever is greater.

The District has also entered into an agreement with Hyfuels Big Spring LLC for a valuation limitation. This is still in the agreement phase and is not set to commence until the 2028-29 fiscal year.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

18. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

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 collectability 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.

REQUIRED SUPPLEMENTARY INFORMATION

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022**

| Data Control Codes | 1 Budgeted Amounts | | 3 | Variance With Final Budget Favorable (Unfavorable) | |
|----------------------------------------|-----------------------------------------------|-----------------------|-----------------------|----------------------------------------------------|---------------------|
| | Original | Amended | Actual | | |
| Revenues: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 25,772,315 | \$ 25,772,315 | \$ 28,687,132 | \$ 2,914,817 |
| 5800 | State Program Revenues | 10,599,289 | 10,599,289 | 8,869,157 | (1,730,132) |
| 5900 | Federal Program Revenues | 450,000 | 450,000 | 858,484 | 408,484 |
| 5020 | Total Revenues | <u>\$ 36,821,604</u> | <u>\$ 36,821,604</u> | <u>\$ 38,414,773</u> | <u>\$ 1,593,169</u> |
| Expenditures: | | | | | |
| 0011 | Instruction | \$ 20,767,777 | \$ 20,767,777 | \$ 20,019,516 | \$ 748,261 |
| 0012 | Instructional Resources and Media Services | 422,293 | 422,293 | 382,965 | 39,328 |
| 0013 | Curriculum and Staff Development | 217,575 | 210,575 | 141,017 | 69,558 |
| 0021 | Instructional Leadership | 457,751 | 464,751 | 461,225 | 3,526 |
| 0023 | School Leadership | 2,786,741 | 2,786,741 | 2,739,170 | 47,571 |
| 0031 | Guidance, Counseling, and Evaluation Services | 1,059,069 | 1,059,069 | 951,506 | 107,563 |
| 0032 | Social Work Services | 63,030 | 63,030 | 58,211 | 4,819 |
| 0033 | Health Services | 479,438 | 479,438 | 365,787 | 113,651 |
| 0034 | Student Transportation | 1,202,598 | 1,202,598 | 1,142,960 | 59,638 |
| 0036 | Extracurricular Activities | 1,635,627 | 1,635,627 | 1,565,887 | 69,740 |
| 0041 | General Administration | 1,127,290 | 1,127,290 | 1,115,649 | 11,641 |
| 0051 | Plant Maintenance and Operations | 6,520,677 | 5,990,677 | 4,694,375 | 1,296,302 |
| 0052 | Security and Monitoring Services | 69,184 | 519,184 | 484,995 | 34,189 |
| 0053 | Data Processing Services | 1,078,244 | 1,078,244 | 1,037,423 | 40,821 |
| 0071 | Debt Service - Principal | 188,066 | 184,935 | 89,692 | 95,243 |
| 0072 | Debt Service - Interest | | 3,131 | 3,131 | 0 |
| 0081 | Facilities Acquisition and Construction | 550,000 | 1,835,400 | 1,209,854 | 625,546 |
| 0099 | Other Intergovernmental Charges | 365,000 | 365,000 | 331,781 | 33,219 |
| 6030 | Total Expenditures | <u>\$ 38,990,360</u> | <u>\$ 40,195,760</u> | <u>\$ 36,795,144</u> | <u>\$ 3,400,616</u> |
| 1100 | Excess of Revenues Over Expenditures | <u>\$ (2,168,756)</u> | <u>\$ (3,374,156)</u> | <u>\$ 1,619,629</u> | <u>\$ 4,993,785</u> |
| Other Financing Sources (Uses): | | | | | |
| 7913 | Lease Proceeds | \$ _____ | \$ _____ | \$ 18,567 | \$ 18,567 |
| 7080 | Total Other Financing Sources and (Uses) | \$ 0 | \$ 0 | \$ 18,567 | \$ 18,567 |
| 1200 | Net Change in Fund Balance | \$ (2,168,756) | \$ (3,374,156) | \$ 1,638,196 | \$ 5,012,352 |
| 0100 | September 1 - Fund Balance | <u>26,183,126</u> | <u>26,183,126</u> | <u>26,183,126</u> | <u>0</u> |
| 3000 | August 31 - Fund Balance | <u>\$ 24,014,370</u> | <u>\$ 22,808,970</u> | <u>\$ 27,821,322</u> | <u>\$ 5,012,352</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

**SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>Plan Yr 2021</u> | <u>Plan Yr 2020</u> | <u>Plan Yr 2019</u> | <u>Plan Yr 2018</u> | <u>Plan Yr 2017</u> | <u>Plan Yr 2016</u> | <u>Plan Yr 2015</u> | <u>Plan Yr 2014</u> |
| District's Proportion of the Net Pension Liability | 0.019076% | 0.018400% | 0.019653% | 0.018642% | 0.020887% | 0.022688% | 0.025642% | 0.015955% |
| District's Proportionate Share of the Net Pension Liability | \$ 4,858,090 | \$ 9,854,872 | \$ 10,216,278 | \$ 10,261,029 | \$ 6,678,518 | \$ 8,573,289 | \$ 9,063,929 | \$ 4,261,694 |
| State's Proportionate Share of the Net Pension Liability Associated with the District | <u>8,468,434</u> | <u>17,920,110</u> | <u>16,472,993</u> | <u>17,963,359</u> | <u>11,205,231</u> | <u>15,007,525</u> | <u>14,945,887</u> | <u>12,209,935</u> |
| Total | <u>\$ 13,326,524</u> | <u>\$ 27,774,982</u> | <u>\$ 26,689,271</u> | <u>\$ 28,224,388</u> | <u>\$ 17,883,749</u> | <u>\$ 23,580,814</u> | <u>\$ 24,009,816</u> | <u>\$ 16,471,629</u> |
| District's Covered Payroll | \$ 24,799,462 | \$ 23,992,099 | \$ 22,715,333 | \$ 21,476,671 | \$ 22,362,010 | \$ 23,958,906 | \$ 24,704,377 | \$ 22,747,453 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll Liability as a Percentage of its Covered Payroll | 19.59% | 41.08% | 44.98% | 47.78% | 29.87% | 35.78% | 36.69% | 18.73% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 88.79% | 75.54% | 75.24% | 73.74% | 82.17% | 78.00% | 78.43% | 83.25% |

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates ending August 31 for each plan year.

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

**SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR PENSIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 915,981 | \$ 755,095 | \$ 687,881 | \$ 628,003 | \$ 684,552 | \$ 720,841 | \$ 759,255 | \$ 404,494 |
| Contribution in Relation to the Contractually Required Contribution | <u>(915,981)</u> | <u>(755,095)</u> | <u>(687,881)</u> | <u>(628,003)</u> | <u>(684,552)</u> | <u>(720,841)</u> | <u>(759,255)</u> | <u>(404,494)</u> |
| Contribution Deficiency (Excess) | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| District's Covered Payroll | \$ 25,264,313 | \$ 24,799,462 | \$ 23,992,099 | \$ 22,715,333 | \$ 21,476,671 | \$ 22,362,010 | \$ 23,958,906 | \$ 24,704,377 |
| Contributions as a Percentage of Covered Payroll | 3.63% | 3.04% | 2.87% | 2.76% | 3.19% | 3.22% | 3.17% | 1.64% |

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

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

**SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31**

| | <u>2022</u> <u>Plan Yr 2021</u> | <u>2021</u> <u>Plan Yr 2020</u> | <u>2020</u> <u>Plan Yr 2019</u> | <u>2019</u> <u>Plan Yr 2018</u> | <u>2018</u> <u>Plan Yr 2017</u> |
|----------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| District's Proportion of the Net OPEB Liability | 0.027869% | 0.028226% | 0.028109% | 0.028061% | 0.029633% |
| District's Proportionate Share of the Net OPEB Liability | \$ 10,750,161 | \$ 10,730,161 | \$ 13,293,216 | \$ 14,010,912 | \$ 12,886,088 |
| State's Proportionate Share of the Net OPEB Liability Associated with the District | <u>14,402,821</u> | <u>14,418,765</u> | <u>17,663,713</u> | <u>18,042,105</u> | <u>17,129,714</u> |
| Total | \$ <u>25,152,982</u> | \$ <u>25,148,926</u> | \$ <u>30,956,929</u> | \$ <u>32,053,017</u> | \$ <u>30,015,802</u> |
| District's Covered Payroll | \$ 24,799,462 | \$ 23,992,099 | \$ 22,715,333 | \$ 21,476,671 | \$ 22,362,010 |
| District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 43.35% | 44.72% | 58.52% | 65.24% | 57.62% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 6.18% | 4.99% | 2.73% | 1.57% | 0.91% |

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule be determined as of the measurement dates ending August 31 for each plan year.

Note: This schedule shows only five years for which this information is available. Additional information will be added until ten years of data are available and reported.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit G-5

**SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR OTHER POST-EMPLOYMENT BENEFITS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 228,160 | \$ 205,700 | \$ 179,431 | \$ 169,957 | \$ 161,074 |
| Contribution in Relation to the Contractually Required Contribution | <u>(228,160)</u> | <u>(205,700)</u> | <u>(179,431)</u> | <u>(169,957)</u> | <u>(161,074)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| District's Covered Payroll | \$ 25,264,313 | \$ 24,799,462 | \$ 23,992,099 | \$ 22,715,333 | \$ 21,476,671 |
| Contributions as a Percentage of Covered Payroll | 0.90% | 0.83% | 0.75% | 0.75% | 0.75% |

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.

