HIGHLAND INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2023

HIGHLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED AUGUST 31, 2023

TABLE OF CONTENTS

INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Highland Independent School District	Nolan	177-905
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) __X__ approved or ____ disapproved for the year ended August 31, 2023, at a meeting of the board of trustees of such school district on the _18th__ 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 a list as necessary)

FINANCIAL SECTION

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Highland Independent School District

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TRS schedules on pages 5 through 10 and 43 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highland Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of Highland 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 Highland 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 Highland Independent School District's internal control over financial reporting and compliance.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
November 17, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Highland I.S.D.

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ROSCOE, TEXAS 79545
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STEVEN PYBURN
SUPERINTENDENT
MORGAN MARTIN
PRINCIPAL
SHEA BAUCOM
DEAN OF STUDENTS
SHAHALA HOELSCHER
COUNSELOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Highland Independent School District (the "District"), discuss and analyze the District's financial performance for the twelve months ended August 31, 2023. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$20,969,880 at August 31, 2023 which was an increase of 8.1%.
- The District's expenses were \$5,953,006 versus revenue at \$7,526,267, for a net gain of \$1,573,261.
- The total cost of the District's programs increased \$377,542 from last year, excluding the transfer to the Education Foundation.
- The general fund reported a fund balance this year of \$15,371,539.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by the Texas Education Agency (TEA). The sections labeled TEA Required Schedules and Other Information Required by Government Accountability Office (GAO) contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1). Its primary purpose is to show whether the District is in a better or worse position as a result of the year's activities. The Statement of Net Position includes all the District's assets, liabilities, and deferred inflows and outflows of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or children from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we have presented the District as one kind of activity (governmental activities).

Governmental activities – All of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, fees, state funding, and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements
The fund financial statements begin with the Governmental Funds Balance Sheet (Exhibit C-1) and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as federal grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds (governmental and proprietary) use different accounting approaches.

- Governmental funds – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation schedule following each of the fund financial statements.
- Proprietary fund – The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds which the District does not have at present) are the business-type activities reported in the government-wide statements but contain more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities – the District does not have proprietary funds at present.

The District as Trustee

Reporting the District's Fiduciary Responsibilities
The District is the trustee, or fiduciary, for money raised by student activities and prior student scholarship programs. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position (Exhibit E-1) and Statement of Changes in Fiduciary Fund Net Position (Exhibit E-2). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District's governmental activities.

Net position of the District’s governmental activities increased from $19,396,619 to $20,969,880. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was $13,742,167 at August 31, 2023.

Table A-1

Highland Independent School District's Net Position

	Governmental Activities 2023	Governmental Activities 2022	Percentage Change
Current and Other Assets	$ 16,313,414	$ 14,959,508	9.05%
Capital and Non-Current Assets	12,830,823	13,296,188	-3.50%
Total Assets	29,144,237	28,255,696	3.14%
Deferred Outflows of Resources	514,073	392,993	30.81%
Current Liabilities	165,077	165,438	-0.22%
Long Term Liabilities	7,648,024	8,127,334	-5.90%
Total Liabilities	7,813,101	8,292,772	-5.78%
Deferred Inflows of Resources	875,329	959,298	-8.75%
Net Position			
Net Investment in Capital Assets	6,511,774	6,345,695	2.62%
Restricted	715,939	698,125	2.55%
Unrestricted	13,742,167	12,352,799	11.25%
Total Net Position	$ 20,969,880	$ 19,396,619	8.11%

At the end of the 2022-2023 school year, the enrollment for the District was 226, with no change from the prior year. The average daily attendance was (ADA) was 205.18 which was an increase of 1.267 from the previous year.

The District’s Maintenance & Operations (M&O) tax rate decreased from $0.9538 per $100 to $0.9428 per $100 of valuation and the Debt Service (I&S) tax rate decreased from $0.1252 to $0.105 per $100 of valuation.

The cost of all governmental activities for the current fiscal year was $5,953,006. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was $4,433,902 which is $110,647 more than last year’s total of $4,323,255. The District’s total revenues were $7,526,267. A significant portion, 59%, of the District’s revenue comes from taxes. (See Figure A-3.) $456,640 (6%) comes from state aid – formula, and 4% from operating grants, while 1% relates to charges for services.

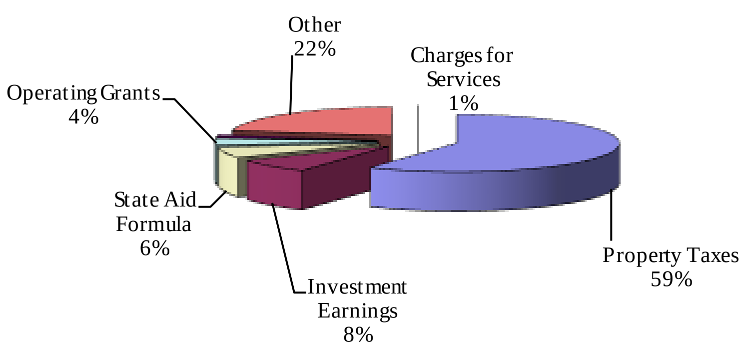
Table A-2

Changes in Highland Independent School District's Net Position

	Governmental Activities 2023	**Governmental Activities** 2022	**Total % Change**
Revenues			
Program Revenues			
Charges for services	$ 100,352	31,422	219.37%
Operating grants and contributions	285,690	134,391	112.58%
General Revenues			
Property taxes	4,433,902	4,323,255	2.56%
State aid - formula	456,640	589,771	-22.57%
Investment earnings	589,207	73,295	703.88%
Other	1,660,476	747,407	122.16%
Total Revenues	7,526,267	5,899,541	

Expenses			
Instruction and instructional related	2,310,169	2,227,813	3.70%
Instructional and school leadership	256,394	221,951	15.52%
Guidance, social work, health, transportation	259,380	242,492	6.96%
Food Services	258,277	243,515	6.06%
Extracurricular activities	300,793	293,716	2.41%
General administration	459,475	364,890	25.92%
Plant maintenance and operations	893,794	885,129	0.98%
Security and monitoring	17,942	5,000	258.84%
Data processing service	53,652	52,586	2.03%
Debt service	132,098	149,691	-11.75%
Intergovernmental	1,011,032	888,681	13.77%
Special item - use		1,000,000	-100.00%
Total Expenses	5,953,006	6,575,464	
Change in Net Position	1,573,261	(675,923)	
Beginning Net Position	19,396,619	20,072,542	
Ending Net Position	$ 20,969,880	$ 19,396,619	

Figure A-3 District Sources of Revenue for Fiscal Year 2023



THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $7,626,920, an increase of 2.5% from the preceding year. Local revenue increased $1,654,338 as a result of funding from Chapter 313 agreement. The state aid revenue decreased approximately 2%. Federal revenues increased approximately $7,000 from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 31, 2022). The second category includes changes that the Trustees made during the year to take into account the changes in operations. The third category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. With these adjustments, actual expenditures in the General Fund were $160,688 under final budget amounts. The budget was amended, and increased 7.7% for increases in curriculum and instructional staff development, school leadership, extracurricular activities, general administration, facilities, maintenance and operations, principal and interest on long term liabilities, and contracted instructional services between schools.

