

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
Somerville, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2023

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INTRODUCTORY SECTION

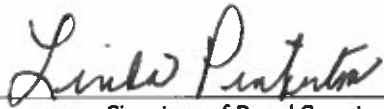
SOMERVILLE INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2023

Somerville Independent School District
Name of School District

Burleson
County

026-902
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, 2023, at a meeting of the Board of Trustees of such school district on the 17th day of January, 2024.



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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Somerville Independent School District
Somerville, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, fiduciary funds and the aggregate remaining fund information of Somerville Independent School District ("the District"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, fiduciary funds, each major fund, and the aggregate remaining fund information of Somerville Independent School District, as of August 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles general accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* that will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those 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.

Other Matters

Required Supplementary Information

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

Other 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 introductory section, combining and individual nonmajor fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2024, on our consideration of Somerville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Somerville Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Somerville Independent School District's internal control over financial reporting and compliance.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 17, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Somerville Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2023. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$3,040,644 as of August 31, 2023.
- For the fiscal year ended August 31, 2023, the District's general fund reported a total fund balance of \$2,279,566, of which all was unassigned. The debt service fund reported a fund balance of \$799,126.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the capital projects fund, and the debt service fund) reported combined ending fund balances of \$3,290,322.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of several 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 fiduciary resources belong. The fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *required supplementary information* that further explains and supports the information in the financial 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 District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and 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 non-financial factors such as changes in the District's tax base, staffing patterns, enrollment, and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in the *governmental activities*. Locally assessed property taxes together with State foundation programs entitlements, which are based upon student enrollment and attendance, finance most of the governmental 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 simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity - these assets do not belong to the District, but the District is responsible to properly account for them.

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 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 determine whether there are more or fewer financial resources that can be spent in the 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 fund statement, or on the subsequent page, that explains the relationship (or differences) between them.

Fiduciary Funds - The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$3,040,644 at August 31, 2023. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2023. The District reported an increase of \$55,044 in net position from the prior year. Liabilities increased due to a significant increase in accounts payable from the prior year caused by money that is due to state. Revenues for the District increased due to an increase in operating grants and contributions due to the increase in on behalf revenues related to the increase in the pension and OPEB liabilities. Expenses increased significantly in instruction, school leadership, co-curricular activities, general administration, and bond issuance costs due to expending less throughout the year and as the result of the increase in the OPEB liability, pension liability, and the related decrease in on behalf expenses.

The District's Net Position (Table 1)

	2023	2022
Current and other assets	\$ 4 701 425	\$ 4 534 667
Capital and non-current assets	15 103 652	15 625 935
TOTAL ASSETS	19 805 077	20 160 602
Deferred outflows related to pensions	2 133 667	734 052
Deferred outflows related to OPEB	1 270 561	824 280
TOTAL ASSETS AND DEFERRED OUTFLOWS	23 209 305	21 718 934
Current liabilities	1 555 927	1 348 824
Long term liabilities	15 458 338	15 081 534
TOTAL LIABILITIES	17 014 265	16 430 358
Deferred inflows related to pensions	855 823	866 258
Deferred inflows related to OPEB	2 298 573	1 436 718
TOTAL LIABILITIES AND DEFERRED INFLOWS	20 168 661	18 733 334
Net Position:		
Net investment in capital assets	3 509 470	2 660 059
Restricted	1 010 756	931 373
Unrestricted	(1 479 582)	(604 371)
TOTAL NET POSITION	\$ 3 040 644	\$ 2 985 600

The District's Changes in Net Position (Table 2)

	YEAR ENDED	
	2023	2022
Revenues:		
Program Revenues:		
Charges for services	\$ 129 881	\$ 110 718
Operating grants	2 595 013	1 798 302
General Revenues:		
Property taxes	4 917 997	4 400 290
Grants and contributions	2 839 727	3 555 343
Investment earnings	56 903	(2 813)
Other general revenues	11 583	34 010
TOTAL REVENUES	<u>10 551 104</u>	<u>9 895 850</u>
Expenses:		
Instructional and instructional related	4 955 971	4 450 953
Instructional resources and media services	132 616	80 562
Curriculum and staff development	332 387	311 483
Instructional leadership	137 925	116 157
School leadership	573 677	521 654
Guidance, counseling, and evaluation services	189 655	227 636
Social work services	70 253	-
Health services	100 011	88 188
Student transportation	355 116	264 183
Food services	497 278	455 076
Co-curricular/extracurricular activities	550 284	517 361
General administration	621 363	696 427
Plant maintenance and operations	1 073 446	1 022 635
Security and monitoring	72 738	63 806
Data processing services	163 815	187 241
Interest on long-term debt	404 832	329 669
Capital outlay	96 115	50 226
Payments related to shared services arrangements	72 271	52 717
Other intergovernmental charges	96 307	92 795
TOTAL EXPENSES	<u>10 496 060</u>	<u>9 528 769</u>
CHANGE IN NET POSITION	\$ <u>55 044</u>	\$ <u>367 081</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2023, the District's governmental funds reported a combined fund balance of \$3,290,322. This compares to a combined fund balance of \$3,370,760 at August 31, 2022. The debt service fund balance increased as a direct result of an increase in revenue received from local sources, particularly tax revenue resulting from an increase in the current year valuations. The District's combined governmental funds revenue decreased by \$312,945. The total combined revenue was \$9,509,158 this year compared to \$9,822,103 last year. The District's combined governmental funds expenditures decreased by \$133,703. The total combined expenditures were \$9,589,596 this year compared to \$9,723,299 last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ending August 31, 2023, The District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There was a material change between the original budget and the final amended budget. The general fund's actual revenues were more than budgeted revenues by \$158,454 due to the District receiving more in federal revenues than budgeted. In addition, the District's actual expenditures were more than budgeted expenditures by \$39,368 with the District spending more than budgeted in expenses associated with instruction and student transportation.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2023, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2023, the District had a total of \$25,240,304 invested in capital assets such as land, buildings, and District equipment. This total includes \$209,582 invested during the fiscal year ended August 31, 2023.

Major additions included:

- Football field concrete \$52,480
- Subscription based right to use assets \$98,514

More detailed information about the District's capital assets can be found in the notes to the financial statements.

Long-term Debt

At year-end, the District had \$11,652,309 in general obligation bonds, maintenance tax notes, leases, and right of use assets payable outstanding versus \$12,268,967 last year. The decrease is due to current year payments.

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

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS

The following factors were considered in establishing the District's budget for 2023-2024:

- Student enrollment for 2023-2024 is expected to increase slightly when compared to 2022-2023. District officials anticipate a slight increase in the rate of attendance for the 2023 school year, compared to 2022, therefore, the refined daily attendance, which is a significant component of the formula upon which State Foundation Program entitlements are based, is projected to increase slightly for 2023-2024.
- The District's total tax rate decreased from the previous year to \$0.8567 per \$100 valuation with the maintenance and operations tax rate at \$0.6692 and the interest and sinking tax rate at \$0.18751.
- No new programs were added and no significant changes to existing programs occurred during the current year. No significant changes are planned for 2023-2024.
- District officials anticipate that the fund balance for the general fund will not materially change for 2023-2024 compared to 2022-2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Somerville Independent School District Administration Office at (979) 596-2154.