Note: This schedule shows only five years for which this information is available. Additional information will be added until ten years of data are available and reported.

BIG SPRING INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. NOTES TO SCHEDULES FOR THE TRS PENSION

Changes of Benefit Terms

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

Changes of Assumptions

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

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN

Changes of Benefit Terms

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

Changes of Assumptions

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

- This discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the Total OPEB Liability.

OTHER SUPPLEMENTARY INFORMATION
EXHIBITS H-1 THROUGH J-4

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit H-1 (Continued)

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022**

| | Special Revenue Funds | | | | | | | | |
|-------------------------------------------|-------------------------------------------------------|--------------------------|----------------------------|-----------------------------------------------|-----------------------------------------------------|------------------------------------------|----------------------------------------------------|--------------------------------------------|---------------------------|
| | 211 | 224 | 225 | 240 | 244 | 255 | 263 | 270 | 279 |
| | ESEA Title I Part A Improving Basic Programs | IDEA - Part B Formula | IDEA - Part B Preschool | National Breakfast and Lunch Program | Vocational Education Technical Preparation | ESEA II, A Training and Recruiting | Title III, A English Language Acquisition | ESEA VI Part B Rural & Low Income | ESSER III TCLAS ARP |
| ASSETS: | | | | | | | | | |
| Cash and Temporary Investments | \$ | \$ | \$ | \$ 1,282,949 | \$ | \$ | \$ | \$ | \$ |
| Due from Other Governments | <u>694,503</u> | <u>226,052</u> | <u>8,321</u> | <u>110,634</u> | <u>20,539</u> | <u>103,134</u> | <u>5,132</u> | <u>78,375</u> | <u>55,772</u> |
| Total Assets | <u>\$ 694,503</u> | <u>\$ 226,052</u> | <u>\$ 8,321</u> | <u>\$ 1,393,583</u> | <u>\$ 20,539</u> | <u>\$ 103,134</u> | <u>\$ 5,132</u> | <u>\$ 78,375</u> | <u>\$ 55,772</u> |
| LIABILITIES AND FUND BALANCES: | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts Payable | \$ | \$ | \$ | \$ 19,186 | \$ | \$ | \$ | \$ | \$ |
| Accrued Wages Payable | 9,944 | 17,399 | 1,724 | | | | | | |
| Due to Other Funds | 683,530 | 207,325 | 6,401 | | 20,539 | 99,229 | 5,132 | 78,375 | 55,772 |
| Accrued Expenditures | 1,029 | 1,328 | 196 | | | | | | |
| Unearned Revenues | | | | | | 3,905 | | | |
| Total Liabilities | <u>\$ 694,503</u> | <u>\$ 226,052</u> | <u>\$ 8,321</u> | <u>\$ 19,186</u> | <u>\$ 20,539</u> | <u>\$ 103,134</u> | <u>\$ 5,132</u> | <u>\$ 78,375</u> | <u>\$ 55,772</u> |
| Fund Balances: | | | | | | | | | |
| Restricted for: | | | | | | | | | |
| Other | \$ | \$ | \$ | \$ 1,374,397 | \$ | \$ | \$ | \$ | \$ |
| Assigned for: | | | | | | | | | |
| Campus Activity Funds | | | | | | | | | |
| Total Fund Balance | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1,374,397</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Total Liabilities and Fund Balance | <u>\$ 694,503</u> | <u>\$ 226,052</u> | <u>\$ 8,321</u> | <u>\$ 1,393,583</u> | <u>\$ 20,539</u> | <u>\$ 103,134</u> | <u>\$ 5,132</u> | <u>\$ 78,375</u> | <u>\$ 55,772</u> |

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BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit H-1 (Concluded)