Resources were $304,546 over the final budget amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested $12,830,823 in a broad range of capital assets, including land, equipment, buildings, and vehicles, net of accumulated depreciation. (See Table A-4). This amount represents a net decrease (including additions, deletions and depreciation expense) of 3.5% over last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total % Change
	2023	2022	
Land	$ 16,719	$ 16,719	
Buildings and improvements	21,764,285	21,741,309	0.11%
Furniture and equipment	1,610,745	1,383,354	16.44%
Capital leases	81,072		100.00%
Total at historical cost	23,472,821	23,141,382	1.43%
Total accumulated depreciation	10,641,998	9,845,194	8.09%
Net capital assets	$ 12,830,823	$ 13,296,188	-3.50%

Debt

At year-end, the District had $6,244,401 in bonds and premium on bond. See Table A-5.

Table A-5
District's Long Term Debt

	2023	2022
Unlimited Tax		
Refunding Bonds, Series 2011	$	$ 450,000
School Building Bonds, Series 2016	5,750,000	5,920,000
Premium		
Series 2011		24,291
Series 2016	494,401	556,202
Total	$ 6,244,401	$ 6,950,493

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2023-2024 budget preparation increased $1,515,594 or less than 1% from the previous year. M&O tax rate will decrease to $0.7629 and the I&S tax rate will decrease to $0.095. The increase in property values is expected to be partially offset by the decrease in tax rates resulting in property tax revenue to remain consistent with 2023.
- General operating fund spending per student decreased in the 2024 budget to $21,240, a $2,747 per student decrease.

The district's 2024 refined average daily attendance is expected to be 207.376.

These indicators were taken into account when adopting the general fund budget for 2024. Property taxes will increase due to increasing property values. State revenue will increase with the increase in ADA.

Expenditures are budgeted at $4,404,667, which is a decrease of 10.5% compared to prior year expenditures.

If these estimates are realized, the District's budgetary general fund fund balance is expected to increase by $259,520, by the close of 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Highland Independent School District, 6625 FM 608, Roscoe, Texas 79545, or by calling (325) 766-3652.

BASIC FINANCIAL STATEMENTS

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION
AUGUST 31, 2023

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Data Control Codes		10 Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 4,025,907
1120	Investments - current	11,431,594
1220	Property taxes receivable (delinquent)	42,889
1230	Allowance for uncollectible taxes	(18,478)
1240	Due from other governments	14,451
1250	Accrued interest	96,341
1410	Prepayments	(185)
1800	Restricted assets	720,895
	Capital assets:	
1510	Land	16,719
1520	Buildings, net	12,327,080
1530	Furniture and equipment, net	409,813
1550	Right-to-use leased assets, net	77,211
1000	Total Assets	29,144,237
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred outflow related to TRS pension	341,656
1706	Deferred outflow related to TRS OPEB	172,417
1700	Total Deferred Outflow of Resources	514,073
	LIABILITIES	
2110	Accounts payable	14,982
2140	Interest payable	8,500
2160	Accrued wages payable	137,236
2200	Accrued expenses	4,359
	Noncurrent liabilities:	
2501	Due within one year	648,591
2502	Due in more than one year	5,670,458
2540	Net pension liability (District's share)	802,221
2545	Net OPEB liability (District's share)	526,754
2000	Total Liabilities	7,813,101
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflow related to TRS pension	56,753
2606	Deferred inflow related to TRS OPEB	818,576
2600	Total Deferred Inflows of Resources	875,329
	NET POSITION	
3200	Net investments in capital assets	6,511,774
3820	Restricted for federal and state programs	3,423
3850	Restricted for debt service	288,117
3860	Restricted for capital projects	424,399
3900	Unrestricted	13,742,167
3000	Total Net Position	$ 20,969,880

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues Charges for Services	4 Program Revenues Operating Grants and Contributions	6 Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Government Activities:				
11	Instruction	$ 2,294,871	$	$ 228,863	$ (2,066,008)
12	Instructional Resources & Media Services	4,175			(4,175)
13	Curriculum and Staff Development	11,123		5,167	(5,956)
23	School Leadership	256,394		(8,959)	(265,353)
31	Guidance, Counseling, & Evaluation Services	83,835		(2,900)	(86,735)
33	Health Services	24,165		(1,043)	(25,208)
34	Student (Pupil) Transportation	151,380		(440)	(151,820)
35	Food Service	258,277	84,923	74,974	(98,380)
36	Extracurricular Activities	300,793	15,429	(1,743)	(287,107)
41	General Administration	459,475		(7,757)	(467,232)
51	Facilities Maintenance & Operations	893,794		(9,076)	(902,870)
52	Security & monitoring services	17,942		9,867	(8,075)
53	Data Processing Services	53,652		(1,263)	(54,915)
72	Debt Service - Interest on Long-Term Debt	130,405			(130,405)
73	Debt Service - Bond Issuance Cost & Fees	1,693			(1,693)
91	Contracted Instructional Services between Schools	987,357			(987,357)
93	Pmts Related to Shared Service Arrangement	23,675			(23,675)
TP	Total Primary Government	5,953,006	100,352	285,690	(5,566,964)

	General Revenues:	
MT	Property Taxes. Levied for General Purposes	3,574,993
DT	Property Taxes, Levied for Debt Service	858,909
SF	State Aid-formula Grants	456,640
GC	Grants and contributions not restricted	237,858
IE	Investment Earnings	589,207
MI	Miscellaneous	1,422,618
TR	Total General Revenues and Transfers	7,140,225
CN	**Change in Net Position**	1,573,261
NB	Net Position - Beginning	19,396,619
NE	Net Position - Ending	$ 20,969,880