BASIC FINANCIAL STATEMENTS

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2023

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 1 655 656
1120	Investments	1 904 813
1225	Property taxes receivable, net allowance of \$344,661	644 617
1240	Due from other governments	496 339
	Capital Assets:	
1510	Land	406 185
1520	Buildings and improvements, net	14 289 019
1530	Furniture and equipment, net	331 391
1550	Right of use assets, net	65 676
1540	Capital leases, net	11 381
1000	TOTAL ASSETS	<u>19 805 077</u>
	DEFERRED OUTFLOWS	
	Deferred outflow related to pension	2 133 667
	Deferred outflow related to OPEB	1 270 561
1700	TOTAL DEFERRED OUTFLOWS	<u>3 404 228</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>23 209 305</u>
	LIABILITIES	
2140	Interest payable	52 562
2150	Payroll and withholding payable	5 697
2165	Accrued liabilities	173 519
2180	Due to state	589 022
2501	Due within one year	735 127
	Noncurrent Liabilities:	
2502	Due in more than one year	10 917 182
2516	Premium on bond issue	664 287
2540	Net pension liability	2 385 639
2545	Net other post-employment benefits (OPEB) liability	1 491 230
2000	TOTAL LIABILITIES	<u>17 014 265</u>
	DEFERRED INFLOWS	
	Deferred inflow related to pension	855 823
	Deferred inflow related to OPEB	2 298 573
2600	TOTAL DEFERRED INFLOWS	<u>3 154 396</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>20 168 661</u>
	NET POSITION	
3200	Net investment in capital assets	3 509 470
	Restricted for:	
3820	Federal and state grants	45 081
3850	Debt service	799 126
3890	Other purposes	166 549
3900	Unrestricted	(1 479 582)
3000	TOTAL NET POSITION	<u>\$ 3 040 644</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2023

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1	3		4	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
	Governmental Activities:					
11	Instruction	\$ 4 955 971	\$ -	\$ 1 168 682	\$ (3 787 289)	
12	Instruction resources and media services	132 616	-	44 230	(88 386)	
13	Curriculum and staff development	332 387	-	343 192	10 805	
21	Instructional leadership	137 925	-	17 622	(120 303)	
23	School leadership	573 677	-	114 774	(458 903)	
31	Guidance, counseling, and evaluation services	189 655	-	45 129	(144 526)	
32	Social work services	70 253	-	70 253	-	
33	Health services	100 011	-	-	(100 011)	
34	Student transportation	355 116	-	23 442	(331 674)	
35	Food services	497 278	62 017	368 851	(66 410)	
36	Cocurricular/extracurricular activities	550 284	67 864	32 210	(450 210)	
41	General administration	621 363	-	53 330	(568 033)	
51	Plant maintenance and operations	1 073 446	-	183 896	(889 550)	
52	Security and monitoring services	72 738	-	10 754	(61 984)	
53	Data processing services	163 815	-	91 218	(72 597)	
72	Debt service	404 832	-	-	(404 832)	
81	Capital outlay	96 115	-	27 430	(68 685)	
93	Payments to SSA	72 271	-	-	(72 271)	
99	Other intergovernmental charges	96 307	-	-	(96 307)	
TG	TOTAL GOVERNMENTAL ACTIVITIES	10 496 060	129 881	2 595 013	(7 771 166)	
TP	TOTAL PRIMARY GOVERNMENT	\$ 10 496 060	\$ 129 881	\$ 2 595 013	(7 771 166)	
General Revenues:						
MT	Property taxes, levied for general purposes				3 958 297	
DT	Property taxes, levied for debt service				959 700	
IE	Investment earnings (loss)				56 903	
GC	Grants and contributions not restricted to specific programs				2 839 727	
MI	Miscellaneous				11 583	
TR	TOTAL GENERAL REVENUES				7 826 210	
CN	CHANGE IN NET POSITION				55 044	
NB	Net position - Beginning				2 985 600	
NE	NET POSITION - ENDING				\$ 3 040 644	

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2023

EXHIBIT C-1

DATA CONTROL CODES		10	50		98
		GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
	ASSETS				
1110	Cash and cash equivalents	\$ 819 089	\$ 789 705	\$ 46 862	\$ 1 655 656
1120	Investments	1 738 618	-	166 195	1 904 813
1225	Taxes receivable, net	524 924	119 693	-	644 617
1240	Due from other governments	144 562	9 421	342 356	496 339
1260	Due from other funds	339 863	-	-	339 863
1000	TOTAL ASSETS	<u>\$ 3 567 056</u>	<u>\$ 918 819</u>	<u>\$ 555 413</u>	<u>\$ 5 041 288</u>
	LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
	Liabilities:				
2150	Payroll and withholding payable	5 697	-	-	5 697
2160	Accrued wages payable	167 847	-	3 920	171 767
2170	Due to other funds	-	-	339 863	339 863
2180	Due to state	589 022	-	-	589 022
2000	TOTAL LIABILITIES	<u>762 566</u>	<u>-</u>	<u>343 783</u>	<u>1 106 349</u>
	Deferred Inflows:				
	Unavailable revenues - Property taxes	524 924	119 693	-	644 617
2600	TOTAL DEFERRED INFLOWS	<u>524 924</u>	<u>119 693</u>	<u>-</u>	<u>644 617</u>
	Fund Balances:				
	Restricted:				
3450	Federal/state funds grant restrictions	-	-	45 081	45 081
3480	Retirement of long-term debt	-	799 126	-	799 126
3490	Other restrictions of fund balance	-	-	166 549	166 549
3600	Unassigned	2 279 566	-	-	2 279 566
3000	TOTAL FUND BALANCE	<u>2 279 566</u>	<u>799 126</u>	<u>211 630</u>	<u>3 290 322</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 3 567 056</u>	<u>\$ 918 819</u>	<u>\$ 555 413</u>	<u>\$ 5 041 288</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
August 31, 2023

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 3 290 322
Amounts Reported for Governmental Activities in the Statement of Net Position are Different because:	
Capital assets used in governmental activities are not reported in the funds.	15 103 652
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	644 617
Payables for debt principal which are not due in the current period are not reported in the funds, including premium amortization.	(12 316 596)
Payable for debt interest which are not due in the current period are not reported in the funds.	(52 562)
The liabilities for workers' compensation are included in governmental activities in the SNP.	(1 752)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2 385 639)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1 491 230)
Deferred outflows of resources related to Teacher Retirement System of Texas (TRS) are not reported in the funds.	2 133 667
Deferred outflows of resources related to the OPEB plan are not reported in the funds.	1 270 561
Deferred inflows of resources related to TRS are not reported in the funds.	(855 823)
Deferred inflows of resources related to the OPEB plan are not reported in the funds.	<u>(2 298 573)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$ <u>3 040 644</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2023

EXHIBIT C-2

DATA CONTROL CODES		10	50	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
		GENERAL FUND	DEBT SERVICE FUNDS		
	Revenues:				
5700	Local and intermediate sources	\$ 3 924 893	\$ 961 332	\$ 112 820	\$ 4 999 045
5800	State program revenues	2 438 286	44 260	188 895	2 671 441
5900	Federal program revenues	357 181	-	1 481 491	1 838 672
5020	TOTAL REVENUES	<u>6 720 360</u>	<u>1 005 592</u>	<u>1 783 206</u>	<u>9 509 158</u>
	Expenditures:				
0011	Instruction	3 460 644	-	611 726	4 072 370
0012	Instructional resources and media services	72 211	-	2 413	74 624
0013	Curriculum and staff development	3 050	-	329 337	332 387
0021	Instructional leadership	117 449	-	1 131	118 580
0023	School leadership	445 480	-	46 504	491 984
0031	Guidance, counseling and evaluation services	140 367	-	1 133	141 500
0032	Social work services	-	-	70 253	70 253
0033	Health services	96 968	-	-	96 968
0034	Student transportation	223 212	-	2 517	225 729
0035	Food services	-	-	429 504	429 504
0036	Cocurricular/extracurricular activities	360 012	-	62 135	422 147
0041	General administration	547 895	-	10 767	558 662
0051	Plant maintenance and operations	860 992	-	122 615	983 607
0052	Security and monitoring services	61 984	-	10 754	72 738
0053	Data processing services	122 546	-	80 587	203 133
0071	Debt service	121 990	908 727	-	1 030 717
0081	Capital outlay	68 685	-	27 430	96 115
0093	Payments to SSA	72 271	-	-	72 271
0099	Other intergovernmental charges	96 307	-	-	96 307
6030	TOTAL EXPENDITURES	<u>6 872 063</u>	<u>908 727</u>	<u>1 808 806</u>	<u>9 589 596</u>
1100	EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	<u>(151 703)</u>	<u>96 865</u>	<u>(25 600)</u>	<u>(80 438)</u>
	Other Financing Sources and (Uses):				
7915	Transfers in	-	-	10 435	10 435
8911	Transfers out	(8 118)	-	(2 317)	(10 435)
7080	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(8 118)</u>	<u>-</u>	<u>8 118</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(159 821)	96 865	(17 482)	(80 438)
0100	Fund balance - Beginning	2 439 387	702 261	229 112	3 370 760
3000	FUND BALANCE - ENDING	<u>\$ 2 279 566</u>	<u>\$ 799 126</u>	<u>\$ 211 630</u>	<u>\$ 3 290 322</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2023