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022**

| | Special Revenue Funds | | | | | | | Total Nonmajor Governmental Funds |
|---------------------------------------|---------------------------------------|-------------------|---------------------------------|--------------------------------|---------------------------|-----------------------------------------|-----------------------------|--------------------------------------------|
| | 281 | 282 | 284 | 289 | 410 | 429 | 461 | |
| | ESSER II CRRSA Act Supplemental | ESSER III ARP | ARP IDEA - Part B Formula | Title V Part A Subpart 1 | State Textbook Fund | Other State Special Revenue Funds | Campus Activity Funds | |
| ASSETS: | | | | | | | | |
| Cash and Temporary Investments | \$ | \$ | \$ | \$ | \$ 669 | \$ 69 | \$ 166,844 | \$ 1,450,531 |
| Due from Other Governments | <u>515,144</u> | <u>970,428</u> | <u>15,192</u> | <u>17,381</u> | <u>5,325</u> | | | <u>2,825,932</u> |
| Total Assets | <u>\$ 515,144</u> | <u>\$ 970,428</u> | <u>\$ 15,192</u> | <u>\$ 17,381</u> | <u>\$ 5,994</u> | <u>\$ 69</u> | <u>\$ 166,844</u> | <u>\$ 4,276,463</u> |
| LIABILITIES AND FUND BALANCES: | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts Payable | \$ | \$ 286,847 | \$ 9,192 | \$ 10,617 | \$ 5,994 | \$ | \$ | \$ 331,836 |
| Accrued Wages Payable | 123,999 | | | | | | | 153,066 |
| Due to Other Funds | 391,145 | 683,581 | 6,000 | 6,764 | | | | 2,243,793 |
| Accrued Expenditures | | | | | | | | 2,553 |
| Unearned Revenues | | | | | | 69 | | 3,974 |
| Total Liabilities | <u>\$ 515,144</u> | <u>\$ 970,428</u> | <u>\$ 15,192</u> | <u>\$ 17,381</u> | <u>\$ 5,994</u> | <u>\$ 69</u> | <u>\$ 0</u> | <u>\$ 2,735,222</u> |
| Fund Balances: | | | | | | | | |
| Restricted for: | | | | | | | | |
| Other | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 1,374,397 |
| Assigned for: | | | | | | | | |
| Campus Activity Funds | | | | | | | 166,844 | 166,844 |
| Total Fund Balance | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 166,844</u> | <u>\$ 1,541,241</u> |
| Total Liabilities and Fund Balance | <u>\$ 515,144</u> | <u>\$ 970,428</u> | <u>\$ 15,192</u> | <u>\$ 17,381</u> | <u>\$ 5,994</u> | <u>\$ 69</u> | <u>\$ 166,844</u> | <u>\$ 4,276,463</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit H-2 (Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

| | Special Revenue Funds | | | | | | | | |
|----------------------------------------------|-------------------------------------------------------|--------------------------|----------------------------|--------------------------------------------|-------------------------------------------|-----------------------------------------|----------------------------------------------------|-----------------------------------------|--------------------------------------------|
| | 211 | 224 | 225 | 240 | 244 | 255 | 263 | 266 | 270 |
| | ESEA Title I Part A Improving Basic Programs | IDEA - Part B Formula | IDEA - Part B Preschool | National Breakfast and Lunch Program | Vocational Ed Technical Preparation | ESEA II,A Training and Recruiting | Title III, A English Language Acquisition | ESSER I School Emergency CARES | ESEA VI Part B Rural & Low Income |
| REVENUES: | | | | | | | | | |
| Local and Intermediate Sources | \$ | \$ | \$ | \$ 112,629 | \$ | \$ | \$ | \$ | \$ |
| State Program Revenues | | | | 18,900 | | | | | |
| Federal Program Revenues | 1,363,901 | 778,193 | 25,784 | 2,839,250 | 56,299 | 196,432 | 31,898 | 107,328 | 123,535 |
| Total Revenues | \$ 1,363,901 | \$ 778,193 | \$ 25,784 | \$ 2,970,779 | \$ 56,299 | \$ 196,432 | \$ 31,898 | \$ 107,328 | \$ 123,535 |
| EXPENDITURES: | | | | | | | | | |
| Instruction | \$ 730,987 | \$ 67,407 | \$ 25,784 | \$ | \$ 44,774 | \$ 39,193 | \$ 14,142 | \$ 107,343 | \$ 22,726 |
| Instructional Resources and Media Services | | | | | | | | | |
| Curriculum & Instructional Staff Development | 312,023 | 770 | | | 11,525 | 149,977 | 17,486 | | 100,809 |
| Instructional Leadership | 308,473 | 5,103 | | | | 7,262 | | | |
| School Leadership | 858 | | | | | | | | |
| Guidance, Counseling, & Evaluation Services | | 690,996 | | | | | | | |
| Social Work Services | 11,560 | | | | | | 270 | | |
| Health Services | | | | | | | | | |
| Student Transportation | | | | | | | | | |
| Food Services | | | | 2,139,380 | | | | | |
| Extracurricular Activities | | | | | | | | | |
| General Administration | | | | | | | | | |
| Facilities Maintenance and Operations | | | | 1,964 | | | | (15) | |
| Security and Monitoring Services | | | | | | | | | |
| Data Processing Services | | 13,917 | | | | | | | |
| Debt Service - Principal | | | | 125 | | | | | |
| Debt Service - Interest | | | | 4 | | | | | |
| Facilities Acquisition and Construction | | | | | | | | | |
| Total Expenditures | \$ 1,363,901 | \$ 778,193 | \$ 25,784 | \$ 2,141,473 | \$ 56,299 | \$ 196,432 | \$ 31,898 | \$ 107,328 | \$ 123,535 |
| Net Change in Fund Balance | \$ 0 | \$ 0 | \$ 0 | \$ 829,306 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Fund Balance - September 1 (Beginning) | | | | 545,091 | | | | | |
| Fund Balance - August 31 (Ending) | \$ 0 | \$ 0 | \$ 0 | \$ 1,374,397 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit H-2 (Concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