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
	ASSETS				
1110	Cash and cash equivalents	$ 3,981,351	$	$ 44,556	$ 4,025,907
1120	Investments - current	11,431,594			11,431,594
1220	Taxes receivable (delinquent)	38,373	4,516		42,889
1230	Allowance for uncollectible taxes	(16,532)	(1,946)		(18,478)
1240	Receivable from other governments	3,550	121	10,780	14,451
1250	Accrued interest	96,341			96,341
1410	Prepayments			(185)	(185)
1800	Restricted assets		296,496	424,399	720,895
1000	Total Assets	$ 15,534,677	$ 299,187	$ 479,550	$ 16,313,414
	LIABILITIES				
2110	Accounts payable	$ 14,612	$	$ 370	$ 14,982
2160	Accrued wages payable	123,884		13,352	137,236
2200	Accrued expenditures	2,801		1,558	4,359
2000	Total Liabilities	141,297		15,280	156,577
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable revenue - property taxes	$ 21,841	$ 2,570	$	$ 24,411
2600	Total Deferred Inflows of Resources	21,841	2,570		24,411
	FUND BALANCES				
	Restricted for:				
3450	Federal or state funds grant restriction			3,423	3,423
3470	Capital acquisition and contractual obligation			424,399	424,399
3480	Retirement of long-term debt		296,617		296,617
	Committed:				
3510	Construction	3,700,000			3,700,000
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance			36,448	36,448
3600	Unassigned fund balance	11,671,539			11,671,539
3000	Total Fund Balance	15,371,539	296,617	464,270	16,132,426
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 15,534,677	$ 299,187	$ 479,550	$ 16,313,414

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2023

Total fund balances - governmental funds balance sheet (from C-1)	$	16,132,426
Amounts reported for governmental activities in the statement of net position (SNP) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets were $23,141,382 and the accumulated depreciation was $9,845,194.		13,296,188
Capital asset additions are expenditures in the fund financial statements but an increase to capital assets in the SNP.		331,439
Depreciation expense decreases net position in SNP.		(796,804)
Long-term liabilities, including bonds payable of $6,370,000, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		(6,950,493)
Right-to-use lease proceeds are recorded as other sources in the fund statements but as long term liabilities in the government-wide statements.		(81,072)
Payments on debt are expenditures in the fund financial statements and reduce liabilities in the SNP.		626,424
Bond premiums must be amortized over the life of the bond. The bond amortization is recorded in the SNP.		86,092
Interest payable is recorded in SNP.		(8,500)
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $341,656, a deferred resource inflow in the amount of $56,753 and a net pension liability in the amount of $802,221. This resulted in a decrease in net position.		(517,318)
Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $172,417, a deferred resource inflow in the amount of $818,576, and a net OPEB liability in the amount of $526,754. This resulted in a decrease in net position.		(1,172,913)
Various other reclassifications including eliminating unavailable revenue for property taxes from the government-wide financial statements as revenue is recognized. This increases net position in the government-wide financial statements.		24,411
Net position of governmental activities - statement of net position (see A-1)	$	20,969,880

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	REVENUES				
5700	Local and intermediate sources	$ 5,583,156	$ 871,875	$ 155,589	$ 6,610,620
5800	State program revenues	646,049	2,316	20,502	668,867
5900	Federal program revenues	57,989		289,444	347,433
5020	Total Revenues	6,287,194	874,191	465,535	7,626,920
	EXPENDITURES				
	Current:				
0011	Instruction	1,799,582		219,938	2,019,520
0012	Instructional resources & media services	4,175			4,175
0013	Curriculum & instructional staff development	5,956		5,167	11,123
0023	School Leadership	269,600			269,600
0031	Guidance, counseling, & evaluation services	88,231			88,231
0033	Health services	25,517			25,517
0034	Student (Pupil) transportation	301,264			301,264
0035	Food service			265,525	265,525
0036	Extracurricular activities	192,962		66,718	259,680
0041	General administration	471,762			471,762
0051	Facilities maintenance & operations	678,924			678,924
0052	Security & monitoring services	8,075		9,867	17,942
0053	Data processing services	55,288			55,288
	Debt service				
0071	Principal on long term debt	6,424	620,000		626,424
0072	Interest on long term debt	2,941	214,425		217,366
0073	Bond issuance cost and fees		1,693		1,693
	Capital outlay				
0081	Facilities acquisition and construction			22,976	22,976
	Intergovernmental				
0091	Contracted instructional services btwn schools	987,357			987,357
0093	Pmts to fiscal agent/member districts of SSA	23,675			23,675
6030	Total Expenditures	4,921,733	836,118	590,191	6,348,042
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,365,461	38,073	(124,656)	1,278,878
	OTHER FINANCING SOURCES AND (USES)				
7913	Proceeds of right-to-use lease	81,072			81,072
7915	Transfers in			105,628	105,628
8911	Transfers out	(105,628)			(105,628)
8949	Other (uses)	(11,166)			(11,166)
7080	Total Other Financing Sources and (Uses)	(35,722)		105,628	69,906
1200	Net Change in Fund Balances	1,329,739	38,073	(19,028)	1,348,784
0100	Fund Balance - Beginning	14,041,800	258,544	483,298	14,783,642
3000	Fund Balance - Ending	$ 15,371,539	$ 296,617	$ 464,270	$ 16,132,426

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

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

Total change in fund balances - total governmental funds (from C-3)	$	1,348,784
Amounts reported for governmental activities in the statement of activities (SOA) are different because:		
Capital asset additions are expenditures in the fund financial statements but an increase to capital assets in the SNP.		331,439
The depreciation of capital assets used in governmental activities is not reported in the funds.		(796,804)
Right-to-use lease proceeds are recorded as other sources in the fund statements but as long term liabilities in the government-wide statements.		(81,072)
Long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.		626,424
Premiums increase the liability in the SNP. The premium must be amortized over the life of the bond.		86,092
Interest payable is recorded in SNP.		869
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase by $73,614. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling $63,055. The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $39,416. The net result is to decrease the change in net position.		(28,857)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase by $19,180. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling $18,069. The proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $80,661. The net result is to increase the change in net position.		81,772
Various other reclassifications and eliminations including recognizing unearned revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		4,614
Change in Net Position of governmental activities	$	1,573,261

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AUGUST 31, 2023

		Custodial Fund
ASSETS:		
Cash and Cash Equivalents	$	88,277
Total Assets		88,277
NET POSITIONS:		
Unrestricted Net Positions		88,277
Total Net Positions	$	88,277

The accompanying notes are an integral part of this statement.

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-2

STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2023

		Custodial Fund
ADDITIONS:		
Enterprising Services Revenue	$	147,680
Total Additions		147,680
DEDUCTIONS:		
Supplies and Materials		129,010
Total Deductions		129,010
Change In Fiduciary Net Position		18,670
Total Net Position - September 1 (Beginning)		69,607
Total Net Position - August 31 (Ending)	$	88,277

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Highland Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

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

Reporting Entity

The Board of School Trustees 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 executive 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 in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity is set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on the criteria, Highland Independent School District has no component units.

