PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

Brown, Graham & Company, P.C.
7431 Continental Parkway
Amarillo, Texas 79119
(806)355-8241

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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CERTIFICATE OF BOARD

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT	**Hansford**	**098-903**
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 _______ disapproved for the year ended August 31, 2022 at a meeting of the Board of Trustees of such school district on the 8th day of December, 2022.

Christy Hart
Signature of Board Secretary

Signature of Board President

BROWN, GRAHAM & COMPANY, P.C.
Certified Public Accountants
PO Box 20210 · Amarillo, Texas 79114
7431 Continental Pkwy · Amarillo, Texas 79119
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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION, SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

Board of Trustees
Pringle-Morse Consolidated Independent School District
Pringle-Morse Consolidated, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pringle-Morse Consolidated Independent School District as of August 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, the budgetary comparison information on page 60, and the pension and OPEB schedules and related notes on pages 61 through 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required Texas Education Agency ("TEA") schedules listed in the table of contents are likewise 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brown, Graham & Company, P.C.

Amarillo, Texas
December 8, 2022

Pringle-Morse Consolidated Independent School District

100 Fifth Street, Morse, Texas 79062

Phone (806) 733-2507 FAX (806) 733-2351

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the administrators of Pringle-Morse Consolidated Independent School District, discuss and analyze the District's financial performance for the year ended August 31, 2022. Please read it in conjunction with the independent auditor’s report, and the District's financial statements.

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 provide information about the activities of the District as a whole and present a long-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. The remaining statements, 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. The TEA does not require these statements, but they have been presented for purposes of additional analysis. The sections labeled “Required TEA Schedules” and “Overall Compliance and Internal Controls” 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 follows. Its primary purpose is to show whether the District is better or worse financially as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows 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 most 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 grants provided by the U.S. Department of Education to assist children with disabilities and 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.

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) 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, one should consider nonfinancial 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 show the District has the following activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements 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 grants received under the Elementary and Secondary Education Act 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).

Governmental funds–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 financial statements provide a detailed short-term view of the District's general operations and the services it provides. Differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these 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

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental-type activities.

Net position of the District's governmental activities increased from $2,119,671 to $2,198,390. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, or other legal requirements) was $98,193 at August 31, 2022. The District's revenues increased by $241,663 from the prior year, which included an increase in taxes for maintenance and operations in the amount of $62,835; an increase in State formula grant revenues earned in the amount of $105,667; and an increase in operating grants and contributions in the amount of $70,314. Expenses increased by $258,871 from the prior year, with most of the increase being in the instruction, curriculum and media services category.

TABLE I
PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2022	Governmental Activities 2021
Current and other assets	$ 1,415,941	$ 1,361,507
Capital assets	2,282,075	2,469,978
Total assets	3,698,016	3,831,485
Deferred outflows of resources	221,866	214,583
Current liabilities	171,560	122,630
Noncurrent liabilities	894,032	1,263,012
Total liabilities	1,065,592	1,385,642
Deferred inflows of resources	655,900	540,755
Net Position:		
Net investment in capital assets	2,085,075	2,079,978
Restricted	15,122	67,670
Unrestricted	98,193	(27,977)
Total net position	$ 2,198,390	$ 2,119,671

TABLE II
PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2022	Governmental Activities 2021
Revenues:		
Program revenues:		
Charges for services	$ 45,412	$ 44,468
Operating grants and contributions	453,474	383,160
General revenues:		
Maintenance and operations taxes	1,371,500	1,308,665
Debt service taxes	181,726	191,634
State aid - formula grants	634,238	528,571
Investment earnings	9,793	13,856
Miscellaneous	35,614	19,740
Total revenue	2,731,757	2,490,094
Expenses:		
Instruction, curriculum and media services	1,416,111	1,254,056
School leadership	93,496	101,455
Student support services	229,613	200,646
Food services	159,438	157,723
Extracurricular activities	50,680	14,068
General administration	204,819	200,013
Facilities maintenance, security and data processing	429,803	405,403
Community services	76	-
Debt service - interest and other costs	6,328	9,926
Contracted instructional services between schools	2,584	2,534
Payment to fiscal agent and other intergovernmental	60,090	48,343
Total expenses	2,653,038	2,394,167
Change in net position	78,719	95,927
Net position at beginning of year, as previously reported	2,119,671	2,020,121
Prior period adjustment - implementation of GASB 84	-	3,623
Net position at beginning of year, as restated	2,119,671	2,023,744
Net position at end of year	$ 2,198,390	$ 2,119,671

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of $1,215,946, which is higher than last year's total of $1,201,057. The District's General Fund increased by $68,789, with $106,456 of the increase attributable to an increase in state formula grant revenues. The District's Capital Projects Fund decreased by $21,289 because of the current year's expenditures. The District's Debt Service Fund decreased by $20,134, which was impacted by a decrease in the tax rate for debt service as well as the current year's payment on bonds payable.

The District's General Fund balance of $1,201,267 differs from the General Fund's budgetary fund balance of $995,422 reported in the budgetary comparison schedule at Exhibit G-1. This is due to total revenues being $133,594 higher than budgeted, total expenditures being lower by $48,442 than what were budgeted, and transfers out being $23,809 lower than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

At August 31, 2022, the District had $2,282,075 invested in a broad range of capital assets, net of accumulated depreciation, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of $187,903 from last year. The District purchased $14,698 of capital assets which was comprised of a basketball shooting machine and a major overhaul to one of the District's bus engines. The District reported $202,601 of depreciation expense on the Statement of Activities.

At August 31, 2022, the District had $197,000 in long-term debt. This represents a decrease of $193,000 from last year.

PENSION AND OPEB ACCOUNTING AND REPORTING

During a previous year the District implemented GASB Statement Numbers 68, 71 and 75. These GASB statements significantly changed how governmental entities account for and report pension activity. Notes II(I) and II(K) in the notes to the financial statements have a detailed discussion of how these GASB Statements impact the District's financial statements for the year ended August 31, 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget and tax rates. With the uncertainty of what state revenue would be available, conservative estimates were used during final budget planning. The District's officials and administration plan to focus on the upkeep and maintenance of existing buildings and vehicles over the next three years. Facility improvements will be considered as we begin to be able to reasonably estimate what our funding will be for the foreseeable future. Should revenues be lower than budgeted, we will use some of our fund balance to complete the school year and will make necessary adjustments for future budgets.

We adopted an M&O tax rate of $0.9746 per $100 valuation and an interest and sinking tax rate of $0.128175 per $100 valuation for 2022-2023. Estimated available amounts for the General Fund Budget are $2,212,537. Budgeted expenditures are expected to be $2,283,117. The District will use its revenue to finance programs we currently offer. Additional funding for any additional capital projects will come from our fund balance.

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 show 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 Pringle-Morse Consolidated Independent School District, 100 Fifth Street, Morse, Texas 79062.

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 556,777
1120	Current Investments	626,980
1220	Property Taxes - Delinquent	265,831
1230	Allowance for Uncollectible Taxes	(237,201)
1240	Due from Other Governments	200,142
1250	Accrued Interest	286
1267	Due from Fiduciary Funds	556
1410	Prepayments	2,570
	Capital Assets:	
1510	Land	12,332
1520	Buildings, Net	2,080,572
1530	Furniture and Equipment, Net	189,171
1000	Total Assets	3,698,016
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Outflow Related to TRS Pension	126,556
1706	Deferred Outflow Related to TRS OPEB	95,310
1700	Total Deferred Outflows of Resources	221,866
	LIABILITIES	
2110	Accounts Payable	49,154
2140	Interest Payable	195
2160	Accrued Wages Payable	105,275
2180	Due to Other Governments	99
2200	Accrued Expenses	16,837
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	197,000
2540	Net Pension Liability (District's Share)	186,328
2545	Net OPEB Liability (District's Share)	510,704
2000	Total Liabilities	1,065,592
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS Pension	266,451
2606	Deferred Inflow Related to TRS OPEB	389,449
2600	Total Deferred Inflows of Resources	655,900
	NET POSITION	
3200	Net Investment in Capital Assets	2,085,075
3850	Restricted for Debt Service	15,122
3900	Unrestricted	98,193
3000	Total Net Position	$ 2,198,390