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (80 438)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different because:	
Capital outlays are not reported as expenses in the SOA.	209 582
The depreciation of capital assets used in governmental activities is not reported in the funds.	(731 865)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	117 319
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.	612 376
(Increase) decrease in accrued interest from beginning of period to end of period as well as amortization of bond premium.	13 509
Governmental funds report district pension and OPEB contributions as expenses in the government wide statements, the cost of pension and OPEB net of employee contributions is reported as pension expense	<u>85 439</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$ <u>55 044</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2023

EXHIBIT E-1

	CUSTODIAL FUNDS
ASSETS	
Cash and cash equivalents	\$ 40 576
TOTAL ASSETS	\$ <u>40 576</u>
NET POSITION	
Net position restricted for student activity	\$ 40 576
TOTAL NET POSITION	\$ <u>40 576</u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2023

EXHIBIT E-2

	CUSTODIAL FUNDS
Additions:	
Contributions	\$ 65 897
TOTAL ADDITIONS	<u>65 897</u>
Deductions:	
Payments to others	<u>73 185</u>
TOTAL DEDUCTIONS	<u>73 185</u>
NET CHANGE IN NET POSITION	(7 288)
Net position - Beginning	<u>47 864</u>
NET POSITION - ENDING	\$ <u><u>40 576</u></u>

The accompanying notes are an integral part of this statement.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Somerville Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

A. The Reporting Entity

The Board of School Trustees (the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are not component units included within the reporting entity.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation:

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

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

In addition, the District reports the following fund types:

Special Revenue Funds: these funds are used to account for revenues and expenditures related to grant awards or entitlements from federal, state, and local agencies. These funds are primarily on reimbursement basis and have a program year that does not always coincide with the District's fiscal year. Nearly all of these funds cannot carry a fund balance and, other than the food service fund, none of these funds are legally required to have an adopted budget.

Permanent Funds: These funds are governmental funds that are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee capacity and therefore not available to support District programs, these funds are not included in the government-wide statements.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

C. Financial Statements Amounts

Cash and Cash Equivalents:

For purposes of the statement of cash flow, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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 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. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the general and debt service funds are based upon historical experience in collecting property 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.

Inventories and Prepaid Items:

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operations supplies, as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets:

Purchased or constructed capital assets are reported at cost or estimated historical costs. Donated capital assets are recorded at acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIFE</u>
Building	50
Vehicles	2-15
Equipment	3-15

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will *not* be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to one or more future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

Receivable and Payable Balances:

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

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

Interfund Activity:

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Data Control Codes:

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Fund Balances - Governmental Funds:

Fund balances of the governmental funds are classified as follows:

- Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).
- Restricted Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the board or by an official or body to which the Board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts have been restricted, committed, or assigned.

Net Position Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Program Revenues:

Amounts reported as *program revenues* include 1) charges to customers or applications who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Pensions:

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

Other Post-Employment Benefits:

The fiduciary net position of TRS-Care has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments (including refunds of employee contributions) 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,601,045 and the bank balance was \$2,121,980. The District's cash deposits at August 31, 2023, and during the year ended August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), 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 rate 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.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the area of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies. The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; and 10) commercial paper.

The District's investments at August 31 are shown below:

NAME	WEIGHTED AVERAGE	FAIR VALUE
TexPool Investment Pool	23 days	\$ 144 569
T. Rowe Price Mutual Funds	N/A	106 445
Certificates of Deposits	126 days	15 778
Logic Investment	49 days	1 578 271
TOTAL INVESTMENTS		\$ <u>1 904 813</u>

Fair Value Measurements:

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

As of August 31, 2023, the District had the following recurring investments subject to fair value measurements:

		FAIR VALUE MEASUREMENTS USING
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)
Investments by Fair Value Level:	AUGUST 31, 2023	
Mutual Funds:		
GNMA	\$ 5 457	\$ 5 457
Spectrum income	100 988	100 988
TOTAL	\$ <u>106 445</u>	\$ <u>106 445</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

Analysis of Specific Deposit and Investment Risks:

a. Credit Risk

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

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

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

The District's investments 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 (SEC) 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.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

TexPool

The District invests in the Texas Local Government Investment Pool ("TexPool"), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board (the "Board") to advise with respect to TexPool. The Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool and are qualified to advise in respect to TexPool. The Board members review the investment policy and management fee structure. TexPool is rated 'AAAm' by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

NOTE 3 - CAPITAL ASSETS

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

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 406 185	\$ -	\$ -	\$ 406 185
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	406 185	-	-	406 185
Capital Assets Being Depreciated:				
Buildings and improvements	22 867 741	92 922	-	22 960 663
Leases	21 654	-	-	21 654
Vehicles and equipment	1 735 142	18 146	-	1 753 288
Right of use assets	-	98 514	-	98 514
TOTAL CAPITAL ASSETS BEING DEPRECIATED	24 624 537	209 582	-	24 834 119
Less Accumulated Depreciation for:				
Buildings and improvements	(8 091 071)	(580 573)	-	(8 671 644)
Leases	(5 942)	(4 331)	-	(10 273)
Vehicles and equipment	(1 307 774)	(114 123)	-	(1 421 897)
Right of use assets	-	(32 838)	-	(32 838)
TOTAL ACCUMULATED DEPRECIATION	(9 404 787)	(731 865)	-	(10 136 652)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	15 219 750	(522 283)	-	14 697 467
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 15 625 935	\$ (522 283)	\$ -	\$ 15 103 652

Depreciation was charged to functions as follows:

Instruction	\$ 298 644
Instructional resources and media services	12 311
Curriculum and staff development	94
Instructional leadership	6 132
School leadership	94
Guidance, counseling and evaluation services	3 043
Student transportation	106 529
Food services	47 487
Cocurricular/extracurricular activities	145 451
General administration	4 443
Plant maintenance and operations	81 484
Data processing	26 151
	<u>\$ 731 865</u>

NOTE 4 - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2023 consisted of the following:

DUE TO	DUE FROM	AMOUNT	REASON
General Fund	Other Government Funds	\$ 339 863	Short-term loan
	TOTAL	<u>\$ 339 863</u>	

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

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 4 - INTERFUND BALANCES AND ACTIVITIES - CONTINUED

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2023 consisted of the following:

TRANSFERS FROM	TRANSFERS TO	AMOUNT	REASON
General Fund	Other Government Funds	\$ 8 118	Supplement other funds sources
Other Governmental Funds	Other Governmental Funds	2 317	Supplement other funds sources
	TOTAL	\$ 10 435	