| | Special Revenue Funds | | | | | | | Total Nonmajor Governmental Funds | |
|----------------------------------------------|---------------------------|---------------------------------------|---------------------|---------------------------------|--------------------------------|---------------------------|--------------------------------------------|--------------------------------------------|---------------------|
| | 279 | 281 | 282 | 284 | 289 | 410 | 429 | | 461 |
| | ESSER III TCLAS ARP | ESSER II CRRSA Act Supplemental | ESSER III ARP | ARP IDEA - Part B Formula | Title V Part A Subpart 1 | State Textbook Fund | Other State Special Revenue Funds | Campus Activity Fund | |
| REVENUES: | | | | | | | | | |
| Local and Intermediate Sources | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 104,797 | \$ 217,426 |
| State Program Revenues | | | | | | 112,519 | 41,259 | | 172,678 |
| Federal Program Revenues | 139,562 | 1,671,836 | 1,514,216 | 38,192 | 34,212 | | | | 8,920,638 |
| Total Revenues | \$ 139,562 | \$ 1,671,836 | \$ 1,514,216 | \$ 38,192 | \$ 34,212 | \$ 112,519 | \$ 41,259 | \$ 104,797 | \$ 9,310,742 |
| EXPENDITURES: | | | | | | | | | |
| Instruction | \$ | \$ | \$ 893,238 | \$ 38,192 | \$ 10,617 | \$ 112,519 | \$ 20,581 | \$ | \$ 2,127,503 |
| Instructional Resources and Media Services | | | 5,572 | | 5,280 | | | | 10,852 |
| Curriculum & Instructional Staff Development | 139,562 | | 135,171 | | 18,315 | | 6,000 | | 891,638 |
| Instructional Leadership | | | 8,623 | | | | | | 329,461 |
| School Leadership | | | 29,673 | | | | | | 30,531 |
| Guidance, Counseling, & Evaluation Services | | | 18,768 | | | | 3,500 | | 713,264 |
| Social Work Services | | | 1,014 | | | | | | 12,844 |
| Health Services | | | 23,061 | | | | | | 23,061 |
| Student Transportation | | | 9,377 | | | | | | 9,377 |
| Food Services | | | 19,846 | | | | | | 2,159,226 |
| Extracurricular Activities | | | 2,536 | | | | | 107,485 | 110,021 |
| General Administration | | | 6,087 | | | | | | 6,087 |
| Facilities Maintenance and Operations | | 1,671,836 | 14,203 | | | | 11,178 | | 1,699,166 |
| Security and Monitoring Services | | | 1,014 | | | | | | 1,014 |
| Data Processing Services | | | 6,594 | | | | | | 20,511 |
| Debt Service - Principal | | | | | | | | | 125 |
| Debt Service - Interest | | | | | | | | | 4 |
| Facilities Acquisition and Construction | | | 339,439 | | | | | | 339,439 |
| Total Expenditures | \$ 139,562 | \$ 1,671,836 | \$ 1,514,216 | \$ 38,192 | \$ 34,212 | \$ 112,519 | \$ 41,259 | \$ 107,485 | \$ 8,484,124 |
| Net Change in Fund Balance | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (2,688) | \$ 826,618 |
| Fund Balance - September 1 (Beginning) | | | | | | | | 169,532 | 714,623 |
| Fund Balance - August 31 (Ending) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 166,844</u> | <u>\$ 1,541,241</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2022**