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

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes			Program Revenues		Net (Expense) Revenue and Changes in Net Position
		1	3	4	6
					Primary Gov.
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 1,368,618	$ -	$ 289,881	$ (1,078,737)
12	Instructional Resources and Media Services	23,712	-	(201)	(23,913)
13	Curriculum and Instructional Staff Development	23,781	-	-	(23,781)
23	School Leadership	93,496	-	(877)	(94,373)
31	Guidance, Counseling, and Evaluation Services	34,488	-	23,160	(11,328)
33	Health Services	29,862	-	7,000	(22,862)
34	Student (Pupil) Transportation	165,263	-	3,007	(162,256)
35	Food Services	159,438	12,505	124,154	(22,779)
36	Extracurricular Activities	50,680	13,707	6,433	(30,540)
41	General Administration	204,819	-	(1,519)	(206,338)
51	Facilities Maintenance and Operations	287,198	19,200	3,562	(264,436)
52	Security and Monitoring Services	23,972	-	-	(23,972)
53	Data Processing Services	118,633	-	(1,126)	(119,759)
61	Community Services	76	-	-	(76)
72	Debt Service - Interest on Long-Term Debt	6,328	-	-	(6,328)
91	Contracted Instructional Services Between Schools	2,584	-	-	(2,584)
93	Payments Related to Shared Services Arrangements	26,948	-	-	(26,948)
99	Other Intergovernmental Charges	33,142	-	-	(33,142)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 2,653,038	$ 45,412	$ 453,474	(2,154,152)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,371,500
DT	Property Taxes, Levied for Debt Service	181,726
SF	State Aid - Formula Grants	634,238
IE	Investment Earnings	9,793
MI	Miscellaneous Local and Intermediate Revenue	35,614
TR	Total General Revenues	2,232,871
CN	Change in Net Position	78,719
NB	Net Position - Beginning	2,119,671
NE	Net Position - Ending	$ 2,198,390

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

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		10 General Fund	E-Rate Grant Fund	50 Debt Service Fund
	ASSETS			
1110	Cash and Cash Equivalents	$ 542,350	$ -	$ 11,290
1120	Investments - Current	626,980	-	-
1220	Property Taxes - Delinquent	208,456	-	57,375
1230	Allowance for Uncollectible Taxes	(183,807)	-	(53,394)
1240	Due from Other Governments	131,787	35,956	145
1250	Accrued Interest	286	-	-
1260	Due from Other Funds	19,953	-	-
1410	Prepayments	2,570	-	-
1000	Total Assets	$ 1,348,575	$ 35,956	$ 15,416
	LIABILITIES			
2110	Accounts Payable	$ 12,848	$ 35,956	$ -
2160	Accrued Wages Payable	94,222	-	-
2170	Due to Other Funds	-	-	-
2180	Due to Other Governments	-	-	99
2200	Accrued Expenditures	15,589	-	-
2000	Total Liabilities	122,659	35,956	99
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	24,649	-	3,981
2600	Total Deferred Inflows of Resources	24,649	-	3,981
	FUND BALANCES			
	Nonspendable Fund Balance:			
3430	Prepaid Items	2,570	-	-
	Restricted Fund Balance:			
3480	Retirement of Long-Term Debt	-	-	11,336
	Committed Fund Balance:			
3540	Self Insurance	100,000	-	-
3545	Other Committed Fund Balance	-	-	-
3600	Unassigned Fund Balance	1,098,697	-	-
3000	Total Fund Balances	1,201,267	-	11,336
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 1,348,575	$ 35,956	$ 15,416

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ -	$ 3,137	$ 556,777
-	-	626,980
-	-	265,831
-	-	(237,201)
-	32,254	200,142
-	-	286
-	556	20,509
-	-	2,570
$ -	$ 35,947	$ 1,435,894
$ -	$ 350	$ 49,154
-	11,053	105,275
-	19,953	19,953
-	-	99
-	1,248	16,837
-	32,604	191,318
-	-	28,630
-	-	28,630
-	-	2,570
-	-	11,336
-	-	100,000
-	3,343	3,343
-	-	1,098,697
-	3,343	1,215,946
$ -	$ 35,947	$ 1,435,894

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

	Total Fund Balances - Governmental Funds	$	1,215,946
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $4,662,743 and the accumulated depreciation was ($2,192,765). In addition, long-term liabilities, including bonds payable in the amount of $390,000, are not due and payable in the current period and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets, net of depreciation, and long-term debt in the governmental activities is to increase net position.		2,079,978
2	Current year capital outlays in the amount of $14,698 and long-term debt principal payments in the amount of $193,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.		207,698
3	The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(202,601)
4	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. At the beginning of the year, the net position related to TRS pension was a deferred resource outflow in the amount of $141,395, a deferred resource inflow in the amount of $135,182 and a net pension liability in the amount of $367,465. The impact of this on net position is a decrease of ($361,252). Changes from the current year reporting of the TRS pension plan resulted in an increase in net position in the amount of $35,029. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of ($326,223).		(326,223)
5	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. At the beginning of the year, the net position related to TRS OPEB was a deferred resource outflow in the amount of $73,188, a deferred resource inflow in the amount of $405,573 and a net OPEB liability in the amount of $505,547. The impact of this on net position is a decrease of ($837,932). Changes from the current year reporting of the TRS OPEB plan resulted in an increase in net position in the amount of $33,089. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of ($804,843).		(804,843)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue in the amount of $28,630 and recognizing the liabilities associated with maturing long-term debt and interest in the amount of $195. The net effect of these reclassifications and recognitions is to increase net position.		28,435
19	**Net Position of Governmental Activities**	$	2,198,390

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

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		10 General Fund	E-Rate Grant Fund	50 Debt Service Fund
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 1,445,510	$ -	$ 185,015
5800	State Program Revenues	740,567	-	811
5900	Federal Program Revenues	-	118,624	-
5020	Total Revenues	2,186,077	118,624	185,826
	EXPENDITURES:			
	Current:			
0011	Instruction	1,078,839	118,624	-
0012	Instructional Resources and Media Services	25,698	-	-
0013	Curriculum and Instructional Staff Development	23,781	-	-
0023	School Leadership	105,052	-	-
0031	Guidance, Counseling, and Evaluation Services	16,376	-	-
0033	Health Services	22,862	-	-
0034	Student (Pupil) Transportation	125,234	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	36,658	-	-
0041	General Administration	197,801	-	-
0051	Facilities Maintenance and Operations	249,377	-	-
0052	Security and Monitoring Services	20,407	-	-
0053	Data Processing Services	119,424	-	-
0061	Community Services	76	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	-	-	193,000
0072	Interest on Long-Term Liabilities	-	-	6,508
	Intergovernmental:			
0091	Contracted Instructional Services Between Schools	2,584	-	-
0093	Payments to Fiscal Agent/Member Districts of SSA	26,948	-	-
0099	Other Intergovernmental Charges	33,142	-	-
6030	Total Expenditures	2,084,259	118,624	199,508
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	101,818	-	(13,682)
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	(16,231)	-	-
8949	Other (Uses)	(16,798)	-	(6,452)
7080	Total Other Financing Sources (Uses)	(33,029)	-	(6,452)
1200	Net Change in Fund Balances	68,789	-	(20,134)
0100	Fund Balance - September 1 (Beginning)	1,132,478	-	31,470
3000	Fund Balance - August 31 (Ending)	$ 1,201,267	$ -	$ 11,336

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ -	$ 29,595	$ 1,660,120
-	20,806	762,184
-	330,849	449,473
-	381,250	2,871,777
8,626	181,848	1,387,937
-	-	25,698
-	-	23,781
-	-	105,052
-	23,352	39,728
-	7,000	29,862
9,216	3,759	138,209
-	169,807	169,807
-	19,504	56,162
-	-	197,801
3,447	4,688	257,512
-	-	20,407
-	-	119,424
-	-	76
-	-	193,000
-	-	6,508
-	-	2,584
-	-	26,948
-	-	33,142
21,289	409,958	2,833,638
(21,289)	(28,708)	38,139
-	16,231	16,231
-	-	(16,231)
-	-	(23,250)
-	16,231	(23,250)
(21,289)	(12,477)	14,889
21,289	15,820	1,201,057
$ -	$ 3,343	$ 1,215,946