Basis of Presentation

The statement of net position and the statement of activities are government-wide financial statements and report information on all of the nonfiduciary activities of the District. The effect of interfund activity within the governmental activities columns has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate, self-balancing funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Governmental funds are those funds through which most governmental functions typically are financed. The District has presented the following major governmental funds:

The *General Fund* 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 accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

In addition, the District reports the following fund types:

Special Revenue Funds accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Capital Projects Fund accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisition.

Custodial Funds, a fiduciary fund type, accounts for resources held for others in a custodial capacity.

Measurement Focus, Basis of Accounting

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do internal service fund financial statements and fiduciary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, expenditures incurred but not yet reimbursed are shown as receivables. Funds received before time requirements are met but after all other eligibility requirements have been met will be reported as a deferred inflow of resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

Budgetary Control

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

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20th the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.

The District had no negative budget variances at August 31, 2023.

Cash and cash equivalent

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Inventory

The costs of inventory are recorded as expenditures when purchased (purchase method).

Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds".

Capital Assets

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects as they are constructed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Asset Class	Estimated Useful Lives
Buildings and improvements	30
Furniture and equipment	5-15

Deferred Outflows/Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The District has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and $514,073 recognized as deferred outflow of resources in the government-wide financial statements.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of $24,411 is considered a deferred inflow of resources in the governmental financial statements while $875,329 of deferred inflows related to TRS is considered deferred inflow of resources in the government-wide financial statements.

Fund Balance Classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) are legally or contractually required to be maintained intact. The District has no funds classified as nonspendable at August 31, 2023.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation. The District has $296,617 restricted for debt service, $424,399 restricted for capital projects and $3,423 restricted for Child Nutrition at August 31, 2023.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been officially committed for use in satisfying those contractual requirements. The District has $3,700,000 committed for construction at August 31, 2023.

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has $36,448 assigned at August 31, 2023.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Long-term Obligations

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

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

Data Control Codes

The Data control codes refer to the account code structure prescribed by TEA in the FASRG. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

Estimates

The preparation of financial statements in conformity with GAAP required the use of management’s estimates. Accordingly, actual results could differ from those estimates.

Receivables and Payables

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.

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 contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Cash Deposits

At August 31, 2023, the carrying amount of the District’s deposits (cash and interest-bearing accounts) was $16,266,673 and the bank balance was $16,330,110. 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.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment 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 rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform procedures related to investment practices as provided by the Act.

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 areas 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.

Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

While management believes the District's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

NOTE 2: DEPOSITS AND INVESTMENTS - continued

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level 1 inputs for investments at LoneStar and Level 2 inputs for the CDs at Texas National Bank.

As of August 31, 2023, Highland Independent School District has the following investments:

		Cost		Book Value	Weighted Average Maturity	Rating
Investments						
Certificates of deposit maturities < 1 year	$	1,149,907	$	1,149,907	257 Days	
Texas Term		5,120,054		5,120,054	257 Days	AAAm
LoneStar		5,161,633		5,161,633	89 Days	AAAm
Total investments	$	11,431,594	$	11,431,594		

Analysis of Specific Deposit and Investment Risks

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.

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.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

Foreign Currency Risk
Foreign currency risk is the risk that exchange rates will adversely affect fair value of an investment. At August 31, 2023, the District was not exposed to foreign currency risk.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). The District's investment policy is to reduce the risk of loss resulting from over concentration of assets in a specific class of investments; however, the District's policy places no specific limit on the amount which the District may invest in any one issuer.

NOTE 3: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 16,719	$	$	$ 16,719
Total capital assets not being depreciated	16,719			16,719
Capital assets being depreciated				
Buildings and improvements	21,741,309	22,976		21,764,285
Furniture and equipment	1,383,354	227,391		1,610,745
Right-of-use asset		81,072		81,072
Total capital assets being depreciated	23,124,663	331,439		23,456,102
Less accumulated depreciation for:				
Buildings and improvements	(8,735,018)	(702,187)		(9,437,205)
Furniture and equipment	(1,110,176)	(90,756)		(1,200,932)
Right-of-use asset		(3,861)		(3,861)
Total accumulated depreciation	(9,845,194)	(796,804)		(10,641,998)
Total capital assets being depreciated, net	13,279,469	(465,365)		12,814,104
Governmental activities capital assets, net	$ 13,296,188	$ (465,365)	$	$ 12,830,823

Instruction	$ 367,131
Student (Pupil) Transportation	78,076
Cocurricular/Extracurricular activities	43,897
Plant Maintenance and Operations	307,700
Total depreciation expense - governmental activities	$ 796,804

NOTE 4: LONG-TERM DEBT

In December 2011, the District issued $4,514,993 in Unlimited Tax Refunding Bonds, Series 2011. The bonds refunded $4,515,000 of General Obligation Bonds, Series 2008. The rates on the Series 2011 bonds range from 2.0% to 3.5%. Current requirements for principle and interest expenditures are accounted for in the Debt Service Fund. The bonds matured on February 15, 2023.

On August 8, 2016, the District issued $6,745,000 in Unlimited Tax School Building Bonds, Series 2016. The proceeds from the sale of the Bonds will be used for the purposes of 1) construction, renovation, acquisition of school buildings, equipment and the purchase of necessary sites therefore, and 2) paying the costs of the issuance of the Bonds. Interest on the Bonds will be payable on February 15 and August 15 of each year at interest rates ranging from 2.0% to 4.0%. The Bonds mature on February 15, 2031.

NOTE 4: LONG-TERM DEBT - continued

A summary of the changes in bonds payable for the year ended August 31, 2023 is as follows:

Description	Balance September 1, 2022	Issued	Retired	Balance August 31, 2023	Due Within One Year
Unlimited Tax					
Refunding Bonds, Series 2011	$ 450,000	$	$ 450,000	$	$
School Building Bonds, Series 2016	5,920,000		170,000	5,750,000	635,000
Premium					
Series 2011	24,291		24,291		
Series 2016	556,202		61,801	494,401	
Total Bonds	6,950,493		706,092	6,244,401	635,000
Right-to-Use Lease Liability		81,072	6,424	74,648	13,591
Total Long-Term Debt	$ 6,950,493	$ 81,072	$ 712,516	$ 6,319,049	$ 648,591
Net Pension Liability	$ 331,610	$ 533,666	$ 63,055	$ 802,221	
Net OPEB Liability	845,231	(300,408)	18,069	526,754	
	$ 1,176,841	$ 233,258	$ 81,124	$ 1,328,975	

Debt service requirements for long term debt are as follows:

Total Bond Requirements	Principal	Interest	Total
2024	$ 635,000	$ 197,650	$ 832,650
2025	655,000	181,475	836,475
2026	675,000	161,525	836,525
2027	700,000	137,400	837,400
2028	725,000	108,900	833,900
2029-2031	2,360,000	144,200	2,504,200
Total	5,750,000	931,150	$ 6,681,150
Total Right-To-Use Lease Liability Requirements			
2024	13,591	5,138	18,729
2025	14,647	4,082	18,729
2026	15,784	2,945	18,729
2027	17,009	1,720	18,729
2028	13,617	429	14,046
	74,648	14,314	88,962
Total	$ 5,824,648	$ 945,464	$ 6,770,112

NOTE 5: PROPERTY TAXES

Property taxes are levied on October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31st of the year in which imposed. On February 1st of each year, a tax lien attaches to the property to secure the payment of all delinquent taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. Allowances for uncollectible tax receivables within the General Fund and Debt Service Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District

NOTE 5: PROPERTY TAXES - continued

is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The tax rates assessed for the fiscal year ended August 31, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.9428 and \$0.105 per \$100 valuation, respectively, for a total of \$1.0478 per \$100 valuation.