NOTE 5 - LONG - TERM OBLIGATIONS

Long-Term Obligation Activity:

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2023 are as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds, Notes, and Other Payables:					
School building bonds, 2016	\$ 7 380 000	\$ -	\$ (285 000)	\$ 7 095 000	\$ 295 000
School building bonds, 2017	2 690 000	-	(105 000)	2 585 000	110 000
Tax refunding bonds, 2020	810 000	-	(195 000)	615 000	200 000
Maintenance tax note, 2020	1 373 000	-	(92 000)	1 281 000	94 000
TOTAL BONDS, NOTES, AND OTHER PAYABLES	12 253 000	-	(677 000)	11 576 000	699 000
Other Liabilities:					
Bond premium	701 192	-	(36 905)	664 287	-
Xerox copier lease	5 391	-	(1 982)	3 409	1 989
Xerox copier lease	6 294	-	(2 314)	3 980	2 322
Apptegy	-	17 330	(6 000)	11 330	5 556
ASCENDER	-	61 125	(21 000)	40 125	19 756
Heartland	-	7 638	(2 624)	5 014	2 469
Web Filtering - Region 6	-	12 423	(4 268)	8 155	4 015
TOTAL GOVERNMENT ACTIVITIES	\$ 12 965 877	\$ 98 516	\$ (752 093)	\$ 12 312 300	\$ 735 107

Bonded indebtedness of the District reflects in the general long-term debt and current requirements of principal and interest expenditures are accounted for in the debt service fund. These bonds were issued as school tax refunding bonds and school building bonds and the interest rates on the bonds ranged from 3.00% to 4.00% for School Building Bonds, Series 2016; 3.00% to 3.75% for School Building Bonds, Series 2017, and 1.25% to 1.50% for Tax Refunding Bonds, Series 2020.

Notes payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditure are accounted for on the general fund. The District approved the 2007 maintenance tax note at an interest rate of 4.41% for the acquisition and maintenance of facilities and equipment and 2020 maintenance tax note at 2.26%.

Notes payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the general fund. The District approved the 2020 maintenance loans at interest rates of 2.60% for the acquisition and maintenance of facilities, vehicles, and equipment.

Lease payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the general fund. The District approved the 2020 copier leases at an interest rate of 0.350% for 60 months starting April 15, 2020.

Right of use payables of the District reflected in the general long-term debt and current requirements for principal and interest are accounted for in the general fund. The right of use assets are payable over 3 years at an interest rate of 3.1 to 3.92%.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 5 - LONG - TERM OBLIGATIONS - CONTINUED

Debt Service Requirements:

Debt service requirements on long-term debt at August 31, 2023 are as follows:

GOVERNMENTAL ACTIVITIES										
YEAR ENDING AUGUST 31,	BONDS PAYABLE		NOTES PAYABLE		LEASES		RIGHT OF USE ASSETS		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2024	\$ 605 000	\$ 305 584	\$ 94 000	\$ 27 888	\$ 4 311	\$ 19	\$ 31 796	\$ 2 096	\$ 735 107	\$ 335 587
2025	620 000	287 398	96 000	25 741	3 078	4	32 828	1 065	751 906	314 208
2026	645 000	268 462	98 000	23 549	-	-	-	-	743 000	292 011
2027	450 000	252 012	101 000	21 301	-	-	-	-	551 000	273 313
2028	465 000	238 287	103 000	18 996	-	-	-	-	568 000	257 283
2029-2033	2 540 000	971 010	551 000	58 591	-	-	-	-	3 091 000	1 029 601
2034-2038	2 960 000	553 950	238 000	5 401	-	-	-	-	3 198 000	559 351
2039-2043	2 010 000	97 582	-	-	-	-	-	-	2 010 000	97 582
TOTAL	\$ 10 295 000	\$ 2 974 285	\$ 1 281 000	\$ 81 467	\$ 7 389	\$ 23	\$ 64 624	\$ 3 161	\$ 11 648 013	\$ 3 158 936

NOTE 6 - RISK MANAGEMENT

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

NOTE 7 - PENSION PLAN

A. 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 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.

B. Pension Plan Fiduciary Net Position

Detailed information about TRS' 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.state.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

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

D. 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% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 7 - PENSION PLAN - CONTINUED

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2022 and 2023.

	CONTRIBUTION RATES	
	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	7.75%
Employers	7.75%	7.75%
Employer Contributions		\$ 195 134
Member Contributions		\$ 367 070
NECE On-behalf Contributions		\$ 272 586

Contributors to the plan include members, employers, and the State of Texas as the only NECE. 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 NECE for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid for the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, the must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

E. Actuarial Assumptions

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

Valuation Date	August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.00%
Long-term Expected Investment Rate of Return	7.00%
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 7 - PENSION PLAN - CONTINUED

F. Discount Rate

The single discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a municipal bond rate of 3.91 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan 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 pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2022 are summarized below:

ASSET CLASS	TARGET** ALLOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN***	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS
Global Equity			
U.S.A.	18%	4.6%	1.12%
Non-U.S. Developed	13%	4.9%	0.90%
Emerging Markets	9%	5.4%	0.75%
Private Equity*	14%	7.7%	1.55%
Stable Value			
Government Bonds	16%	1.0%	0.22%
Absolute Return*	- %	3.7%	- %
Stable Value Hedge Funds	5%	3.4%	0.18%
Real Return			
Real Estate	15%	4.1%	0.94%
Energy, Natural Resources, and Infrastructure	6%	5.1%	0.37%
Commodities	- %	3.6%	- %
Risk Parity			
Risk Parity	8%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2%	3.0%	0.01%
Asset Allocation Leverage	(6)%	3.6%	(0.05)%
Inflation Expectation			2.70%
Volatility Drag****			(0.91)%
Expected Return	<u>100%</u>		<u>8.21%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2022 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

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

For the fiscal year ended August 31, 2022, the annual money-weighted rate of return on pension plan investments was 7.00 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the net pension liability.

	1% Decrease in Discount (6.00%)	Current Single Discount (7.00%)	1% Increase in Discount (8.00%)
District's proportionate share of the net OPEB liability	\$ 3 711 150	\$ 2 385 639	\$ 1 311 250

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

At August 31, 2023, the District reported a liability of \$2,385,639 for its proportionate share of the TRS's Net Pension Liability. This liability reflects a reduction for State pension support provide to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2 385 639
State's proportionate share that is associated with the District	3 468 003
TOTAL	<u>\$ 5 853 642</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 7 - PENSION PLAN - CONTINUED

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

At August 31, 2022, the District's proportion of the collective net pension liability was 0.00402% which was an increase of 0.0001% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period.

The total pension liability as of August 31, 2022 was developed using a roll-forward method from the August 31, 2021 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2022.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate decreased to 7.00 percent as of August 31, 2022.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

For the year ended August 31, 2023, the District recognized pension expense of \$331,502 and revenue of \$331,502 for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS' 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	\$ 34 592	\$ 52 011
Changes in actuarial assumptions	444 522	110 787
Difference between projected and actual investment earnings	926 917	691 223
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	532 502	1 802
Contributions paid to TRS subsequent to the measurement date	195 134	-
TOTAL	\$ 2 133 667	\$ 855 823

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2024	\$ 282 382
2025	\$ 199 430
2026	\$ 138 285
2027	\$ 368 638
2028	\$ 93 975
Thereafter	\$ -

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about 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 <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS

Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the "Basic Plan"), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board is granted the authority to establish basic and optional group insurance coverage for participants, as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs).