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

Total Net Change in Fund Balances - Governmental Funds	$	14,889
Current year capital outlays in the amount of $14,698 and long-term debt principal payments in the amount of $193,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase net position.		207,698
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position.		(202,601)
Pension expenditures on the fund financial statements are recognized on the modified accrual basis of accounting; however, on the government-wide financial statements, pension expense is reported on the accrual basis of accounting in accordance with GASB 68, as amended. Differences occur as the result of timing of when pension contributions are made verses when they are recognized, as well as the result of changes in assumptions, differences between projected and actual earnings, differences between expected and actual actuarial experience, etc. The net effect on reporting pension expense in accordance with GASB 68, as amended is to increase the change in net position.		35,029
Other post-employment benefit expenditures on the fund financial statements are recognized on the modified accrual basis of accounting; however, on the government-wide financial statements, other post-employment benefit expense is reported on the accrual basis of accounting in accordance with GASB 75. Differences occur as the result of timing of when other post-employment benefit contributions are made verses when they are recognized, as well as the result of changes in assumptions, differences between projected and actual earnings, differences between expected and actual actuarial experience, etc. The net effect of reporting other post-employment benefit expense in accordance with GASB 75 is to increase the change in net position.		33,089
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy which decreased the change in net position in the amount of $9,565 and recognizing the liabilities associated with maturing long-term debt and interest which increased the change in net position in the amount of $180. The net effect of these reclassifications and recognitions is to decrease net position.		(9,385)
Change in Net Position of Governmental Activities	$	78,719

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

EXHIBIT E-1

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	$ 8,873
Total Assets	8,873
LIABILITIES	
Due to Other Funds	556
Total Liabilities	556
NET POSITION	
Restricted for Campus Activities	8,317
Total Net Position	$ 8,317

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

EXHIBIT E-2

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Fund
ADDITIONS:	
Enterprising Services Revenue	$ 13,437
Earnings from Temporary Deposits	18
Total Additions	13,455
DEDUCTIONS:	
Supplies and Materials	12,691
Total Deductions	12,691
Change in Fiduciary Net Position	764
Total Net Position - September 1 (Beginning)	7,553
Total Net Position - August 31 (Ending)	$ 8,317

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

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. Summary of Significant Accounting Policies:

Pringle-Morse Consolidated 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 conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Codification of Statement on Auditing Standards* 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 "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB in its *Codification of Governmental Accounting and Financial Reporting Standards*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

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

Interfund activities between governmental funds appear as due to/due from on the Balance Sheet – Governmental Funds and as other resources and other uses on the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. Summary of Significant Accounting Policies (continued):

B. Government-Wide and Fund Financial Statements (continued)

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets and current liabilities (i.e., revenues and other financing sources and expenditures and other financing uses). The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collected within 60 days after year end except for state funding formula grants which are recognized based upon funding formulas approved by the Texas Legislature and the TEA.

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

I. Summary of Significant Accounting Policies (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. Fund Accounting

The District reports the following major governmental funds:

1. **The General Fund -** The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. **The E-Rate Grant Fund –** The E-Rate Grant Fund is used to account for funds received and expended for technology, internet access, internet connections and telecommunications under the Universal Service Program for Schools and Libraries.

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

4. **Capital Projects Fund -** The District accounts for financial resources to be used for the acquisition or construction of major capital facilities in the Capital Projects Fund.

Additionally, the District reports the following non-major fund types:

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or committed for, specific purposes by the District or a grantor in Special Revenue Funds. Most Federal and some State financial assistance are accounted for in Special Revenue Funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

1. **Custodial Funds -** The District accounts for resources held for others in a custodial capacity in Custodial Funds. The District's custodial fund is the Student Activity Fund. The Student Activity Fund exists with the explicit approval of, and is subject to revocation by, the District’s Board.

I. Summary of Significant Accounting Policies (continued):

E. Budgetary Data

The Board adopts an "appropriated budget" for the General Fund, the Child Nutrition Program (a special revenue fund) and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1, the Child Nutrition Program budget report is in Exhibit J-2 and the Debt Service Fund budget report is in Exhibit J-3. The following procedures are followed in establishing the budgetary data reflected in the basic 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 has a policy of careful budgetary control; therefore, some budget amendments were necessary during the year.

4. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances were all cancelled.

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

F. Other Accounting Policies

1. The District records purchases of supplies as expenditures. If a material amount of supplies are on hand at the end of the year, their total cost is recorded as inventory and a portion of fund balance is reported as non-spendable for the same amount accordingly. At August 31, 2022, the amount of supplies on hand was not material.

   Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in the amount of $2,570, and the fund balance is reported as non-spendable for the same amount.

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the year the bonds are issued.

   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.

3. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. No payments are made to an employee for unused sick leave or vacation. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.

4. The amounts on the statements have been rounded individually; consequently, some columns may not total and some schedules may not agree because of this rounding.

5. Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	7-50
Buses	10
Other vehicles	10
Furniture and equipment	7

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

6. During the year ended August 31, 2022, the District met its statutory workers' compensation obligations through participation in West Texas Educational Insurance Association (the "Fund") which was administered by Claims Administrative Services, Inc. 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 districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their 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 $1,000,000. For the year ended August 31, 2022, the Fund purchased excess coverage from a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. The amount the District is estimated to be liable for the 2021-2022 fiscal year is $4,291.

   The unpaid claims and estimated claims incurred but not reported at August 31, 2021 were $14,480, the incurred claims during the year ended August 31, 2022 were $4,479, a decrease in provision for incurred events of the prior years was ($2,297), and the claims paid during the year ended August 31, 2022 were $1,355, resulting in the total unpaid claims at August 31, 2022 of $15,307. The final amount of the unpaid claims which will be paid is not known but, based on past claims experience, the amount of estimated claims incurred but not reported is $3,588, which is included in the $15,307 of claims payable as of August 31, 2022.

7. The Data Control Codes refer to the account code structure prescribed by TEA in the *Resource Guide*. TEA requires school districts to display these codes in the basic financial statements filed with TEA in order to insure accuracy in building a statewide data base for policy development and funding plans.

8. The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, 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.

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

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

10. The District follows GASB reporting guidelines which employs terminology and classification for fund balance items as follows:

    - Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. As of August 31, 2022, the District had $2,570 of nonspendable fund balance.

    - Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed on the use of resources are 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. As of August 31, 2022, the District had $11,336 restricted for retirement of long-term debt.

    - Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board. Formal action consists of a board resolution by a majority vote of the District's Board in a publicly held scheduled meeting. Committed fund balance amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (board resolution). Committed fund balances as of August 31, 2022 were $100,000 for self-insurance, and $3,343 for campus activities.

    - Assigned – The assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a publicly scheduled meeting. The Board has delegated the authority to make assignments of fund balance amounts to the District's Superintendent or his/her designee. As of August 31, 2022, the District had no assigned fund balance.

    - Unassigned – The unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not be assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

11. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

12. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the District's policy to use committed resources first, and then assigned resources and, finally, unassigned resources as they are needed.

13. In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reported $126,556 of deferred outflows pertaining to its pension plan as discussed in more detail in Note II(I) and $95,310 of deferred outflows pertaining to its other post-employment benefit plan discussed in more detail in Note II(K) for the year ended August 31, 2022.

14. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. The District reported $266,451 of deferred inflows pertaining to its pension plan as discussed in more detail in Note II(I) and $389,449 of deferred inflows pertaining to its other post-employment benefit plan discussed in more detail in Note II(K) for the year ended August 31, 2022. In addition, the District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes is reported only in the governmental funds balance sheet. These amounts reported as unavailable revenue in the amount of $28,630 are recognized as an inflow of resources in the period that the amounts become available.

15. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

16. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

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.

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

II. Detailed Notes on All Funds and Account Groups:

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

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

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District is typically not exposed to custodial credit risk, as its deposits are usually covered by depository insurance and pledged securities; however, the District's deposits were undercollateralized as described below.

II. Detailed Notes on All Funds and Account Groups (continued):

A. Deposits and Investments (continued)

Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Typically, the District is not exposed to custodial credit risk, as investments consisting of a certificate of deposit are usually covered by depository insurance and pledged securities; ; however, the District's investment was undercollateralized as described below.