The District had no interfund payables or receivables during the year ended August 31, 2023.

Interfund transfers consist of a transfer from the General Fund to the Food Service Fund in the amount of \$105,628. The transfer was needed to supplement the Food Service fund.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage 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 reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

Unemployment Compensation Pool

During the year ended August 31, 2023, Highland Independent School 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 obligations 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 Unemployment Compensation Pool. For the year ended August 31, 2023, the Fund anticipates that Highland Independent School District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31st. 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 at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and/or Property Program

During the year ended August 31, 2023, Highland Independent School District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
Privacy & Information Security
Property
School Liability

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

NOTE 7: RISK MANAGEMENT - continued

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2023, the Fund anticipates that Highland Independent School District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31st. 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 at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Funds' self-insured retention of $2.0 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2022, the Fund carries a discounted reserve of $50,647,775 for future development on reported claims and claims that have been incurred but not reported. For the years ended August 31, 2023, the Fund anticipates no additional liability to members beyond their 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 plan year on August 31st. 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 at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 8: DEFINED BENEFIT PENSION PLAN

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

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

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

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.

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

Contributions

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

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

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

Current fiscal year employer contributions	$	73,614
Current fiscal year member contributions	$	187,361
2022 measurement year NECE On-Behalf Contributions	$	143,598

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

As the non-employer contributing entity for public education 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 by 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:

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

- 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 is additional surcharges an employer is subject to.

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

Actuarial Assumptions

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

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Rate	7.00%
Municipal Bond Rate as of August 2022	3.91%. Source of the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

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

Discount Rate

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

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

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

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2022 as summarized below:

Asset Class	Target Allocation Percentage**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity*	14.0%	7.7%	1.55%
Stable Value			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return*	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Returns			
Real Assets	15.0%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
Risk Parity	8.0%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	-6.0%	3.6%	-0.05%
Inflation Expectation			2.70%
Volatility Drag****			-0.91%
Expected Return	**100%**		**8.21%**

*Absolute Return includes Credit Sensitive Investments
**Target allocations are based on the FY 2022 policy model
***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)
****The volatility drag results from the conversion between arithmetic and geometric mean returns

Discount Rate Sensitivity Analysis

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

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the net pension liability	$ 1,247,952	$ 802,221	$ 440,936

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

At August 31, 2023, Highland Independent School District reported a liability of $802,221 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to Highland Independent School District. The amount recognized by Highland Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Highland Independent School District were as follows:

District's Proportionate share of the collective net pension liability	$ 802,221
State's proportionate share that is associated with the District	1,826,939
Total	$ 2,629,160

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

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.0013512819% which was an increase of 0.0000491394% from its proportion measured as of August 31, 2022.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2023, Highland Independent School District recognized pension expense of $277,106 and revenue of $174,635 for support provided by the State.

At August 31, 2023, Highland Independent School 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	$ 11,632	$ 17,490
Changes in actuarial assumptions	149,480	37,255
Differences between projected and actual investment earnings	79,257	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	27,673	2,008
Total as of August 31, 2022 measurement date	268,042	56,753
Contributions paid to TRS subsequent to the measurement date	73,614	
Total as of fiscal year-end	$ 341,656	$ 56,753

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

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

Year ended August 31:		Pension Expense Amount
2024	$	57,380
2025		30,853
2026		12,076
2027		95,936
2028		15,044

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS

Plan Description

Highland Independent School District participates in the Texas Public School Retired Employee 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 TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

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

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued

Contributions

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

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

	Contribution Rates		
	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%
Current fiscal year employer contributions		$	19,180
Current fiscal year member contributions		$	15,223
2022 measurement year NECE on-behalf contributions		$	22,041

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $83 million in the fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

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

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

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increase	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

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

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021, rolled forward to August 31, 2022, using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% lower than and 1% higher 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 the Net OPEB Liability	$ 621,084	$ 526,754	$ 450,334

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

At August 31, 2023, Highland Independent School District reported a liability of $526,754 for its proportionate share of the TRS’ Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to Highland Independent School District. The amount recognized by Highland Independent School 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 Highland Independent School District were as follows:

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued

District's Proportionate share of the collective net OPEB liability	$	526,754
State's proportionate share that is associated with the District		642,557
Total	$	1,169,311

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

At August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.0021999393% which was an increase of 0.0000087711% from its proportion measured as of August 31, 2021.

Healthcare Cost Trend Rates Sensitivity Analysis

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 health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	$ 434,047	$ 526,754	$ 646,935

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 (TOL) since the prior measurement period:

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

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

For the year ended August 31, 2023, the District recognized OPEB expense of $(153,776) and revenue of $(91,184) for support provided by the State.

At August 31, 2023 the Highland Independent School District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	29,286	438,833
Changes in actuarial assumptions	80,235	365,957
Difference between projected and actual investment earnings	1,569	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	42,147	13,786
Total as of August 31, 2022 measurement date	153,237	818,576
Contributions paid to TRS subsequent to the measurement date	19,180	
Total as of fiscal year-end	$ 172,417	$ 818,576

NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued

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

Year ended August 31:		Pension Expense Amount
2024	$	(122,601)
2025		(122,595)
2026		(100,257)
2027		(70,015)
2028		(84,622)
Thereafter		(165,249)

NOTE 10: MEDICARE PART D ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Highland Independent School District paid state contributions for the years ended August 31, 2023, 2022, and 2021 in the amount of $12,526, $9,641 and $9,736, respectively.

NOTE 11: ON-BEHALF PAYMENTS

The District records on-behalf payments from the State of Texas to be used for Teacher Retirement in the amount of $95,154 for the year ended August 31, 2023.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Contingencies

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

Litigation

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

NOTE 13: DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2023 are summarized below.