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees			
January 1, 2022 - December 31, 2022			
		Medicare	Non-Medicare
Retiree*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1 020	999

* *or surviving spouse*

Contributions

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

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

CONTRIBUTION RATES		
	2022	2023
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%
Employer Contributions - 2023		\$ 43 224
Member Contributions - 2023		\$ 29 825
NECE On-behalf Contributions - 2022		\$ 62 399

In addition to the employer contributions listed above, there is an additional surcharge, which all TRS employers are subject (regardless of whether they participate in TRS-Care.) When employers hire a TRS retiree, they are required to pay a monthly surcharge of \$535 per retiree to TRS-Care.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Actuarial Assumptions

The total OPEB liability in the August 31, 2022 actuarial valuations was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2022
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
Mortality Assumption	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, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 7.3% for non-Medicare retirees. Initial prescription drug trend rate of 9.00% for all retirees.
	Initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Discount Rate

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

Discount Rate Sensitivity Analysis - The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of net OPEB liability	\$ <u>1 758 278</u>	\$ <u>1 491 230</u>	\$ <u>1 274 886</u>

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 5.25% rate is used.

	1% Decrease Healthcare Cost Trend Rate (4.25%)	Current Healthcare Cost Trend Rate (5.25%)	1% Increase Healthcare Cost Trend Rate (6.25%)
District's proportionate share of net OPEB liability	\$ <u>1 228 780</u>	\$ <u>1 491 230</u>	\$ <u>1 831 462</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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

At August 31, 2023, the District reported a liability of \$1,491,230 for its proportionate share of TRS' net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 1 491 230
State's proportionate share that is associated with the District	1 819 066
TOTAL	<u>\$ 3 310 296</u>

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

At August 31, 2022, the employer's proportion of the collective Net OPEB Liability was 0.062228% which was an increase of 0.005261% from August 31, 2021.

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

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. The discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change increased the TOL.
2. The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
3. The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
4. The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
5. Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

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

For the year ended August 31, 2023, the District recognized OPEB expense of \$258,140 and revenue of \$258,140 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 82 907	\$ 1 242 328
Changes in actuarial assumptions	227 144	1 036 018
Differences between projected and actual investment earnings	4 458	16
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	912 828	20 211
Contributions paid to TRS subsequent to the measurement date	43 224	-
	<u>\$ 1 270 561</u>	<u>\$ 2 298 573</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 8 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDED AUGUST 31,	OPEB AMOUNT
2024	\$ (240 428)
2025	\$ (240 412)
2026	\$ (177 173)
2027	\$ (91 560)
2028	\$ (113 320)
Thereafter	\$ (208 343)

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2023, 2022 and 2021, the subsidy payments received by TRS-Care on behalf of the District were \$28,519, \$20,315 and \$19,276 respectively.

NOTE 9 - EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2023, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Cost 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 basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2023.

NOTE 11 - SHARED SERVICES ARRANGEMENTS

The District participates in a shared services arrangement (SSA) for resource education with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Rockdale Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

The District participates in an SSA with Brazos Valley Regional Day School for the Deaf with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by Bryan ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 11 - SHARED SERVICES ARRANGEMENTS - CONTINUED

The District participates in an SSA for career and technology education services with other participating independent school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

The District participates in an SSA for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for all financial activities of the SSA.

NOTE 12 - WORKERS' COMPENSATION

Claims Administrative Service

During the year ended August 31, 2023, employees of the District were covered by a Workers' Compensation Plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), acting on behalf of the self-funded pool, is renewable September 1, 2023, and terms, as well as cost of coverage, are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the state of Texas in accordance with Texas Insurance Code. Reinsurance coverage was in effect for individual claims exceeding \$750,000 and for aggregate claims with a statutory limit of \$3,000,000. According to CAS, the unfunded claim benefit obligation of \$1,345 included \$-0- in estimated claims incurred, but not reported.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate of claims in which have been incurred, but not reported based on historical experience. Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below:

	FISCAL YEAR	
	2023	2022
Claims liability at beginning of year	\$ 1 421	\$ 1 752
Current year claims and estimated changes	(6)	(140)
Claims payments	(70)	(191)
CLAIMS LIABILITY AT YEAR END	<u>\$ 1 345</u>	<u>\$ 1 421</u>

TASB Risk Management Fund

During the year ended August 31, 2023, the District met its statutory worker's compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The District participates in the Fund's reimbursement aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims and liability.

The Fund and its members are protected against higher than expected costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2023, the fund carries a discounted reserve of \$46,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2023, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2023

NOTE 12 - WORKERS' COMPENSATION - CONTINUED

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

NOTE 13 - UNEMPLOYMENT COMPENSATION

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2024, the date the financial statements were available to be issued.

NOTE 15 - BUDGETARY COMPLIANCE

For the fiscal year ended August 31, 2023, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

<u>FUND</u>	<u>FUNCTION</u>	<u>VARIANCE</u>
General	11 Instruction	\$ (24 068)
General	12 Instructional resources/media	\$ (1 511)
General	41 General administration	\$ (475)
General	51 Plant maintenance/operations	\$ (12 504)
General	52 Security and monitoring	\$ (1 835)
General	53 Data processing services	\$ (1 546)

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2023

EXHIBIT G-1

DATA CONTROL CODES		1 BUDGETED AMOUNTS		3 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		ORIGINAL	FINAL		
	Revenues:				
5700	Local and intermediate sources	\$ 3 852 439	\$ 3 852 439	\$ 3 924 893	\$ 72 454
5800	State program revenues	2 673 767	2 673 767	2 438 286	(235 481)
5900	Federal program revenue	350 700	35 700	357 181	321 481
5020	TOTAL REVENUES	<u>6 876 906</u>	<u>6 561 906</u>	<u>6 720 360</u>	<u>158 454</u>
	Expenditures:				
0011	Instruction	3 552 373	3 436 576	3 460 644	(24 068)
0012	Instructional resources and media services	68 200	70 700	72 211	(1 511)
0013	Curriculum and staff development	5 000	3 276	3 050	226
0021	Instructional leadership	118 300	117 450	117 449	1
0023	School leadership	425 632	445 855	445 480	375
0031	Guidance, counseling and evaluation services	152 630	140 370	140 367	3
0033	Health services	87 750	96 970	96 968	2
0034	Student (pupil) transportation	227 630	223 215	223 212	3
0036	Cocurricular/extracurricular activities	348 950	361 950	360 012	1 938
0041	General administration	494 300	547 420	547 895	(475)
0051	Plant maintenance and operations	831 250	848 488	860 992	(12 504)
0052	Security and monitoring services	60 500	60 149	61 984	(1 835)
0053	Data processing services	109 200	121 000	122 546	(1 546)
0071	Principle on long-term debt	121 991	121 991	121 990	1
0081	Capital outlay	60 000	68 706	68 685	21
0093	Shared services arrangements	61 500	72 271	72 271	-
0099	Other intergovernmental charges	101 700	96 308	96 307	1
6030	TOTAL EXPENDITURES	<u>6 826 906</u>	<u>6 832 695</u>	<u>6 872 063</u>	<u>(39 368)</u>
1100	EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	<u>50 000</u>	<u>(270 789)</u>	<u>(151 703)</u>	<u>119 086</u>
	Other Financing Sources and (Uses):				
8911	Transfers out	<u>(50 000)</u>	<u>(31 000)</u>	<u>(8 118)</u>	<u>22 882</u>
7080	TOTAL OTHER FINANCING SOURCES	<u>(50 000)</u>	<u>(31 000)</u>	<u>(8 118)</u>	<u>22 882</u>
1200	NET CHANGE IN FUND BALANCES	-	(301 789)	(159 821)	141 968
0100	Fund balance - Beginning	<u>2 439 387</u>	<u>2 439 387</u>	<u>2 439 387</u>	-
3000	FUND BALANCE - ENDING	<u>\$ 2 439 387</u>	<u>\$ 2 137 598</u>	<u>\$ 2 279 566</u>	<u>\$ 141 968</u>