Interest Rate Risk: The District's policy provides that the maximum allowable stated maturity of any individual investment owned by the District shall not exceed one year from the time of purchase.

Concentration of Credit Risk: As of August 31, 2022, the District's only investment was a certificate of deposit, which was fully collateralized with FDIC insurance and pledged securities, with an original maturity dates of two years. The certificate of deposit is valued at cost, which approximates market. The District's investment as of August 31, 2022 consisted of the following:

Investment	Maturity	Interest Rate	General Fund
Certificate of deposit - First National Bank	6/10/2023	0.80%	$ 626,980

Under-collateralized Deposits and Investment: During the year ended August 31, 2022, the District's deposits and investment were fully collateralized by either FDIC coverage or pledged securities except for one day. On November 9, 2021, the bank deposits and investment balance exceeded the FDIC coverage and pledge securities by approximately $270,138. This was corrected on November 10, 2021 when additional securities were pledged towards the Districts bank deposits by the depository bank.

B. Property Taxes

Property taxes are levied by 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 on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (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.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowance for uncollectible taxes receivable is based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

II. Detailed Notes on All Funds and Account Groups (continued):

D. Interfund Balances and Transfers

Interfund balances result from temporary funding to cover timing differences between cash receipts and expenditures. The District reported the following interfund receivables/payables as of August 31, 2022 on the fund financial statements:

	Due From:		
Due to:	**Non-major Governmental Funds**	**Custodial Funds**	**Totals**
General Fund	$ 19,953	$ -	$ 19,953
Non-major Governmental Funds	-	556	556
Totals	$ 19,953	$ 556	$ 20,509

Transfers were used to move resources from the General Fund to the National Breakfast and Lunch Program as follows:

Transfers to:	**Transfers From: General Fund**
Non-major Governmental Funds	$ 16,231

E. Disaggregation of Receivables and Payables

Receivables at August 31, 2022, were reported as follows on the fund financial statements:

	Property Taxes	Other Governments	Accrued Interest	Total Receivables
Governmental funds:				
General Fund	$ 208,456	$ 131,787	$ 286	$ 340,529
E-Rate Grant Fund	-	35,956	-	35,956
Debt Service Fund	57,375	145	-	57,520
Non-major Governmental Funds	-	32,254	-	32,254
Total - Governmental funds	$ 265,831	$ 200,142	$ 286	$ 466,259
Amounts not scheduled for collection during the subsequent year	$ 237,201	$ -	$ -	$ 237,201

II. Detailed Notes on All Funds and Account Groups (continued):

E. Disaggregation of Receivables and Payables (continued)

Payables at August 31, 2022, were reported as follows on the fund financial statements:

	Accounts Payable	Salaries & Benefits	Due To Other Governments	Total Payables
Governmental funds:				
General Fund	$ 12,848	$ 109,811	$ -	$ 122,659
E-Rate Grant Fund	35,956	-	-	35,956
Debt Service Fund	-	-	99	99
Non-major Governmental Funds	350	12,301	-	12,651
Total - Governmental funds	$ 49,154	$ 122,112	$ 99	$ 171,365

F. Commitments under Lease Agreements

As discussed in Note II(S), GASB Statement No. 87, *Leases*, is in effect for the District's financial statements for the year ended August 31, 2022. One aspect of implementation of any statement issued by GASB is that the provision of the statement need not be applied to immaterial items. Management of the District evaluated all lease agreements currently in place and made the determination that at the present time, the implementation of GASB 87 would not have a material impact on the District's financial statements; consequently, GASB 87 was not implemented for the District's fiscal year ending August 31, 2022. Management will continue to assess the impact that GASB 87 may have on the District's financial statements in the future, and if determined to be material, the provisions of the statement will be implemented at that time.

The District leases copy machines and equipment under various non-cancelable operating leases. Total lease expenditures for such leases for the year ended August 31, 2022, were $9,922. The future minimum lease payments for these leases are as follows:

Fiscal year	Minimum Required Payment
2023	$ 3,333
2024	2,129
2025	2,129
2026	639
Total	$ 8,230

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

II. Detailed Notes on All Funds and Account Groups (continued):

G. Capital Asset Activity

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

	Beginning Balance	Additions	Retire-ments	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 3,815,242	$ -	$ -	$ 3,815,242
Furniture and equipment	835,169	14,698	-	849,867
Total capital assets being depreciated	4,650,411	14,698	-	4,665,109
Less: Accumulated depreciation for:				
Buildings and improvements	(1,593,727)	(140,943)	-	(1,734,670)
Furniture and equipment	(599,038)	(61,658)	-	(660,696)
Total accumulated depreciation	(2,192,765)	(202,601)	-	(2,395,366)
Total capital assets, being depreciated, net	2,457,646	(187,903)	-	2,269,743
Capital assets, not being depreciated:				
Land	12,332	-	-	12,332
Total capital assets not being depreciated	12,332	-	-	12,332
Governmental activities capital assets, net	$ 2,469,978	$ (187,903)	$ -	$ 2,282,075

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 104,152
Student (pupil) transportation	43,403
Food services	1,998
General administration	825
Plant maintenance and operations	39,973
Security and monitoring services	3,565
Data processing services	8,685
Total depreciation expense	$ 202,601

H. Bonds Payable and Long-Term Liabilities

During the year ended August 31, 2013, the District issued $1,800,000 Unlimited Tax School Building Bonds, Series 2013 (the “Series 2013 Bonds”) to provide for the construction, rehabilitation, renovation, improvement, equipment, and expansion of school buildings and to pay costs of issuing the bonds.

II. Detailed Notes on All Funds and Account Groups (continued):

H. Bonds Payable and Long-Term Liabilities (continued)

The bonds are being serviced by the Debt Service Fund with an appropriation of the ad valorem tax rate determined in accordance with the principal and interest payment requirements each year. Principal payments on the bonds are made annually on February 15th, with interest payments being made semi-annually on February 15th, and August 15th. Interest rates vary from l.58% to 2.55%. Final maturity of the bonds is February 15, 2023. The District had the option to redeem all or part of the bonds beginning on February 15, 2021.

The District accounts for bonded indebtedness in the government-wide Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in bond indebtedness for the year ended August 31, 2022 is as follows:

	Interest Rate Payable	Original Amount Borrowed	Interest Current Year	Payable Amounts Out-standing 9/1/21	Additions	Retired	Payable Amounts Out-standing 8/31/22	Due Within One Year
School Building Bonds Series 2013	1.58% to 2.55%	$ 1,800,000	$ 6,508	$ 390,000	$ -	$ (193,000)	$ 197,000	$ 197,000

Debt service requirements for bonds payable are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2023	$ 197,000	$ 2,226	$ 199,226

The District was authorized by the Constitution and laws of the State of Texas, including sections 45.001 and 45.003(b)(1) of the Texas Education Code, to issue such authorized amount of Bonds in accordance with the Election for the construction, acquisition and equipment of school buildings in the District, the purchase of vehicles and school buses, and the purchase of district technology.

II. Detailed Notes on All Funds and Account Groups (continued):

H. Bonds Payable and Long-Term Liabilities (continued)

The Bonds are secured by the terms of the certified order authorizing the issue of the Bonds, which states that while the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, there is hereby levied and there shall be annually assessed and collected in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, a continuing direct annual ad valorem tax, without legal limit as to maximum rate or amount, upon all taxable property in the District, sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, full allowance being made for delinquencies and costs of collection, and said taxes are hereby irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

Any money received by the District with respect to the Bonds as state assistance pursuant to the instructional allotment or as state assistance with existing debt, each as authorized by Chapter 46, Texas Education Code, shall be deposited in the Debt Service Fund as required by Sections 46.009 and 46.035, Texas Education Code, respectively. The District will take into account the balance in the Debt Service Fund when it sets its debt service tax rate each year.

There are no unused lines of credit associated with the Series 2013 Bonds that were issued.

Payment of the principal and interest on the Bonds is guaranteed by the Permanent School Fund of the State of Texas as approved by the Texas Commissioner of Education. If the Bonds are defeased, the guarantee of the Bonds will be removed in its entirety and, in case of default and in accordance with Texas Education Code §45.061, the Comptroller of Public Accounts will withhold the amount paid, plus interest, from the first state money payable to the District in the following order: Foundation School Fund and then the Available School Fund.