| Last Ten Years Ended August 31 | 1 | | 2 | 3 | 10 | 20 | 31 | 32 | 40 | 50 |
|--------------------------------------|-------------|--------------|------------------------------------------------------------|----------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|--------------------------------|----|
| | Tax Rates | | Assessed/ Appraised Value for School Tax Purposes | Beginning Balance 9/1/2021 | Current Year's Total Levy | Maintenance Total Collections | Debt Service Total Collections | Entire Year's Adjustments | Ending Balance 8/31/2022 | |
| | Maintenance | Debt Service | | | | | | | | |
| 2013 and Prior Years | Various | Various | \$ Various | \$ 233,963 | \$ | \$ 7,990 | \$ 1,246 | \$ (107,780) | \$ 116,947 | |
| 2014 | 1.11950 | 0.33000 | 1,606,839,771 | 47,554 | | 3,358 | 990 | (1,608) | 41,598 | |
| 2015 | 1.05050 | 0.31000 | 1,837,585,944 | 94,739 | | 5,048 | 1,490 | (7,997) | 80,204 | |
| 2016 | 1.11950 | 0.30000 | 1,784,433,814 | 107,503 | | 7,420 | 1,988 | (8,178) | 89,917 | |
| 2017 | 1.11950 | 0.28000 | 1,651,050,371 | 115,020 | | 9,592 | 2,399 | (9,546) | 93,483 | |
| 2018 | 1.11950 | 0.28000 | 1,604,174,408 | 185,423 | | 15,040 | 3,762 | (9,931) | 156,690 | |
| 2019 | 1.04000 | 0.20000 | 2,339,259,893 | 259,041 | | 39,371 | 7,571 | (17,984) | 194,115 | |
| 2020 | 0.97000 | 0.15000 | 2,964,433,807 | 662,014 | | 86,007 | 13,300 | (69,279) | 493,428 | |
| 2021 | 0.96640 | 0.15000 | 2,764,097,259 | 903,860 | | 866,888 | 134,554 | 641,438 | 543,856 | |
| 2022 (School Year Under Audit) | 0.89230 | 0.12370 | 2,779,484,249 * | | <u>28,865,657</u> | <u>24,923,367</u> | <u>3,455,139</u> | <u>378,058</u> | <u>865,209</u> | |
| 1000 | TOTALS | | | \$ <u>2,609,117</u> | \$ <u>28,865,657</u> | \$ <u>25,964,081</u> | \$ <u>3,622,439</u> | \$ <u>787,193</u> | \$ <u>2,675,447</u> | |

| Tax Collection Summary: | Gen. Fund (M&O) | Debt Serv. Fund | Total |
|-------------------------|----------------------|---------------------|----------------------|
| Base Tax Collections | \$ 25,964,081 | \$ 3,622,439 | \$ 29,586,520 |
| Penalty and Interest | <u>112,412</u> | <u>733,703</u> | <u>846,115</u> |
| Total | \$ <u>26,076,493</u> | \$ <u>4,356,142</u> | \$ <u>30,432,635</u> |

*Assessed values for prior years reflect the M&O assessment after any limitations. The District has entered into a value limitation agreement and the applicable M&O taxable value has been reduced to \$30,000,000. The unlimited taxable value related to this agreement for 2022 was \$91,623,750 making the total valuation for the 2022 I&S levy \$2,841,107,999.

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

**BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2022**

| Data Control Codes | | 1 Budgeted Amounts | | 3 | Variance With Final Budget Favorable (Unfavorable) |
|--------------------------|--------------------------------------------------------------|-----------------------|---------------------|---------------------|----------------------------------------------------------------|
| | | Original | Amended | Actual | |
| Revenues: | | | | | |
| 5700 | Local and Intermediate | \$ 379,750 | \$ 379,750 | \$ 112,629 | \$ (267,121) |
| 5800 | State Program Revenues | 22,000 | 22,000 | 18,900 | (3,100) |
| 5900 | Federal Program Revenues | <u>2,277,754</u> | <u>2,277,754</u> | <u>2,839,250</u> | <u>561,496</u> |
| 5020 | Total Revenues | \$ <u>2,679,504</u> | \$ <u>2,679,504</u> | \$ <u>2,970,779</u> | \$ <u>291,275</u> |
| Expenditures: | | | | | |
| 0035 | Food Services | \$ 2,711,227 | \$ 2,710,727 | \$ 2,139,380 | \$ 571,347 |
| 0051 | Facilities Maintenance and Operations | 1,784 | 2,284 | 1,964 | 320 |
| 0071 | Debt Service - Principal | 1,500 | 1,496 | 125 | 1,371 |
| 0072 | Debt Service - Interest | | 4 | 4 | 0 |
| 6030 | Total Expenditures | \$ <u>2,714,511</u> | \$ <u>2,714,511</u> | \$ <u>2,141,473</u> | \$ <u>573,038</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ <u>(35,007)</u> | \$ <u>(35,007)</u> | \$ <u>829,306</u> | \$ <u>864,313</u> |
| 1200 | Net Change in Fund Balance | \$ (35,007) | \$ (35,007) | \$ 829,306 | \$ 864,313 |
| 0100 | September 1 - Fund Balance | <u>545,091</u> | <u>545,091</u> | <u>545,091</u> | <u>0</u> |
| 3000 | August 31 - Fund Balance | \$ <u>510,084</u> | \$ <u>510,084</u> | \$ <u>1,374,397</u> | \$ <u>864,313</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2022**