See independent auditor's report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-2

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.004%	0.00301%	0.00285%	0.00243%	0.00244%	0.022634%	0.020614%	0.019645%	0.013849%
District's proportionate share of the net pension liability (asset)	\$ 2 385 639	\$ 767 668	\$ 1 527 547	\$ 1 261 038	\$ 1 342 326	\$ 723 713	\$ 778 986	\$ 694 425	\$ 369 926
State's proportionate share of the net pension liability (asset) associated with the District	3 468 003	1 561 489	3 163 923	2 684 891	2 635 961	1 901 259	2 279 680	2 199 153	1 820 146
TOTAL	<u>\$ 5 853 642</u>	<u>\$ 2 329 157</u>	<u>\$ 4 691 470</u>	<u>\$ 3 945 929</u>	<u>\$ 3 978 287</u>	<u>\$ 2 624 972</u>	<u>\$ 3 058 666</u>	<u>\$ 2 893 578</u>	<u>\$ 2 190 072</u>
District's covered-employee payroll	\$ 4 556 688	\$ 3 954 560	\$ 3 582 061	\$ 3 116 631	\$ 3 156 047	\$ 3 423 938	\$ 3 283 037	\$ 3 103 562	\$ 3 025 331
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	52.35%	19.41%	42.64%	40.46%	42.53%	21.14%	23.73%	22.38%	12.23%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-3

	<u>2023</u>	<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>2014</u>
Contractually required contribution	\$ 195 134	\$ 173 895	\$ 116 916	\$ 108 357	\$ 77 541	\$ 81 860	\$ 74 181	\$ 65 497	\$ 58 171	\$ 35 110
Contributions in relation to the contractually required contribution	<u>(195 134)</u>	<u>(173 895)</u>	<u>(116 916)</u>	<u>(108 357)</u>	<u>(77 541)</u>	<u>(81 860)</u>	<u>(74 181)</u>	<u>(65 497)</u>	<u>(58 171)</u>	<u>(35 110)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 4 588 384	\$ 4 556 688	\$ 3 954 560	\$ 3 582 061	\$ 3 116 631	\$ 3 156 047	\$ 3 423 938	\$ 3 283 037	\$ 3 103 562	\$ 3 025 331
Contributions as a percentage of covered payroll	4.25%	3.82%	2.96%	3.02%	2.49%	2.59%	2.17%	2.00%	1.87%	1.16%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
DISTRICT'S PROPORTIONATE SHARE OF LIABILITY AND DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-4

District's Proportionate Share of Liability	2022	2021	2020	2019	2018	2017
District's proportion of the OPEBL	0.0062%	0.005261%	0.0049%	0.0048%	0.004276%	0.0043495%
District's proportionate share of the OPEBL	\$ 1 491 230	\$ 2 029 286	\$ 1 848 286	\$ 2 263 734	\$ 2 135 170	\$ 1 891 426
State share of the OPEBL associated with the District	<u>1 819 066</u>	<u>2 718 791</u>	<u>2 483 653</u>	<u>3 007 997</u>	<u>2 581 803</u>	<u>2 622 787</u>
TOTAL	<u>\$ 3 310 296</u>	<u>\$ 4 748 077</u>	<u>\$ 4 331 939</u>	<u>\$ 5 271 731</u>	<u>\$ 4 716 973</u>	<u>\$ 4 514 213</u>
District's covered-employee payroll* <i>*Prior FY TRS Gross - September through August</i>	\$ 4 556 688	\$ 3 954 560	\$ 3 582 061	\$ 3 116 631	\$ 3 156 047	\$ 3 423 938
Proportionate share/covered payroll	32.73%	51.32%	51.6%	72.63%	67.65%	55.24%
Plan fiduciary net position/total OPEB liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Notes to Required Supplementary Information:

Changes in Assumptions:

See note disclosure for current year changes.

Changes in Benefits:

See note disclosure for current year changes.

District Contributions	2023	2022	2021	2020	2019	2018
Statutorily or contractually required contribution	\$ 43 224	\$ 42 442	\$ 31 746	\$ 29 075	\$ 30 383	\$ 31 069
Contributions to required contribution	<u>(43 224)</u>	<u>(42 442)</u>	<u>(31 746)</u>	<u>(29 075)</u>	<u>(30 383)</u>	<u>(31 069)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4 588 384	\$ 4 556 688	\$ 3 954 560	\$ 3 582 061	\$ 3 116 631	\$ 3 156 047
Contributions to covered payroll	0.94%	0.93%	0.80%	0.81%	0.97%	0.98%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditor's report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended August 31, 2023

Budget

The official budget was prepared for adoption for the General fund in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. 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 after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Defined Benefit Pension and OPEB Plan

Changes of Benefit Terms

See Note disclosure for current year changes.

Changes of Assumptions

See Note disclosure for current year changes.

COMBINING STATEMENTS AND BUDGET COMPARISONS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUND	SCHOLARSHIP FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1)
	ASSETS			
1110	Cash and cash equivalents	\$ 46 508	\$ 354	\$ 46 862
1120	Current investments	-	166 195	166 195
1240	Due from other governments	342 356	-	342 356
1000	TOTAL ASSETS	<u>\$ 388 864</u>	<u>\$ 166 549</u>	<u>\$ 555 413</u>
	LIABILITIES			
2160	Accrued wages payable	3 920	-	3 920
2170	Due to other funds	339 863	-	339 863
2000	TOTAL LIABILITIES	<u>343 783</u>	<u>-</u>	<u>343 783</u>
	FUND BALANCES			
	Restricted Fund Balances:			
3490	Other restrictions of fund balance	45 081	166 549	211 630
3000	TOTAL FUND BALANCES	<u>45 081</u>	<u>166 549</u>	<u>211 630</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 388 864</u>	<u>\$ 166 549</u>	<u>\$ 555 413</u>

See independent auditor's report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2023

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUND	SCHOLARSHIP FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	Revenues:			
5700	Local and intermediate sources	\$ 102 417	\$ 10 403	\$ 112 820
5800	State program revenues	188 895	-	188 895
5900	Federal program revenues	1 481 491	-	1 481 491
5020	TOTAL REVENUES	<u>\$ 1 772 803</u>	<u>\$ 10 403</u>	<u>\$ 1 783 206</u>
	Expenditures:			
0011	Instruction	\$ 611 726	\$ -	\$ 611 726
0012	Instructional resources and media services	2 413	-	2 413
0013	Curriculum and staff development	329 337	-	329 337
0021	Instructional leadership	1 131	-	1 131
0023	School leadership	46 504	-	46 504
0031	Guidance, counseling, and evaluation services	1 133	-	1 133
0032	Social work services	70 253	-	70 253
0034	Student transportation	2 517	-	2 517
0035	Food service	429 504	-	429 504
0036	Cocurricular/extracurricular activities	57 333	4 802	62 135
0041	General administration	10 767	-	10 767
0051	Plant maintenance and operations	122 615	-	122 615
0052	Security and monitoring services	10 754	-	10 754
0053	Data processing services	80 587	-	80 587
0081	Capital outlay	27 430	-	27 430
6030	TOTAL EXPENDITURES	<u>1 804 004</u>	<u>4 802</u>	<u>1 808 806</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31 201)</u>	<u>5 601</u>	<u>(25 600)</u>
	Other Financing Sources and (Uses):			
7915	Transfers in	10 435	-	10 435
7915	Transfers out	(2 317)	-	(2 317)
7080	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>8 118</u>	<u>-</u>	<u>8 118</u>
1200	NET CHANGE IN FUND BALANCES	(23 083)	5 601	(17 482)
0100	Fund balances - Beginning	<u>68 164</u>	<u>160 948</u>	<u>229 112</u>
3000	FUND BALANCES - ENDING	<u>\$ 45 081</u>	<u>\$ 166 549</u>	<u>\$ 211 630</u>