The Series 2013 Bonds were initially purchased by three accredited investors. The initial investors of the Series 2013 Bonds, as well as the amounts currently owed to these investors as of August 31, 2022 are as follows:

Holder of the Series 2013 Bonds	Original Bonds Purchased	Bond Balance as of August 31, 2022
First National Bank, Spearman, Texas (Paying Agent)	$ 612,000	$ 66,980
First State Bank, Spearman, Texas	594,000	65,010
Gruver State Bank, Gruver Texas	594,000	65,010
Total	$ 1,800,000	$ 197,000

II. Detailed Notes on All Funds and Account Groups (continued):

H. Bonds Payable and Long-Term Liabilities (continued)

The District entered into a paying agent/registrar agreement in which the First National Bank, Spearman, Texas (the "Bank") was established as the paying agent for the Series 2013 Bonds. This agreement stipulates that the Bank is appointed to act as the paying agent with respect to the Series 2013 Bonds, to pay to the registered owners of the Series 2013 Bonds, in accordance with the terms and provisions of the agreement and the bond order, the principal of, redemption premium, if any, and interest on all or any of the Series 2013 Bonds. The agreement also appointed the Bank as the registrar with respect to the Series 2013 Bonds. As compensation for the Bank's services as the paying agent and registrar, the District agreed to pay the Bank a fee for these services as stipulated in the agreement.

The orders authorizing the issuance of the Series 2013 Bonds do not contain any provisions pertaining to significant events of default with finance-related consequences, significant termination events with finance-related consequences, or significant subjective acceleration clauses other than those described above.

I. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position - Detailed information about the TRS'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 TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

II. Detailed Notes on All Funds and Account Groups (continued):

I. Defined Benefit Pension Plan (continued)

The information provided in the Notes to the Financial Statements in the 2021 Annual Comprehensive Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2021:

Net Pension Liability		
Total pension liability	$	227,273,463,630
Less: Plan fiduciary net position		(201,807,002,496)
Net pension liability	$	25,466,461,134
Net position as a percentage of total pension liability		88.79%

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in 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 Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rate for fiscal years 2020 thru 2025.

II. Detailed Notes on All Funds and Account Groups (continued):

I. Defined Benefit Pension Plan (continued)

Contribution Rates and Amounts

	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.50%

Pringle-Morse Consolidated ISD 2022 Employer Contributions	$	42,451
Pringle-Morse Consolidated ISD 2022 Member Contributions	$	113,681
Pringle-Morse Consolidated ISD 2022 NECE On-behalf Contributions	$	84,249

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:

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- 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.

II. Detailed Notes on All Funds and Account Groups (continued):

I. Defined Benefit Pension Plan (continued)

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

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2017 and were adopted in July 2018. The total pension liability in the August 31, 2020 actuarial valuation, rolled forward to August 31, 2021 was determined by using the following actuarial assumptions:

Valuation date	August 31, 2020 rolled forward to August 31, 2021
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Fair Value
Single discount rate	7.25%
Long term expected investment rate of return	7.25%
Municipal bond rate as of August 2021	1.95% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary increase including inflation	3.05% to 9.05% including inflation
Ad hoc post-employement benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

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

II. Detailed Notes on All Funds and Account Groups (continued):

I. Defined Benefit Pension Plan (continued)

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

Asset Class*	Target Allocation** %	Long-Term Expected Arithmetic Real Rate of Return***	Expected Contribution to Long-Term Portflio Returns
Global Equity			
U.S.A.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity			
Risk Parity	8.00%	2.80%	0.28%
Asset Allocation Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			-0.95%
Expected Return	100.00%		6.90%

* Absolute Return includes Credit Sensitive Investments
** Target allocation based on the FY2021 policy model
*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021)
**** The volatility drag results from the conversion between arithmetic and geometric mean returns

II. Detailed Notes on All Funds and Account Groups (continued):

I. Defined Benefit Pension Plan (continued)

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability	$ 407,156	$ 186,328	$ 7,169

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of resources Related to Pensions - At August 31, 2022, the District reported a liability of $186,328 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 186,328
State's proportionate share that is associated with the District	502,764
Total	$ 689,092

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

At August 31, 2021, the employer's proportion of the collective net pension liability was 0.0007316598%, which was a decrease of 0.000455519% from its proportion measured as of August 31, 2020 which was 0.0006861079%.

Changes Since the Prior Actuarial Valuation - There were no changes in assumptions since the prior measurement date.

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

For the measurement period from September 1, 2020 through August 31, 2021, the District recognized pension expense of $2,010 and revenue of $2,010 for support provided by the State in the government-wide statement of activities for the year ended August 31, 2022.

II. Detailed Notes on All Funds and Account Groups (continued):

I. Defined Benefit Pension Plan (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 312	$ 13,118
Changes in actuarial assumptions	65,863	28,711
Difference between projected and actual investment earnings	-	156,234
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	17,930	68,388
Contributions paid to TRS subsequent to the measurement date	42,451	-
Total	$ 126,556	$ 266,451

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	Balance of Deferred Outflows (Deferred Inflows)
2023	$ (39,163)	$ (143,183)
2024	(37,434)	(105,749)
2025	(48,857)	(56,892)
2026	(56,236)	(656)
2027	(1,336)	680
Thereafter	680	-
	$ (182,346)	

J. Deferred Inflows of Resources

Deferred inflows of resources on the fund financial statements as of August 31, 2022 consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable revenue - property taxes	$ 24,649	$ 3,981	$ 28,630

II. Detailed Notes on All Funds and Account Groups (continued):

K. Defined Other Post-Employment Benefit Plan

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

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

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

The information provided in the Notes to the Financial Statements in the 2021 Annual Comprehensive Financial Report for TRS-Care provides the following information regarding the Other Post-Employment Benefit Plan fiduciary net position as of August 31, 2021:

Net OPEB Liability		
Total OPEB liability	$	41,113,711,083
Less: Plan fiduciary net position		(2,539,242,470)
Net OPEB liability	$	38,574,468,613
Net position as a percentage of total OPEB liability		6.18%

Benefits Provided - TRS-Care provides health insurance coverage to retirees from public and cPringle-Morse Consolidateder 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.

II. Detailed Notes on All Funds and Account Groups (continued):

K. Defined Other Post-Employment Benefit Plan (continued)

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

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% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates and Amounts

	2021	2022
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
Pringle-Morse CISD 2022 Employer Contributions		$ 12,038
Pringle-Morse CISD 2022 Member Contributions		$ 9,236
Pringle-Morse CISD 2022 NECE On-behalf Contributions		$ 13,857

II. Detailed Notes on All Funds and Account Groups (continued):

K. Defined Other Post-Employment Benefit Plan (continued)

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions – The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination and disability, and most of the economic assumptions including general inflation and salary increases, used in the OPEB valuation were identical to those the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

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

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

II. Detailed Notes on All Funds and Account Groups (continued):

K. Defined Other Post-Employment Benefit Plan (continued)

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2020 rolled forward to August 31, 2021
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary increases	3.05% to 9.05%, including inflation
Ad hoc post-employement benefit changes	None

Discount Rate - A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

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

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

II. Detailed Notes on All Funds and Account Groups (continued):

K. Defined Other Post-Employment Benefit Plan (continued)

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (1.95%) in measuring the net OPEB liability.

	Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
	1% Decrease 0.95%	**Current Single Discount Rate 1.95%**	**1% Increase 2.95%**
District's proportionate share of the net OPEB liability	$ 616,027	$ 510,704	$ 427,812

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2021, the District reported a liability of $510,704 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 510,704
State's proportionate share that is associated with the District	684,229
Total	$ 1,194,933

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

At August 31, 2021, the employer's proportion of the collective OPEB Liability was 0.001323943% compared to 0.001329877% as of August 31, 2020. This is a decrease of 0.000059349%.

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 rate assumed.

II. Detailed Notes on All Funds and Account Groups (continued):

K. Defined Other Post-Employment Benefit Plan (continued)

	Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
	1% Decrease	Current Single Healthcare Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 413,653	$ 510,704	$ 640,922

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

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95%, as of August 31, 2021. This change increased the total OPEB liability (TOL).