NOTE 13: DUE FROM OTHER GOVERNMENTS - continued

Fund	State Grants/ Entitlements	Federal Grant	Total
National Breakfast and Lunch Program	$	$ 3,099	$ 3,099
ESSER III ARP Act		4,031	4,031
Silent Panic Alert	3,650		3,650
General Fund	3,550		3,550
Debt Service Fund	121		121
Total	$ 7,321	$ 7,130	$ 14,451

NOTE 14: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2023, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Child Nutrition	Campus Activity Fund	Debt Service Fund	Capital Project Fund	Total
Property taxes	$ 3,568,653	$	$	$ 858,303	$	$ 4,426,956
Food service sales		84,923				84,923
Penalties, interest & other tax revenues	3,183			5,855		9,038
Investment earnings	630,069			7,717	1,848	639,634
Miscellaneous	1,365,822		68,818			1,434,640
Athletic activities	15,429					15,429
	$ 5,583,156	$ 84,923	$ 68,818	$ 871,875	$ 1,848	$ 6,610,620

NOTE 15: JOINT VENTURE – SHARED SERVICES ARRANGEMENT

The District participates in four services arrangements through Region XIV and two through PEP SSA – Rotan ISD. The District does not account for revenues or expenditures in these programs 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, Region XIV and West Central Texas SSA, 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 Highland Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation:

NOTE 15: JOINT VENTURE – SHARED SERVICES ARRANGEMENT - continued

Region XIV

	ESEA Title II Part A	21st Century	ESEA Title IV Part A	Distance Learning & Telemedicine
Revenue	$ 1,665	$ 1,357	$ 1,659	$ 640
Expenditures				
Contracted Services	1,406	577	1,266	
Supplies	116	632	304	
Other Costs	143	148	89	640
Total Expenditures	$ 1,665	$ 1,357	$ 1,659	$ 640
% Attributable	0.53%	0.77%	2.08%	4.96%

Shared Service Arrangement with PEP SSA – Rotan ISD

	Pregnancy Education & Parenting	Abstinence Education
Revenue	$ 1,000	$ 2,885
Expenditures		
Payroll costs	1,091	2,528
Contracted services	488	
Supplies	11	55
Other Costs	326	302
Total Expenditures	$ 1,916	$ 2,885
% Attributable	2.70%	5.37%

NOTE 16: TAX ABATEMENT

On July 1, 2014, the Highland Independent School District Board of Trustees approved an agreement with Buzzi Unicem USA for a limitation on appraised value of property for school district maintenance and operations taxes pursuant to Chapter 313 of the Texas Tax Code. On July 15, 2019, the Highland Independent School District Board of Trustees approved agreements with Maryneal Windpower for a limitation on appraised value of property for school district maintenance and operations taxes pursuant to Chapter 313 of the Texas Tax Code. Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The projects must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and Texas Priority projects. The above qualified for tax limitation agreements under Texas Tax Code Section 313.024(b)(5), as a renewable energy electric generation projects.

NOTE 16: TAX ABATEMENT - continued

The application, the agreement and state reporting requirement documentation can be viewed at the Texas Comptroller's website: http://www.comptroller.texas.gov/economy/local/ch313agreement-docs.php. The agreement and all supporting documentation were assigned Texas Comptroller Application Nos. 1002 and 1331, respectively.

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

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

Below includes the net benefit to the District but does not include any I&S impact:

	(A) Project Value 2022	(B) Project's Value Limitation Amount 2022	(C) Amount of Applicant's M&O Taxes Paid 2022	(D) Amount of Applicant's M&O Taxes Reduced 2022	(E) Company Revenue Loss Payment to School District 2022	(F) Company Supplemental Payment to School District 2022	(G) (E+F) Net Benefit (Loss) to the School District 2022
Buzzi Unicem, USA Application # 1002	$ 292,975,930	$ 30,000,000	$ 286,140	$ 2,508,264	$ -	$ -	$ -
Maryneal Windpower Aplication # 1331	$ 71,500,000	$ 30,000,000	$ 286,140	$ 395,827	$ 395,827	$ 50,000	$ 445,827

NOTE 17: NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates.* The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 31, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB 95 postponed the implementation by one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is

NOTE 17: NEW ACCOUNTING PRONOUNCEMENTS - continued

compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for years beginning after June 15, 2022. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In April 2022, the GASB issued Statement No. 99 *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows: related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges are effective upon issuance; related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022; and related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 100 *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 101 *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:					
5700	Local and intermediate sources	$ 3,915,415	$ 5,327,326	$ 5,583,156	$ 255,830
5800	State program revenue	605,322	605,322	646,049	40,727
5900	Federal Program Revenues	50,000	50,000	57,989	7,989
5020	Total Revenues	4,570,737	5,982,648	6,287,194	304,546
EXPENDITURES:					
	Current				
0011	Instruction	1,860,763	1,860,763	1,799,582	61,181
0012	Instructional resources and media services	9,125	9,125	4,175	4,950
0013	Curriculum & instructional staff dev.	5,500	8,000	5,956	2,044
0023	School leadership	261,747	276,747	269,600	7,147
0031	Guidance, counseling & evaluation services	90,904	90,904	88,231	2,673
0033	Health services	27,061	27,061	25,517	1,544
0034	Student (pupil) transportation	314,784	314,784	301,264	13,520
0035	Food service	9,147	9,147		9,147
0036	Extracurricular activities	178,176	208,176	192,962	15,214
0041	General administration	448,546	478,546	471,762	6,784
0051	Facilities maintenance & operations	589,233	691,233	678,924	12,309
0052	Security & monitoring services	10,000	10,000	8,075	1,925
0053	Data processing services	56,348	56,348	55,288	1,060
	Debt Service				
0071	Principal on long-term liabilities		22,059	6,424	15,635
0072	Interest on long-term liabilities		2,941	2,941	
	Intergovernmental				
0091	Contracted instructional services btwn schools	831,256	991,587	987,357	4,230
0093	Payments to fiscal agent/member dist - SSA	25,000	25,000	23,675	1,325
6030	Total Expenditures	4,717,590	5,082,421	4,921,733	160,688
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(146,853)	900,227	1,365,461	465,234
OTHER FINANCING SOURCES (USES):					
7913	Proceeds of right-to-use lease		82,000	81,072	(928)
8911	Transfers out	(104,102)	(128,102)	(105,628)	22,474
8949	Other (uses)		(12,000)	(11,166)	834
	Total Other Financing Sources (Uses)	(104,102)	(58,102)	(35,722)	22,380
1200	Net Change in Fund Balance	(250,955)	842,125	1,329,739	487,614
0100	Fund Balance - Beginning	14,041,800	14,041,800	14,041,800	
3000	Fund Balance - Ending	$ 13,790,845	$ 14,883,925	$ 15,371,539	$ 487,614

HIGHLAND INDEPENDENT SCHOOL DISTRICT

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

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the net Pension Liability	0.001351282%	0.001302143%	0.001293690%
District's Proportionate Share of Net Pension Liability	$ 802,221	$ 331,610	$ 692,874
State's Proportionate Share of the Net Pension Liability Associated with the District	1,826,939	842,572	1,772,688
Total	$ 2,629,160	$ 1,174,182	$ 2,465,562
District's Covered Payroll	$ 2,275,448	$ 2,214,508	$ 2,164,597
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	35.26%	14.97%	32.01%
Plan Fiduciary Net Pension as a percentage of the Total Pension Liability	75.62%	88.79%	75.54%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

Note: In accordance with GASB 68, Paragraph 138, only nine years of data are presented this reporting period. "The information for all periods after the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
	0.001277527%	0.001291816%	0.001273437%	0.0012216%	0.0012579%	0.0005026%
	$ 664,099	$ 711,047	$ 407,188	$ 461,609	$ 444,651	$ 134,252
	1,650,958	1,831,582	1,118,735	1,354,814	1,266,677	1,069,294
	$ 2,315,057	$ 2,542,629	$ 1,525,923	$ 1,816,423	$ 1,711,328	$ 1,203,546
	$ 1,933,553	$ 1,933,737	$ 1,914,125	$ 1,848,266	$ 1,736,635	$ 1,634,535
	34.35%	36.77%	21.27%	24.98%	25.60%	8.21%
	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

HIGHLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	2023	2022	2021
Contractually Required Contribution	$ 73,614	$ 63,055	$ 55,569
Contribution in Relation to the Contractually Required Contribution	(73,614)	(63,055)	(55,569)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 2,342,012	$ 2,275,448	$ 2,214,508
Contributions as a percentage of Covered Payroll	3.14%	2.77%	2.51%

Note: GASB No. 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time period covered by the measurement dates ending August 31 for the respective fiscal year.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods after the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2020	2019	2018	2017	2016	2015
$ 53,383	$ 44,700	$ 38,204	$ 41,580	$ 38,407	$ 37,247
(53,383)	(44,700)	(38,204)	(41,580)	(38,407)	(37,247)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,164,597	$ 1,953,271	$ 1,933,737	$ 1,914,125	$ 1,848,266	$ 1,736,635
2.47%	2.29%	1.98%	2.17%	2.08%	2.14%

HIGHLAND INDEPENDENT SCHOOL DISTRICT

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

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability for Other Post Employment Benefits	0.002199939%	0.002191168%	0.002208086%
District's Proportionate Share of Net Post Employment Benefit Liability	$ 526,754	$ 845,231	$ 839,393
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	642,557	1,132,422	1,127,943
Total	$ 1,169,311	$ 1,977,653	$ 1,967,336
District's Covered Payroll	$ 2,275,448	$ 2,214,508	$ 2,191,670
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	23.15%	38.17%	38.30%
Plan Fiduciary Net Pension as a percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

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

Note: In accordance with GASB 68, Paragraph 138, only six years of data is presented this reporting period. "The information for all periods after the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
	0.002170987%	0.002187265%	0.002107708%
	$ 1,026,686	$ 1,092,121	$ 916,563
	1,364,237	1,710,111	1,556,519
	$ 2,390,923	$ 2,802,232	$ 2,473,082
	$ 1,933,553	$ 1,933,737	$ 1,914,125
	53.10%	56.48%	47.88%
	2.66%	1.57%	0.91%

HIGHLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2023

	2023	2022	2021	2020
Contractually Required Contribution	$ 19,180	$ 18,069	$ 17,118	$ 16,608
Contribution in Relation to the Contractually Required Contribution	(19,180)	(18,069)	(17,118)	(16,608)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 2,342,012	$ 2,275,448	$ 2,214,508	$ 2,191,670
Contributions as a percentage of Covered Payroll	0.82%	0.79%	0.77%	0.76%

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

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods after the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	2019	2018
	$ 14,128	$ 14,885
	(14,128)	(14,885)
	$ -	$ -
	$ 1,955,520	$ 1,933,553
	0.72%	0.77%

OTHER SUPPLEMENTARY INFORMATION

HIGHLAND INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Pgms	240 National Breakfast and Lunch Pgm	255 ESEA II, A Training and Recruiting
	ASSETS			
1110	Cash and cash equivalents	$ 3,229	$ 12,375	$
1240	Due from other governments		3,099	
1410	Prepayments			
1800	Restricted assets			
1000	Total Assets	$ 3,229	$ 15,474	$
	LIABILITIES			
	Current Liabilities			
2110	Accounts payable		370	
2160	Accrued wages payable	2,891	10,461	
2200	Accrued expenditures	338	1,220	
2000	Total Liabilities	3,229	12,051	
	FUND BALANCES			
	Restricted fund balance			
3450	Federal or state funds grant restriction		3,423	
3470	Capital acquisition and contractual obligation			
	Assigned Fund Balance			
3590	Other Assigned Balance			
3000	Total Fund Balances		3,423	
4000	Total Liabilities and Fund Balances	$ 3,229	$ 15,474	$

281 ESSER II CRRS Act Supplemental	282 ESSER III ARP Act	288 REAP	289 Title IV Part A	410 State Textbook Fund	429 Silent Panic Alert
$	$ (3,846)	$	$	$	$ (3,650)
	4,031				3,650
	(185)				
$	$	$	$	$	$
$	$	$	$	$	$

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-1 - continued

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
	ASSETS				
1110	Cash and cash equivalents	$ 36,448	$ 44,556	$	$ 44,556
1240	Due from other governments		10,780		10,780
1410	Prepayments		(185)		(185)
1800	Restricted assets			424,399	424,399
1000	Total Assets	$ 36,448	$ 55,151	$ 424,399	$ 479,550
	LIABILITIES				
	Current Liabilities				
2110	Accounts payable		370		370
2160	Accrued wages payable		13,352		13,352
2200	Accrued expenditures		1,558		1,558
2000	Total Liabilities		15,280		15,280
	FUND BALANCES				
	Restricted fund balance				
3450	Federal or state funds grant restriction		3,423		3,423
3470	Capital acquisition and contractual obligation			424,399	424,399
	Assigned Fund Balance				
3590	Other Assigned Balance	36,448	36,448		36,448
3000	Total Fund Balances	36,448	39,871	424,399	464,270
4000	Total Liabilities and Fund Balances	$ 36,448	$ 55,151	$ 424,399	$ 479,550