| Data Control Codes | 1 Budgeted Amounts | | 3 | Variance With Final Budget Favorable (Unfavorable) |
|-------------------------------------|-----------------------|---------------------|---------------------|----------------------------------------------------------------|
| | Original | Amended | Actual | |
| Revenues: | | | | |
| 5700 Local and Intermediate Sources | \$ 3,551,552 | \$ 3,551,552 | \$ 3,813,586 | \$ 262,034 |
| 5800 State Program Revenues | | | 47,417 | 47,417 |
| 5020 Total Revenues | <u>\$ 3,551,552</u> | <u>\$ 3,551,552</u> | <u>\$ 3,861,003</u> | <u>\$ 309,451</u> |
| Expenditures: | | | | |
| 0071 Debt Service - Principal | \$ 1,650,000 | \$ 1,650,000 | \$ 1,650,000 | \$ 0 |
| 0072 Debt Service - Interest | 1,789,650 | 1,789,650 | 1,789,650 | 0 |
| 0073 Debt Service - Fees | 4,000 | 4,000 | 1,653 | 2,347 |
| 6030 Total Expenditures | <u>\$ 3,443,650</u> | <u>\$ 3,443,650</u> | <u>\$ 3,441,303</u> | <u>\$ 2,347</u> |
| 1200 Net Change in Fund Balance | \$ 107,902 | \$ 107,902 | \$ 419,700 | \$ 311,798 |
| 0100 September 1 - Fund Balance | <u>3,543,419</u> | <u>3,543,419</u> | <u>3,543,419</u> | <u>0</u> |
| 3000 August 31 - Fund Balance | <u>\$ 3,651,321</u> | <u>\$ 3,651,321</u> | <u>\$ 3,963,119</u> | <u>\$ 311,798</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

**STATE COMPENSATORY EDUCATION AND BILINGUAL
EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2022**

Section A: Compensatory Education Programs

| | | |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| AP1 | Did the district expend any state compensatory education program state allotment funds during the district's fiscal year? | Yes |
| AP2 | Does the district 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. | \$ 4,137,115 |
| AP 4 | List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34) | \$ 1,908,659 |

Section B: Bilingual Education Programs

| | | |
|------|-------------------------------------------------------------------------------------------------------------------------------|------------|
| AP5 | Did the district expend any bilingual education program state allotment funds during the district's fiscal year? | Yes |
| AP6 | Does the district 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 district's fiscal year. | \$ 122,838 |
| AP 8 | List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35) | \$ 107,894 |

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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**

Independent Auditor's Report

Board of School Trustees
Big Spring Independent School District
Big Spring, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Spring Independent School District (the District) as of and for the year ended August 31, 2022, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Spring 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 our opinions on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Spring 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 over financial reporting that we consider to be material weaknesses. However material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Spring 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

December 1, 2022

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

Board of School Trustees
Big Spring Independent School District
Big Spring, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Big Spring Independent School District's (the 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 District's major federal programs for the year ended August 31, 2022. Big Spring 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, Big Spring 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of compliance section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 1, 2022

FEDERAL FINANCIAL ASSISTANCE SECTION

BIG SPRING INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022**

A. Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs. Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------------------------------------|
| 84.425D | COVID-19 Elementary and Secondary School Emergency Relief (ES |
| 84.425U | COVID-19 Elementary and Secondary School Emergency Relief (AR |
| 10.555 | National School Lunch Program - (NSLP) (Child Nutrition Cluster) |
| 10.553 | School Breakfast Program - (SBP) (Child Nutrition Cluster) |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

B. Section II - Findings Related to the Financial Statements

The audit disclosed no findings required to be reported.

C. Section III - Findings and Questioned Costs Related to the Federal Awards

The audit disclosed no findings required to be reported.