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

For the measurement period from September 1, 2020 through August 31, 2021, the District recognized OPEB expense of ($25,253) and revenue of ($25,253) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 21,988	$ 247,216
Changes in actuarial assumptions	56,566	108,004
Difference between projected and actual investment earnings	554	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,164	34,229
Contributions paid to TRS subsequent to the measurement date	12,038	-
Total	$ 95,310	$ 389,449

II. Detailed Notes on All Funds and Account Groups (continued):

K. Defined Other Post-Employment Benefit Plan (continued)

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

Year ended August 31:		Amount		Balance of Deferred Outflows (Deferred Inflows)
2023	$	(57,846)	$	(248,331)
2024		(57,858)		(190,473)
2025		(57,855)		(132,618)
2026		(44,412)		(88,206)
2027		(26,212)		(61,994)
Thereafter		(61,994)		-
	$	(306,177)		

L. Health Care Coverage

During the year ended August 31, 2022, the District provided medical benefits coverage (the "Plan") to its employees through the TRS. The Plan was created and is operated under the provisions of the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343) enacted by the 77th Texas Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependents. The TRS began administering the Plan, known as TRS-ACTIVE CARE, as of September 1, 2002. The Plan includes employees of most small to mid-size districts, charter schools, education service centers, and certain other employees.

Participants in the Plan can choose from several different benefit options, and must meet certain eligibility requirements. Currently, participants must either be an active, contributing TRS member or must be employed for 10 or more hours each week to be eligible for coverage under the Plan.

Each member district is billed monthly based upon the number of employees participating in the Plan. For the year ended August 31, 2022, the District contributed $266 per month per employee to the Plan. The total cost to the District for the year ended August 31, 2022 for employee health and life insurance benefits was $86,741.

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

II. Detailed Notes on All Funds and Account Groups (continued):

M. Receivables 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 grants from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2022, are summarized below. Most federal grants shown below are passed through TEA and are reported on the combined basic financial statements as Receivables from Other Governments except some Federal Grants which are received through Region 16 Education Services Center or directly from the Federal Government.

	General Fund	E-Rate Grant Fund	Debt Service Fund	Non-major Governmental Funds	Total
State formula grants	$ 130,734	$ -	$ -	$ -	$ 130,734
Property taxes	1,053	-	145	-	1,198
State/Federal grants	-	35,956	-	32,254	68,210
Total	$ 131,787	$ 35,956	$ 145	$ 32,254	$ 200,142

N. Joint Venture-Shared Service Arrangements

The District participates in a shared services arrangement ("SSA") for Fund 224 "IDEA - Part B, Formula"; Fund 225 "IDEA – Part B, Preschool"; Fund 284 – "IDEA – Part B, Formula ARP"; and Fund 285 "IDEA – Part B, Preschool ARP". The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Borger ISD (188904) nor a net equity interest in the fiscal agent. The District accounts for its share of the revenues and expenditures of the shared service arrangement in these funds. The fiscal agent is responsible for all financial activities of the shared service agreement. The District also contributed $26,948 to the shared services agreements from the General Fund.

O. Revenue from Local and Intermediate Sources

During the year ended August 31, 2022, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total
Property taxes	$ 1,379,754	$ 183,037	$ -	$ 1,562,791
Investment income	9,777	-	16	9,793
Property tax penalty and interest	30,113	1,978	-	32,091
Rent	19,200	-	-	19,200
Food sales	-	-	12,505	12,505
Contributions	-	-	6,510	6,510
Co-curricular student activities	3,144	-	10,564	13,708
Other	3,522	-	-	3,522
Total	$ 1,445,510	$ 185,015	$ 29,595	$ 1,660,120

II. Detailed Notes on All Funds and Account Groups (continued):

P. Litigation and Contingencies

Management is not aware of any litigation pending or in progress against the District as of August 31, 2022.

The District participates in numerous state and federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2022, 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.

Q. 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. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the years ended August 31, 2022, 2021 and 2020 were $5,870, $5,792, and $5,420, respectively.

R. Unemployment Compensation Pool

During the year ended August 31, 2022, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Board's (TASB) Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2022, the Fund anticipates that the 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 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

II. Detailed Notes on All Funds and Account Groups (continued):

S. Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. However, in accordance with GASB 95, the effective date of this Statement is postponed for reporting periods beginning after June 15, 2021.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. However, in accordance with GASB 95, the effective date of this Statement is postponed for reporting periods beginning after December 15, 2020. The requirements of this Statement should be applied prospectively. The adoption of this Statement did not have any significant impact on the District's financial statements.

In June 2018, the GASB issued statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5−22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

II. Detailed Notes on All Funds and Account Groups (continued):

S. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued and Adopted Accounting Pronouncements (continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. However, in accordance with GASB 95, the effective date of this Statement is postponed for reporting periods beginning after December 15, 2020. The requirements of this Statement should be applied prospectively. The adoption of this Statement did not have any significant impact on the District's financial statements.

In January 2020, the GASB issued Statement 92, *Omnibus 2020* (GASB 92). The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

This Statement addresses a variety of topics and includes specific provisions about (1) the effective date of GASB 87, and Implementation Guide No. 2019-3, Leases, for interim financial reports; (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined pension plan or defined benefit other postemployment benefit (OPEB) plan; (3) the applicability of Statements 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits; (4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements; (5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and (8) terminology used to refer to derivative instruments. The requirements for topic (1) of this Statement are effective upon issuance. The requirements for all other topics of this Statement are effective for fiscal years beginning after June 15, 2020. Earlier application is encouraged and is permitted by topic. The adoption of this Statement did not have any significant impact on the District's financial statements.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates* (GASB 93). Some governments have entered into agreements in which the variable payments made or received depend on an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR) As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions relating to reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative

II. Detailed Notes on All Funds and Account Groups (continued):

S. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued and Adopted Accounting Pronouncements (continued)

instrument's variable payment. In addition, in accordance with Statement No. 87*, Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of LIBOR. The requirements for this Statement were effective for reporting periods beginning after June 15, 2020. Early application is encouraged. However, in accordance with GASB 95, the effective date of the parts of this Statement regarding leases is postponed for periods beginning after June 15, 2021 and in the case of using the London Interbank Offered Rate for derivative instrument, after December 15, 2021. The adoption of this Statement did not have any significant impact on the District's financial statements.

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is permitted. The adoption of this Statement did not have any significant impact on the District's financial statements.

In October 2021, the GASB issued Statement 98, *The Annual Comprehensive Financial Report* (GASB 98). This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 31, 2021. Earlier application is encouraged. The adoption of this Statement did not have any significant impact on the District's financial statements.

II. Detailed Notes on All Funds and Account Groups (continued):

S. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations* (GASB 91). The primary objective of this Statement are to provide a single method of reporting conduit debt obligations by debt issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. It clarifies the existing definition of conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving note disclosures. The requirements of this Statement were effective for reporting periods beginning after December 15, 2020. Early application is encouraged. However, in accordance with GASB 95, the effective date of this Statement is postponed for periods beginning after December 15, 2021. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). 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 a 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 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. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA's). That objective is accomplished by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset, and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures of essential information regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all

II. Detailed Notes on All Funds and Account Groups (continued):

S. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements (continued)

reporting periods thereafter. Earlier application is permitted. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In April 2022, the GASB issued Statement 99, *Omnibus 2022* (GASB 99). The primary 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 practice issues addressed by this Statement are (1) classification and reporting of derivative instruments within the scope of GASB 53 that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; (2) classification of provisions in GASB 87, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives; (3) clarification of provisions in GASB 94 related to the determination of the PPP term and recognition and measurement of installment payments and the transfer of the underlying PPP asset; (4) clarification of provisions in GASB 96 related to SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability; (5) extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; (6) accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); (7) disclosures related to nonmonetary transactions; (8) pledges of future revenues when resources are not received by the pledging government; (9) clarification of provisions in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended, related to the focus of the government-wide financial statements; (10) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and (11) terminology used in GASB 53 to refer to resource flows statements.