See independent auditor's report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
August 31, 2023

		211	240	242	255
DATA CONTROL CODES		ESEA TITLE I GRANT	CHILD NUTRITION FUND	SUMMER FEEDING PROGRAM	TITLE II PART A TRAINING GRANT
	ASSETS				
1110	Cash and cash equivalents	\$ -	\$ 3 920	\$ -	\$ 34
1240	Due from other governments	<u>73 254</u>	<u>5 933</u>	<u>-</u>	<u>4 907</u>
1000	TOTAL ASSETS	<u>\$ 73 254</u>	<u>\$ 9 853</u>	<u>\$ -</u>	<u>\$ 4 941</u>
	LIABILITIES				
2160	Accrued wages payable	\$ -	\$ 3 920	\$ -	\$ -
2170	Due to other funds	<u>73 254</u>	<u>5 933</u>	<u>-</u>	<u>4 907</u>
2000	TOTAL LIABILITIES	<u>73 254</u>	<u>9 853</u>	<u>-</u>	<u>4 907</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3490	Other restrictions of fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 73 254</u>	<u>\$ 9 853</u>	<u>\$ -</u>	<u>\$ 4 941</u>

See independent auditor's report.

279	281	282	289	290	410	427
ESSER III TCLAS	ESSER II	ESSER III	TITLE IV PART A SUBPART 1	USDA RURAL SCHOOLS	TEXTBOOK/ TECHNOLOGY FUND	SAFETY GRANT
\$ 386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17 899	27 826	109 891	2 396	-	-	35 024
<u>\$ 18 285</u>	<u>\$ 27 826</u>	<u>\$ 109 891</u>	<u>\$ 2 396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35 024</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17 899	26 461	108 763	2 396	-	-	35 024
<u>17 899</u>	<u>26 461</u>	<u>108 763</u>	<u>2 396</u>	<u>-</u>	<u>-</u>	<u>35 024</u>
386	1 365	1 128	-	-	-	-
<u>386</u>	<u>1 365</u>	<u>1 128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 18 285</u>	<u>\$ 27 826</u>	<u>\$ 109 891</u>	<u>\$ 2 396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35 024</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
August 31, 2023

EXHIBIT H-3
Page 2 of 2

DATA CONTROL CODES	428	429	461	TOTAL NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
	SILENT PANIC TECH. FUND	TCLAS - GR	CAMPUS ACTIVITY FUND	
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 42 168
1240	Due from other governments	3 160	62 066	-
1000	TOTAL ASSETS	<u>\$ 3 160</u>	<u>\$ 62 066</u>	<u>\$ 42 168</u>
LIABILITIES				
2160	Accrued wages payable	\$ -	\$ -	\$ -
2170	Due to other funds	3 160	62 066	-
2000	TOTAL LIABILITIES	<u>3 160</u>	<u>62 066</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balances:				
3490	Other restrictions of fund balance	-	-	42 168
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>42 168</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3 160</u>	<u>\$ 62 066</u>	<u>\$ 42 168</u>

See independent auditor's report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2023

		211	240	242	255
DATA CONTROL CODES		ESEA TITLE I GRANT	CHILD NUTRITION FUND	SUMMER FEEDING PROGRAM	TITLE II PART A TRAINING GRANT
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ 62 017	\$ 288	\$ -
5800	State program revenues	-	14 286	131	-
5900	Federal program revenues	259 531	326 268	2 604	20 392
5020	TOTAL REVENUES	259 531	402 571	3 023	20 392
	Expenditures:				
0011	Instruction	155 605	-	-	7 987
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	97 273	-	-	6 643
0021	Instructional leadership	-	-	-	-
0023	School leadership	2 967	-	-	5 728
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0034	Student transportation	1 369	-	-	-
0035	Food services	-	419 665	3 381	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0081	Capital outlay	-	-	-	-
6030	TOTAL EXPENDITURES	257 214	419 665	3 381	20 358
1100	EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	2 317	(17 094)	(358)	34
	Other Financing Sources:				
7915	Transfer in	-	3 316	358	-
8911	Transfer out	(2 317)	-	-	-
7080	TOTAL OTHER FINANCING SOURCES	(2 317)	3 316	358	-
1200	NET CHANGE IN FUND BALANCE	-	(13 778)	-	34
0100	Fund balances - Beginning	-	13 778	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ 34

See independent auditor's report.

279	281	282	289	290	410	427
ESSER III TCLAS	ESSER II	ESSER III	TITLE IV PART A SUBPART 1	USDA RURAL SCHOOLS	TEXTBOOK/ TECHNOLOGY FUND	SAFETY GRANT
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	5 553	35 024
110 402	289 206	458 747	14 341	-	-	-
110 402	289 206	458 747	14 341	-	5 553	35 024
110 016	147 714	88 277	14 341	2 100	10 214	-
-	-	2 413	-	-	-	-
-	63 931	106 240	-	-	-	-
-	-	1 131	-	-	-	-
-	900	36 909	-	-	-	-
-	-	1 133	-	-	-	-
-	-	70 253	-	-	-	-
-	-	1 148	-	-	-	-
-	449	6 009	-	-	-	-
-	4 198	850	-	-	-	-
-	6 000	4 767	-	-	-	-
-	63 393	59 222	-	-	-	-
-	-	-	-	-	-	7 594
-	1 256	79 331	-	-	-	-
-	-	-	-	-	-	27 430
110 016	287 841	457 683	14 341	2 100	10 214	35 024
386	1 365	1 064	-	(2 100)	(4 661)	-
-	-	-	-	2 100	4 661	-
-	-	-	-	-	-	-
-	-	-	-	2 100	4 661	-
386	1 365	1 064	-	-	-	-
-	-	64	-	-	-	-
\$ 386	\$ 1 365	\$ 1 128	\$ -	\$ -	\$ -	\$ -

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended August 31, 2023

EXHIBIT H-4
Page 2 of 2

DATA CONTROL CODES	428 SILENT PANIC TECH. FUND	429 TCLAS - GR	461 CAMPUS ACTIVITY FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ 40 112
5800	State program revenues	3 160	130 722	119
5900	Federal program revenues	-	-	-
5020	TOTAL REVENUES	3 160	130 722	40 131
Expenditures:				
0011	Instruction	-	75 472	-
0012	Instructional resources and media services	-	-	-
0013	Curriculum and staff development	-	55 250	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0032	Social work services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	52 285
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	3 160	-	-
0053	Data processing services	-	-	-
0081	Capital outlay	-	-	-
6030	TOTAL EXPENDITURES	3 160	130 722	52 285
1100	EXCESS/(DEFICIT) REVENUE OVER EXPENDITURES	-	-	(12 154)
Other Financing Sources:				
7915	Transfer in	-	-	-
8911	Transfer out	-	-	-
7080	TOTAL OTHER FINANCING SOURCES	-	-	-
1200	NET CHANGE IN FUND BALANCE	-	-	(12 154)
0100	Fund balances - Beginning	-	-	54 322
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ 42 168

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2023

	(1)	(2)	(3)	
	TAX RATES		ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES	
LAST 10 YEARS	MAINTENANCE	DEBT SERVICE		
2014 and prior years	Various	Various		Various
2015	1.0040	0.0944	\$	216 610 950
2016	1.0040	0.0727	\$	280 433 153
2017	1.0040	0.2954	\$	262 437 622
2018	1.0040	0.3102	\$	288 267 138
2019	1.0040	0.3000	\$	319 863 582
2020	0.0970	0.2700	\$	360 547 500
2021	0.0966	0.2700	\$	359 929 935
2022	0.8976	0.2575	\$	374 388 700
2023 (School year under audit)	0.8546	0.2100	\$	475 028 649
TOTALS				

See independent auditor's report.