BIG SPRING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

Prior Year's Finding/Noncompliance

N/A

Status of Prior Year's Finding/Noncompliance

N/A

BIG SPRING INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022**

| Federal Grantor/ Pass-through Grantor/Program Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---------------------------------------------------------------------------|---------------------------------|----------------------------------------------|----------------------------|
| U.S. DEPARTMENT OF EDUCATION: | | | |
| <u>Passed Through Texas Education Agency</u> | | | |
| ESEA Title I, Part A - Improving Basic Programs (211) | 84.010A | 21610101114901 | \$ 87,688 |
| ESEA Title I, Part A - Improving Basic Programs (211) | 84.010A | 22610101114901 | 1,237,246 |
| Title I, 1003(A) Priority and Focus School (211) | 84.010A | 22610141114901 | 38,967 |
| Total | | | <u>\$ 1,363,901</u> |
| Strengthening CTE for 21st Century - 21-22 Perkins V (244) | 84.048A | 22420006114901 | \$ 56,299 |
| ESEA Title II, Part A - Supporting Effective Instruction (255) | 84.367A | 21694501114901 | \$ 6,343 |
| ESEA Title II, Part A - Supporting Effective Instruction (255) | 84.367A | 22694501114901 | 190,089 |
| Total | | | <u>\$ 196,432</u> |
| <i>Special Education Cluster (IDEA)</i> | | | |
| IDEA - Part B, Formula (224) | 84.027A | 216600011149016600 | \$ 28,267 |
| IDEA - Part B, Formula (224) | 84.027A | 226600011149016600 | 749,926 |
| COVID-19, IDEA - Part B, Formula - American Rescue Plan (284) | 84.027X | 225350011149015350 | 38,192 |
| IDEA - Part B, Preschool (225) | 84.173A | 216610011149016610 | 394 |
| IDEA - Part B, Preschool (225) | 84.173A | 226610011149016610 | 25,390 |
| Total Special Education Cluster (IDEA) | | | <u>\$ 842,169</u> |
| Title III, Part A - English Language Acquisition (263) | 84.365A | 20671001114901 | \$ 6,692 |
| Title III, Part A - English Language Acquisition (263) | 84.365A | 21671001114901 | 6,166 |
| Title III, Part A - English Language Acquisition (263) | 84.365A | 22671001114901 | 19,039 |
| Total | | | <u>\$ 31,897</u> |
| COVID-19, (ESF, Section 1) ESSER I (266) | 84.425D | 20521001114901 | \$ 107,328 |
| COVID-19, (ESF, Section 1) CRRSA ESSER II (281) | 84.425D | 21521001114901 | 1,671,836 |
| COVID-19, (ESF, Section 1) Texas COVID Learning (TCLAS) - ESSER III (279) | 84.425U | 21528042114901 | 139,562 |
| COVID-19, (ESF, Section 1) American Rescue Plan ESSER III (282) | 84.425U | 21528001114901 | 1,514,216 |
| Total | | | <u>\$ 3,432,942</u> |
| Title V, Part B, Subpart 2 (19-20) - Rural and Low Income (270) | 84.358B | 20696001114901 | \$ 20,846 |
| Title V, Part B, Subpart 2 (20-21) - Rural and Low Income (270) | 84.358B | 21696001114901 | 17,189 |
| Title V, Part B, Subpart 2 (21-22) - Rural and Low Income (270) | 84.358B | 22696001114901 | 85,500 |
| Total | | | <u>\$ 123,535</u> |
| Title IV, Part A, Subpart 1 - Student Support (289) | 84.424A | 20680101114901 | \$ 10,806 |
| Title IV, Part A, Subpart 1 - Student Support (289) | 84.424A | 22680101114901 | 23,406 |
| Total | | | <u>\$ 34,212</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>\$ 6,081,387</u> |
| U.S. DEPARTMENT OF AGRICULTURE: | | | |
| <u>Passed Through Texas Department of Agriculture</u> | | | |
| <i>Child Nutrition Cluster</i> | | | |
| National School Lunch Program - Cash Assistance (240) | 10.555 | CE 612 | \$ 1,848,828 |
| Supply Chain Assistance Grant | 10.555 | 226TX400N8903 | 87,228 |
| Commodities - Non-Cash Assistance (240) | 10.555 | CE 612 | 182,541 |
| School Breakfast Program (240) | 10.553 | CE 612 | 720,653 |
| Total Child Nutrition Cluster | | | <u>\$ 2,839,250</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>\$ 2,839,250</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 8,920,637</u> |
| RECONCILIATION TO EXHIBIT C-3: | | | |
| Total Expenditures of Federal Awards | | | \$ 8,920,637 |
| Federal Medicaid Revenue (SHARS) Reported in General Fund | | | <u>858,484</u> |
| TOTAL FEDERAL REVENUE REPORTED ON EXHIBIT C-3 | | | <u>\$ 9,779,121</u> |

BIG SPRING INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Big Spring Independent School District under programs of the federal government for the year ended August 31, 2022. The information in the 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).

Summary of Significant Accounting Policies

- (A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (B) Big Spring Independent School District has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.