The requirements of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statements 53 and 63 are effective upon issuance. The requirements of this Statement related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 30, 2022, and all reporting periods thereafter. The requirements of this Statement related to financial guarantees and the classification and reporting of derivative instruments are effective for fiscal years beginning after June 30, 2023, and all reporting periods thereafter. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

II. Detailed Notes on All Funds and Account Groups (continued):

T. Limited Assessed Valuation Agreement

On December 29, 2008, the District entered into a *Limitation on Appraised Value Agreement of Qualified Property for School District Maintenance and Operations Taxes* authorized by the creation of a reinvestment zone as authorized by the Property Redevelopment and Tax Abatement Act with DeWind SWI Wind Farms, LLC. This agreement, which was a thirteen-year agreement, placed a limitation on the ad valorem property valuations assessed against the qualified property. The agreement was for DeWind SWI Wind Farms, LLC to invest capital in the amount of $262,860,500 on a long-term basis for a valuation limitation of $10,000,000.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations ("M&O") for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including DeWind SWI Wind Farms, LLC, 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, the agreement was found to have done so by both the District's Board and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and any applicable amendments and state reporting requirement documentation can be viewed at the Texas Comptroller's website at: https://www.comptroller.texas.gov/economy/loca1/ch313/agreementdocs. The agreement and all supporting documentation was assigned Texas Comptroller Application No.132.

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 in order to ensure relevant job, wage, and operational requirements are being met.

DeWind SWI Wind Farms, LLC notified the District and the Hutchinson County Appraisal District in October, 2017 of its desire to terminate the agreement with the District because the Qualified Property values have dropped below the tax limitation amount; consequently, the agreement was terminated. The property covered under the agreement was subsequent sold to a third party. It should also be noted that as of August 31, 2022, the current property owner remains delinquent on its property taxes for the 2017, 2019, 2020 and 2021 tax levies for a total amount of $218,115, excluding any applicable penalties and interest. The property was subsequently sold at auction and the District received $6,137 in proceeds from the sale. The District is currently pursuing the options available to collect the delinquent taxes, as well as the penalties and interest due. The delinquent taxes shown above are included in the delinquent property taxes receivable balance reported on the District's financial statements as of August 31, 2022.

II. Detailed Notes on All Funds and Account Groups (continued):

U. Subsequent Events

Management has evaluated subsequent events through December 8, 2022, which is the date on which the financial statements were issued. Management is not aware of any subsequent events for the year ended August 31, 2022 that would warrant adjustment to the financial statements or disclosure in the notes to the financial statements, except for the following item:

- In November, the District ordered a 72-passenger bus through the BuyBoard purchasing cooperative. Based upon discussions with the vendor, the bus could be delivered by August 2023; however, supply change delays could move the anticipated delivery date into the future. The expected cost of the purchase is $130,550, which includes a BuyBoard fee of $800.

V. Other Uses – Refund of Taxes

During the year ended August 31, 2022, a taxpayer of the District successfully won a lawsuit over the dispute of property values assessed by the Hutchinson County Appraisal District for the 2017, 2018 and 2019 tax levies. Consequently, the District was required to refund the taxpayer a portion of property taxes paid as a result of the lawsuit. Specifically, the District repaid $16,798 of taxes assessed for maintenance and operations and $6,452 of taxes assessed for interest and sinking to the taxpayer. These repayments were reported as other uses on the statement of revenues, expenditures, and changes in fund balances – governmental funds in the General Fund and the Debt Service Fund, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,377,700	$ 1,413,498	$ 1,445,510	$ 32,012
5800	State Program Revenues	634,862	638,985	740,567	101,582
5020	Total Revenues	2,012,562	2,052,483	2,186,077	133,594
	EXPENDITURES:				
	Current:				
0011	Instruction	1,096,182	1,098,837	1,078,839	19,998
0012	Instructional Resources and Media Services	25,964	26,013	25,698	315
0013	Curriculum and Instructional Staff Development	17,873	27,873	23,781	4,092
0023	School Leadership	104,769	106,338	105,052	1,286
0031	Guidance, Counseling, and Evaluation Services	21,754	19,803	16,376	3,427
0033	Health Services	18,909	23,409	22,862	547
0034	Student (Pupil) Transportation	139,047	131,737	125,234	6,503
0036	Extracurricular Activities	39,236	39,257	36,658	2,599
0041	General Administration	203,299	201,178	197,801	3,377
0051	Facilities Maintenance and Operations	243,625	250,905	249,377	1,528
0052	Security and Monitoring Services	12,587	20,587	20,407	180
0053	Data Processing Services	120,537	120,817	119,424	1,393
0061	Community Services	600	600	76	524
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	5,249	5,249	2,584	2,665
0093	Payments to Fiscal Agent/Member Districts of SSA	26,948	26,948	26,948	-
0099	Other Intergovernmental Charges	33,000	33,150	33,142	8
6030	Total Expenditures	2,109,579	2,132,701	2,084,259	48,442
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(97,017)	(80,218)	101,818	182,036
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	(40,040)	(16,231)	23,809
8949	Other (Uses)	-	(16,798)	(16,798)	-
7080	Total Other Financing Sources (Uses)	-	(56,838)	(33,029)	23,809
1200	Net Change in Fund Balances	(97,017)	(137,056)	68,789	205,845
0100	Fund Balance - September 1 (Beginning)	1,132,478	1,132,478	1,132,478	-
3000	Fund Balance - August 31 (Ending)	$ 1,035,461	$ 995,422	$ 1,201,267	$ 205,845

PRINGLE-MORSE CONSOLIDATED IND. 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, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.00073166%	0.000686108%	0.000854028%
District's Proportionate Share of Net Pension Liability (Asset)	$ 186,328	$ 367,465	$ 443,950
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	502,764	1,099,963	1,045,508
Total	$ 689,092	$ 1,467,428	$ 1,489,458
District's Covered Payroll	$ 1,287,831	$ 1,276,557	$ 1,264,404
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	14.47%	28.79%	35.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

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

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
	0.000903837%	0.000928536%	0.000959603%	0.0010777%	0.0005969%
	$ 497,494	$ 296,896	$ 362,620	$ 380,953	159,440
	1,115,873	694,963	869,569	881,079	736,030
	$ 1,613,367	$ 991,859	$ 1,232,189	$ 1,262,032	$ 895,470
	$ 1,234,607	$ 1,252,259	$ 1,265,189	$ 1,301,936	1,237,143
	40.30%	23.71%	28.66%	29.26%	12.89%
	73.74%	82.17%	78.00%	78.43%	83.25%

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	$ 42,451	$ 31,223	$ 28,346
Contribution in Relation to the Contractually Required Contribution	(42,451)	(31,223)	(28,346)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 1,421,007	$ 1,287,831	$ 1,276,557
Contributions as a Percentage of Covered Payroll	2.99%	2.42%	2.22%

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

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

	2019	2018	2017	2016	2015
	$ 29,892	$ 30,388	$ 29,078	$ 30,489	$ 31,912
	(29,892)	(30,388)	(29,078)	(30,489)	(31,912)
	$ -	$ -	$ -	$ -	$ -
	$ 1,264,404	$ 1,234,607	$ 1,252,259	$ 1,265,189	$ 1,301,936
	2.36%	2.46%	2.32%	2.41%	2.45%

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.001323943%	0.001329877%	0.001389133%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 510,704	$ 505,547	$ 656,938
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	684,229	679,333	872,924
Total	$ 1,194,933	$ 1,184,880	$ 1,529,862
District's Covered Payroll	$ 1,287,831	$ 1,276,557	$ 1,264,404
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	39.66%	39.60%	51.96%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

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

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

FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.001393767%	0.001381609%
$ 695,921	$ 600,810
1,093,416	1,017,146
$ 1,789,337	$ 1,617,956
$ 1,234,607	$ 1,252,259
56.37%	47.98%
1.50%	0.91%

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	$ 12,038	$ 10,380	$ 10,108
Contribution in Relation to the Contractually Required Contribution	(12,038)	(10,380)	(10,108)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 1,421,007	$ 1,287,831	$ 1,276,557
Contributions as a Percentage of Covered Payroll	0.85%	0.81%	0.79%

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

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

	2019		2018
$	9,859	$	9,589
	(9,859)		(9,589)
$	-	$	-
$	1,264,404	$	1,234,607
	0.78%		0.78%

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

Teacher Retirement System of Texas Pension Plan (TRS):

Changes of Assumptions:

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

Changes of Benefit Terms:

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

Texas Public School Retired Employees Group Insurance Program (TRS-Care):

Changes of Assumptions:

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

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

Changes of Benefit Terms:

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

OTHER SUPPLEMENTARY INFORMATION

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1240	Due from Other Governments	3,679	9,289	58	6,170
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ 3,679	$ 9,289	$ 58	$ 6,170
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ -
2160	Accrued Wages Payable	3,312	2,234	52	-
2170	Due to Other Funds	-	6,805	-	6,170
2200	Accrued Expenditures	367	250	6	-
2000	Total Liabilities	3,679	9,289	58	6,170
	FUND BALANCES				
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 3,679	$ 9,289	$ 58	$ 6,170

255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	284 IDEA B Formula ARP Act	285 IDEA B Preschool ARP Act	289 Other Federal Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
475	-	3,268	-	6,080	135	182	2,918
-	-	-	-	-	-	-	-
$ 475	$ -	$ 3,268	$ -	$ 6,080	$ 135	$ 182	$ 2,918
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	5,455	-	-	-
475	-	3,268	-	-	135	182	2,918
-	-	-	-	625	-	-	-
475	-	3,268	-	6,080	135	182	2,918
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 475	$ -	$ 3,268	$ -	$ 6,080	$ 135	$ 182	$ 2,918

EXHIBIT H-1

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		410 Instructional Materials Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ 350	$ 2,787	$ 3,137
1240	Due from Other Governments	-	-	-	32,254
1260	Due from Other Funds	-	-	556	556
1000	Total Assets	$ -	$ 350	$ 3,343	$ 35,947
	LIABILITIES				
2110	Accounts Payable	$ -	$ 350	$ -	$ 350
2160	Accrued Wages Payable	-	-	-	11,053
2170	Due to Other Funds	-	-	-	19,953
2200	Accrued Expenditures	-	-	-	1,248
2000	Total Liabilities	-	350	-	32,604
	FUND BALANCES				
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	3,343	3,343
3000	Total Fund Balances	-	-	3,343	3,343
4000	Total Liabilities and Fund Balances	$ -	$ 350	$ 3,343	$ 35,947

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ 12,505
5800	State Program Revenues	-	-	-	8,393
5900	Federal Program Revenues	19,090	23,926	619	122,615
5020	Total Revenues	19,090	23,926	619	143,513
	EXPENDITURES:				
	Current:				
0011	Instruction	19,090	23,926	619	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	169,807
0036	Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
6030	Total Expenditures	19,090	23,926	619	169,807
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(26,294)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	16,231
1200	Net Change in Fund Balance	-	-	-	(10,063)
0100	Fund Balance - September 1 (Beginning)	-	-	-	10,063
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	284 IDEA B Formula ARP Act	285 IDEA B Preschool ARP Act	289 Other Federal Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
4,323	12,915	38,796	49,803	28,871	5,236	379	24,276
4,323	12,915	38,796	49,803	28,871	5,236	379	24,276
4,323	12,915	35,037	49,803	5,189	5,236	379	12,918
-	-	-	-	23,352	-	-	-
-	-	-	-	-	-	-	7,000
-	-	3,759	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	330	-	-	4,358
4,323	12,915	38,796	49,803	28,871	5,236	379	24,276
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		410 Instructional Materials Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ 17,090	$ 29,595
5800	State Program Revenues	12,063	350	-	20,806
5900	Federal Program Revenues	-	-	-	330,849
5020	Total Revenues	12,063	350	17,090	381,250
	EXPENDITURES:				
	Current:				
0011	Instruction	12,063	350	-	181,848
0031	Guidance, Counseling, and Evaluation Services	-	-	-	23,352
0033	Health Services	-	-	-	7,000
0034	Student (Pupil) Transportation	-	-	-	3,759
0035	Food Services	-	-	-	169,807
0036	Extracurricular Activities	-	-	19,504	19,504
0051	Facilities Maintenance and Operations	-	-	-	4,688
6030	Total Expenditures	12,063	350	19,504	409,958
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(2,414)	(28,708)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	16,231
1200	Net Change in Fund Balance	-	-	(2,414)	(12,477)
0100	Fund Balance - September 1 (Beginning)	-	-	5,757	15,820
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ 3,343	$ 3,343

REQUIRED TEA SCHEDULES

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2022

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2013	and prior years	Various	Various	$ Various
2014		1.040000	0.110000	206,676,342
2015		1.040000	0.100000	182,332,184
2016		1.040000	0.275000	164,987,677
2017		1.040000	0.410000	116,200,978
2018		1.040000	0.390000	109,658,500
2019		1.040000	0.408000	84,794,972
2020		0.970000	0.390000	120,160,119
2021		1.086400	0.160000	122,825,653
2022	(School year under audit)	1.077900	0.142100	129,075,416
1000	TOTALS			

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
$ 17,788	$ -	$ 2,100	$ -	$ (6,781)	$ 8,907
3,194	-	539	57	-	2,598
3,196	-	789	76	-	2,331
3,102	-	708	187	-	2,207
2,530	-	757	299	-	1,474
97,511	-	1,070	401	-	96,040
5,929	-	1,293	507	-	4,129
69,837	-	1,841	705	-	67,291
61,337	-	6,608	973	-	53,756
-	1,574,720	1,364,049	179,832	(3,741)	27,098
$ 264,424	$ 1,574,720	$ 1,379,754	$ 183,037	$ (10,522)	$ 265,831

EXHIBIT J-2

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 10,000	$ 12,450	$ 12,505	$ 55
5800	State Program Revenues	6,100	7,730	8,393	663
5900	Federal Program Revenues	144,672	151,849	122,615	(29,234)
5020	Total Revenues	160,772	172,029	143,513	(28,516)
	EXPENDITURES:				
	Current:				
0035	Food Services	160,772	172,029	169,807	2,222
6030	Total Expenditures	160,772	172,029	169,807	2,222
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(26,294)	(26,294)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	40,040	16,231	(23,809)
1200	Net Change in Fund Balances	-	40,040	(10,063)	(50,103)
0100	Fund Balance - September 1 (Beginning)	10,063	10,063	10,063	-
3000	Fund Balance - August 31 (Ending)	$ 10,063	$ 50,103	$ -	$ (50,103)

EXHIBIT J-3

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 199,508	$ 199,508	$ 185,015	$ (14,493)
5800	State Program Revenues	-	-	811	811
5020	Total Revenues	199,508	199,508	185,826	(13,682)
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	193,000	193,000	193,000	-
0072	Interest on Long-Term Liabilities	6,508	6,508	6,508	-
6030	Total Expenditures	199,508	199,508	199,508	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(13,682)	(13,682)
	OTHER FINANCING SOURCES (USES):				
8949	Other (Uses)	-	(6,452)	(6,452)	-
1200	Net Change in Fund Balances	-	(6,452)	(20,134)	(13,682)
0100	Fund Balance - September 1 (Beginning)	31,470	31,470	31,470	-
3000	Fund Balance - August 31 (Ending)	$ 31,470	$ 25,018	$ 11,336	$ (13,682)

PRINGLE-MORSE CONSOLIDATED IND. SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	135,135
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	204,442

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	21,382
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	8,959

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

BROWN, GRAHAM & COMPANY, P.C.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pringle-Morse Consolidated Independent School District
Morse, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pringle-Morse Consolidated Independent School District (the "District") as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2022.

<u>Internal Control Over Financial Reporting</u>

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain matters that we have reported to management of the District in a separate letter dated December 8, 2022.

Brown, Graham & Company, P.C.

Amarillo, Texas
December 8, 2022

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. Summary of the Auditor's Results:

a. The type of report issued on the financial statements of the Pringle-Morse Consolidated Independent School District was an unmodified opinion.

b. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.

c. No noncompliance which is material to the financial statements of the auditee was disclosed.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

The audit disclosed no findings required to be reported.

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

There were no control deficiencies, significant deficiencies, material weaknesses or findings in the prior year; therefore, there is nothing to report on this schedule.

PRINGLE-MORSE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

There were no control deficiencies, significant deficiencies, material weaknesses, or findings in the current year; therefore, no corrective action plan is required.