HIGHLAND INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		211 ESEA I, A Improving Basic Pgms	240 National Breakfast and Lunch Pgm	255 ESEA II, A Training and Recruiting
	REVENUES			
5700	Local and intermediate sources	$	$ 84,923	$
5800	State program revenues		649	
5900	Federal program revenues	32,414	74,325	4,120
5020	Total Revenues	32,414	159,897	4,120
	EXPENDITURES			
	Current:			
0011	Instruction	32,414		
0013	Curriculum and instructional staff development			4,120
0035	Food service		265,525	
0036	Extracurricular activities			
0052	Security and monitoring services			
	Capital Outlay:			
0081	Facilities acquisition and construction			
6030	Total Expenditures	32,414	265,525	4,120
1100	Deficiency of Revenues Under Expenditures		(105,628)	
	Other Financing Sources and Uses:			
7915	Transfers In		105,628	
	Total Other Financing Sources		105,628	
1200	Net Change in Fund Balance			
0100	Fund Balance - Beginning		3,423	
3000	Fund Balance - Ending	$	$ 3,423	$

281 ESSER II CRRS Act Supplemental	282 ESSER III ARP Act	288 REAP	289 Title IV Part A	410 State Textbook Fund	429 Silent Panic Alert
$	$	$	$	$	$
				14,298	5,555
99,470	46,968	27,835	4,312		
99,470	46,968	27,835	4,312	14,298	5,555
99,470	46,968	26,788		14,298	
		1,047			
			4,312		5,555
99,470	46,968	27,835	4,312	14,298	5,555
$	$	$	$	$	$

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-2 - continued

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
	REVENUES				
5700	Local and intermediate sources	$ 68,818	$ 153,741	$ 1,848	$ 155,589
5800	State program revenues		20,502		20,502
5900	Federal program revenues		289,444		289,444
5020	Total Revenues	68,818	463,687	1,848	465,535
	EXPENDITURES				
	Current:				
0011	Instruction		219,938		219,938
0013	Curriculum and instructional staff development		5,167		5,167
0035	Food service		265,525		265,525
0036	Extracurricular activities	66,718	66,718		66,718
0052	Security and monitoring services		9,867		9,867
	Capital Outlay:				
0081	Facilities acquisition and construction			22,976	22,976
6030	Total Expenditures	66,718	567,215	22,976	590,191
1100	Deficiency of Revenues Under Expenditures	2,100	(103,528)	(21,128)	(124,656)
	Other Financing Sources and Uses:				
7915	Transfers In		105,628		105,628
	Total Other Financing Sources		105,628		105,628
1200	Net Change in Fund Balance	2,100	2,100	(21,128)	(19,028)
0100	Fund Balance - Beginning	34,348	37,771	445,527	483,298
3000	Fund Balance - Ending	$ 36,448	$ 39,871	$ 424,399	$ 464,270

REQUIRED TEA SCHEDULES

HIGHLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2023

	1	2	3
Last Ten Years Ended August 31	Tax Rates		Assessed/ Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2014 (and prior years)	Various	Various	Various
2015	1.1600	0.1200	248,284,219
2016	1.1600	0.1200	199,867,500
2017	1.1600	0.1800	267,856,194
2018	1.1600	0.1600	284,818,030
2019	1.1600	0.1600	271,738,333
2020	1.0619	0.1470	306,677,972
2021	0.9944	0.1430	340,079,480
2022	0.9538	0.1252	400,959,314
2023 (School Year under Audit)	0.9428	0.1050	423,394,541
Total			

10 Beginning Balance 9/1/2022	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2023
$ 9,347	$	$	$	$ (87)	$ 9,260
1,205					1,205
7,082				(2,308)	4,774
1,867		-	-	(619)	1,248
2,439		7	-	(1)	2,431
2,517				(59)	2,458
1,765				(83)	1,682
2,726				(394)	2,332
7,782		3,774	521	2,172	5,659
	4,436,328	3,564,872	857,782	(1,834)	11,840
$ 36,730	$ 4,436,328	$ 3,568,653	$ 858,303	$ (3,213)	$ 42,889

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:					
5700	Local and intermediate sources	$ 59,500	$ 68,500	$ 84,923	$ 16,423
5800	State program revenues	1,500	2,000	649	(1,351)
5900	Federal program revenues	52,880	69,380	74,325	4,945
5020	Total Revenues	113,880	139,880	159,897	20,017
EXPENDITURES:					
	Current				
0035	Food services	217,982	267,982	265,525	2,457
6030	Total Expenditures	217,982	267,982	265,525	2,457
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,102)	(128,102)	(105,628)	22,474
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	104,102	128,102	105,628	(22,474)
	Total Other Financing Sources (Uses)	104,102	128,102	105,628	(22,474)
1200	Net Change in Fund Balance				
0100	Fund Balance - Beginning	3,423	3,423	3,423	
3000	Fund Balance - Ending	$ 3,423	$ 3,423	$ 3,423	$

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

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

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:					
5700	Local and intermediate sources	$ 857,580	$ 857,580	$ 871,875	$ 14,295
5800	State program revenues			2,316	2,316
5020	Total Revenues	857,580	857,580	874,191	16,611
EXPENDITURES:					
	Debt Service:				
0071	Principal on long term debt	600,000	600,000	620,000	(20,000)
0072	Interest on long term debt	254,450	254,450	214,425	40,025
0073	Bond issuance costs and fees	1,613	1,613	1,693	(80)
6030	Total Expenditures	856,063	856,063	836,118	19,945
1200	Net Change in Fund Balance	1,517	1,517	38,073	36,556
0100	Fund Balance - Beginning	258,544	258,544	258,544	
3000	Fund Balance - Ending	$ 260,061	$ 260,061	$ 296,617	$ 36,556

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?		Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education programs?		No
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$	84,392
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	$	100,739

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?		No
AP6	Does the LEA have written policies and procedures for its bilingual education program?		No
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year?	$	-
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year (PICs 25, 35)	$	-

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

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

To the Board of Trustees
Highland Independent School District

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 Highland Independent School District as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Highland Independent School District's basic financial statements and have issued our report thereon dated November 17, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Highland Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Highland Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Highland 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether Highland Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
November 17, 2023

Phone: 325-672-9323 www.mmh-cpa.com Fax 325-672-9491

HIGHLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED AUGUST 31, 2023

I. Summary of Auditor's Report

a. The type of report issued on the financial statements of Highland Independent School District was an unmodified opinion.

b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards.*

c. No instances of noncompliance material to the financial statements of Highland Independent School District were disclosed during the audit.

II. Findings Required to be Reported in Accordance with *Government Auditing Standards.*

Findings/Noncompliance

None

Responsible Party: Mr. Steven Pyburn, Superintendent
325-766-3652

HIGHLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR FINDINGS

YEAR ENDED AUGUST 31, 2023

Prior Year Findings:

None

HIGHLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT L-1

SCHOOLS FIRST QUESTIONNAIRE
AUGUST 31, 2023

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold?	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal control 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 in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget:	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	$