EXHIBIT J-1

(10) BEGINNING BALANCE 08/31/2022	(20) CURRENT PERIOD'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE PERIOD'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2023
\$ 74 082	\$ -	\$ 1 137	\$ 100	\$ (5 009)	\$ 67 836
19 362	-	262	24	(132)	18 944
42 084	-	537	37	(93)	41 417
31 578	-	1 013	288	(113)	30 164
42 162	-	2 125	668	(120)	39 249
70 739	-	5 472	1 585	(118)	63 564
96 286	-	12 298	3 522	706	81 172
140 090	-	19 705	5 859	(2 946)	111 580
236 900	-	43 578	12 824	(4 402)	176 096
-	4 869 365	3 647 245	876 196	21 527	367 451
\$ 753 283	\$ 4 869 365	\$ 3 733 372	\$ 901 103	\$ 9 300	\$ 997 473

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2023

EXHIBIT J-2

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
		BUDGETED AMOUNTS		ACTUAL AMOUNTS	
		ORIGINAL	FINAL		
	Revenues:				
5700	Local and intermediate sources	\$ 54 510	\$ 54 510	\$ 62 017	\$ 7 507
5800	State program revenues	18 500	18 500	14 286	(4 214)
5900	Federal program revenues	329 580	299 580	326 268	26 688
5020	TOTAL REVENUES	<u>402 590</u>	<u>372 590</u>	<u>402 571</u>	<u>29 981</u>
	Expenditures:				
0035	Food services	<u>402 590</u>	<u>422 590</u>	<u>419 665</u>	<u>2 925</u>
6030	TOTAL EXPENDITURES	<u>402 590</u>	<u>422 590</u>	<u>419 665</u>	<u>2 925</u>
1100	EXCESS/(DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(50 000)</u>	<u>(17 094)</u>	<u>32 906</u>
	Other Financing Sources:				
7915	Transfer in	<u>-</u>	<u>50 000</u>	<u>3 316</u>	<u>(46 684)</u>
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>50 000</u>	<u>3 316</u>	<u>(46 684)</u>
1200	NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(13 778)</u>	<u>(13 778)</u>
0100	Fund balance - Beginning	<u>13 778</u>	<u>13 778</u>	<u>13 778</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 13 778</u>	<u>\$ 13 778</u>	<u>\$ -</u>	<u>\$ (13 778)</u>

See independent auditor's report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2023

EXHIBIT J-3

		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL AMOUNTS	
		ORIGINAL	FINAL		
	Revenues:				
5700	Local and intermediate sources	\$ 917 000	\$ 917 000	\$ 961 332	\$ 44 332
5800	State program revenues	26 577	26 577	44 260	17 683
5020	TOTAL REVENUES	943 577	943 577	1 005 592	62 015
	Expenditures:				
	Debt Service:				
0071	Debt service	908 727	908 727	908 727	-
6030	TOTAL DEBT SERVICE	908 727	908 727	908 727	-
1200	NET CHANGE IN FUND BALANCES	34 850	34 850	96 865	62 015
0100	Fund balance - Beginning	702 261	702 261	702 261	-
3000	FUND BALANCE - ENDING	\$ 737 111	\$ 737 111	\$ 799 126	\$ 62 015

See independent auditor's report.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
STATE SUPPLEMENTAL ALLOTMENT COMPLIANCE
USE OF FUNDS REPORT
For the Year Ended August 31, 2023

EXHIBIT J-4

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
	<u>Section A: Compensatory Education Programs</u>	
	Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did your 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	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ <u>583 429</u>
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	\$ <u>485 919</u>
	<u>Section B: Bilingual Education Programs</u>	
	Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP5	Did your 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	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ <u>30 005</u>
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25 and 35)	\$ <u>59 568</u>

FEDERAL AWARDS SECTION

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

Board of Trustees
Somerville Independent School District
Somerville, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerville Independent School District as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Somerville Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Somerville 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Somerville Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 17, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *UNIFORM GUIDANCE*

Board of Trustees
Somerville Independent School District
Somerville, Texas

Members of the Board:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Somerville Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Somerville Independent School District's major federal programs for the year ended August 31, 2023. Somerville 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, Somerville Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Somerville Independent School District and to meet our other 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 Somerville Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Somerville Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Somerville Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Somerville Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 17, 2024



SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

EXHIBIT K-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH ENTITY IDENTIFYING NUMBER	EXPENDITURES
U.S. Department of Agriculture:			
Passed through State Department of Agriculture:			
School Breakfast Program	10.553	71402001	\$ 58 982
National School Lunch Program	10.555	71302001	242 965
Summer Food Service Program for Children	10.559	N/A	2 604
Commodity Supplemental Food Program	10.565	N/A	24 321
TOTAL PASS THROUGH STATE DEPARTMENT OF AGRICULTURE			<u>328 872</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>328 872</u>
U.S. Department of Education:			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	23610101026902	259 531
Rural Education	84.358	N/A	
Supporting Effective Instruction State Grants	84.367	23694501026902	20 392
Title IV, Part A, Subpart 1	84.424A	23680101026902	14 341
ESSER III TCLAS	84.425U	23694501026902	110 402
ESSER II CRRSA	84.425D	21521001026902	289 206
ESSER III ARP	84.425U	21528001026902	458 747
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1 152 619</u>
Federal Communications Commission:			
ERATE	32.000	N/A	43 191
TOTAL FEDERAL COMMUNICATIONS COMMISSIONS			<u>43 191</u>
U.S. Department of Defense:			
Flood Control Projects	12.106	N/A	36 561
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>36 561</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			\$ <u>1 561 243</u>
RECONCILIATION TO FEDERAL REVENUE PER C-2			
TOTAL EXPENDITURE OF FEDERAL AWARDS			\$ <u>1 561 243</u>
Other Federal Programs:			
Passed through State Department of Health and Human Services:			
Medicaid Administration Claim	93.778		277 429
TOTAL OTHER FEDERAL PROGRAMS			<u>277 429</u>
TOTAL FEDERAL REVENUE PER EXHIBIT C-2			\$ <u>1 838 672</u>

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Somerville Independent School District under programs of the federal government for the year ended August 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Somerville Independent School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Somerville Independent School District.
2. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Special Revenue Fund which is a governmental fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. The basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3 Uniform Guidance Compliance Statement - Provisional 6/97.
5. Somerville Independent School District has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2023

A. Summary of the Auditor's Results

Type of report on financial statements	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes <u>X</u> None reported
Internal control over major programs:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes <u>X</u> None reported
Noncompliance which is material to the basic financial statement	___ Yes <u>X</u> None
Type of report on compliance with major programs:	<u>Unmodified</u>
Findings and questioned costs for Federal awards as defined in Section 200.516, Uniform Guidance	None
Dollar threshold considered between Type A and Type B Federal programs:	<u>\$750,000</u>
Low-risk auditee statement	The District did not qualify as a low-risk auditee.
Major Federal programs	84.425 ESSER

B. Findings related to the financial statements which
are required to be reported in Accordance with
Generally Accepted Auditing Standards.

NONE

C. Findings and Questioned Costs for Federal Award

NONE

Corrective Action Plan

NONE

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2023

None

SOMERVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2023

Exhibit L-1

DATA CONTROL CODES		RESPONSES
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -