

MULESHOE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

MULESHOE INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

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MULESHOE INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Muleshoe Independent School District
Name of School District

Bailey
County

009-901
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended June 30, 2023, at a meeting of the Board of Trustees of such school district on the 23rd day of October, 2023.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Muleshoe Independent School District
Muleshoe, Texas

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Muleshoe Independent School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Muleshoe Independent School District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

GAAP require that the management's discussion and analysis on pages 4-9, budgetary comparison information on page 44, and pension and other post-retirement benefit obligation (OPEB) related information on pages 45-49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the required Texas Education Agency (TEA) schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

October 12, 2023

MULESHOE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Muleshoe Independent School District (the District) provides an overview of the District's financial performance for the year ended June 30, 2023. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$1,607,217. The District's statement of activities shows total revenues of \$21,617,053, and total expenses of \$20,009,836.
- The District made principal payments on bonds of \$940,000 during the year ended June 30, 2023. Bonds payable at June 30, 2023 total \$11,550,000. This compares to a balance of \$12,490,000 in 2022.
- Total government-wide expenses were \$20,009,836 for the year ended June 30, 2023. This compares with expenses of \$19,251,673 for the year ended June 30, 2022. The District's total revenues on the Statement of Activities decreased from \$22,033,365 in 2021-22 to \$21,617,053 in 2022-23.
- Total general fund expenditures were \$21,836,398 for the year ended June 30, 2023. This compares with general fund expenditures of \$16,390,960 for the year ended June 30, 2022. This net increase is due to some expenditures being recognized in ESSER grants during 21-22.
- The District's total revenues on the fund financial statements decreased from \$23,151,015 in 2021-22 to \$22,308,569 in 2022-23.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

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

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

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

The combining statements for non-major funds contain information about the District's individual non-major funds. The sections labeled Required TEA Schedules and Federal Financial Assistance Section 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

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities 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 statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or 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 them. The District's net position (the difference between assets and liabilities) 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, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined in the GASB Statement No. 34.

Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular 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 from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes.

The District's two fund types – governmental and fiduciary – use different accounting approaches.

- Governmental funds – Most of the District's basic services are included in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.
- Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's net position increased during the year ended June 30, 2023, by \$1,607,217 (see Table II). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased \$4,016,630 from \$5,884,119 in 2022 to \$1,867,489 in 2023. This is due to a large construction project being funded out of the general fund.

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

Statement of Net Position

Table I
Mulshoe Independent School District
Net Position
June 30, 2023 and 2022

	June 30,	
	2023	2022
Cash and Investments	\$ 10,862,787	\$ 14,373,223
Other Current Assets	2,677,485	2,709,075
Capital Assets, Net of Accumulated Depreciation	30,740,100	26,335,259
Total Assets	\$ 44,280,372	\$ 43,417,557
Deferred Outflows of Resources	\$ 5,403,734	\$ 2,496,458
Current Liabilities and Unearned Revenues	\$ 1,527,896	\$ 1,226,419
Long-Term Liabilities	21,867,175	20,057,784
Total Liabilities	\$ 23,395,071	\$ 21,284,203
Deferred Inflows of Resources	\$ 6,127,344	\$ 6,075,338
Net Position		
Net Investment in Capital Assets	\$ 17,563,253	\$ 12,082,867
Restricted for Debt Service	395,258	357,385
Restricted for Other Purposes	335,691	230,103
Unrestricted Net Position (Deficit)	1,867,489	5,884,119
Total Net Position	\$ 20,161,691	\$ 18,554,474

Changes in Net Position

Table II
Muleshoe Independent School District
Changes in Net Position
For the Years Ended June, 2023 and 2022

	June 30,	
	2023	2022
Revenues:		
Program Revenues:		
Charges For Services	\$ 104,442	\$ 95,305
Operating Grants and Contributions	4,803,688	5,585,866
General Revenues:		
Maintenance and Operations Taxes	3,494,479	3,342,438
Debt Service Taxes	740,084	621,201
State Aid - Formula Grants	11,927,466	12,003,030
Investment Earnings	488,531	49,947
Miscellaneous	58,363	335,578
Total Revenues	<u>\$ 21,617,053</u>	<u>\$ 22,033,365</u>
Expenses:		
Instruction	\$ 10,654,685	\$ 10,332,645
Instructional Resources and Media Services	119,841	120,934
Curriculum and Instructional Staff Development	372,768	402,330
Instructional Leadership	336,212	335,789
School Leadership	1,123,192	944,430
Guidance, Counseling, and Evaluation Services	554,541	600,245
Social Work Services	42,168	57,974
Health Services	242,590	207,358
Student Transportation	412,861	373,067
Food Services	1,289,731	1,244,902
Co-curricular / Extracurricular Activities	867,147	894,019
General Administration	743,003	706,235
Plant Maintenance and Data Processing	2,556,946	2,371,971
Security and Monitoring Services	116,130	114,784
Data Processing Services	173,744	101,258
Community Services	5,821	6,980
Debt Service and Bond Issuance Costs and Fees	288,449	330,927
Payments to SSA	3,500	4,648
Payments to JJAEP	4,307	6,529
Other Intergovernmental Charges	102,200	94,648
Total Expenses	<u>\$ 20,009,836</u>	<u>\$ 19,251,673</u>
Change in Net Position	<u>\$ 1,607,217</u>	<u>\$ 2,781,692</u>

The District's total revenues decreased from fiscal year 2022 to fiscal year 2023 by \$416,312. The total expenses of the District increased by \$758,163.

Other factors impacting the District's financial position include the following:

- The District's appraised valuation of taxable property increased from \$321,373,262 to \$340,973,357, an increase of 6.1%. This increase is attributable largely to property reappraisals including mineral rights. The total school property taxes assessed for school year 2023 were \$4,195,677. This is an increase of \$216,112 from the \$3,979,565 assessed in 2022.

Total tax collections for 2023 were \$4,061,976 (96.8% of the current year levy). The tax collections for 2022 were \$3,941,070 (99.0% of that year's levy).

Fund Balances

The District's total Governmental Funds fund balance is \$11,373,317. This fund balance is reported in the various Governmental funds as follows:

General Fund: \$11,081,353 – Of this balance, \$335,691 is restricted for the Cafeteria Fund. In addition, \$4,487,054 is assigned for future construction and equipment purchases and other expenditures. The remainder of the balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses. The balance in the General Fund in 2022 was \$15,046,806.

Debt Service Fund: \$267,246 – This balance is restricted for extinguishing of long-term debt. The fund balance restricted for debt service in 2022 was \$245,486.

Other Special Revenue Funds: \$24,718 – The District has a fund balance in the Campus Activity Funds which are restricted for use in these funds. The fund balance in 2022 was \$25,389.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District has \$30,740,100 of capital assets, net of accumulated depreciation. Financial statement Footnote No. 6 discloses the capital asset activity of the District for the year ended June 30, 2023.

Debt

At June 30, 2023, the District's long-term debt included \$11,550,000 in bonds payable. The funding for the payment of these bonds come from operating revenues. Interest and Sinking property taxes along with some state allotment funds will assist in making bond payments. Financial statement Footnote No. 9 discloses the debt activity of the District for the year ended June 30, 2023.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has budgeted \$18,445,413 in general fund revenue for the 2023-2024 fiscal year. This is an increase of \$232,456 from the \$18,212,957 actual general fund revenue for the 2022-2023 fiscal year. The primary factor for the increase in revenue is an anticipated increase in state revenue from the 2022-2023 fiscal year.

For the 2023-2024 fiscal year, the District has approved the maintenance and operations tax rate of \$0.8263 and interest and sinking tax rate of \$0.2650 for a total of \$1.0913.

The District has also budgeted \$22,095,413 in general fund expenditures for the 2023-2024 fiscal year. This is an increase of \$259,015 from the \$21,836,398 actual general fund expenditures for the 2022-2023 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Muleshoe Independent School District, 514 W. Avenue G, Muleshoe, Texas 79347.

BASIC FINANCIAL STATEMENTS

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
JUNE 30, 2023

<u>Data Control Codes</u>		<u>Primary Government</u>
		<u>Governmental Activities</u>
	ASSETS AND OTHER DEBITS:	
1110	Cash and Temporary Investments	\$ 10,862,787
1220	Property Taxes - Delinquent	792,674
1230	Allowance for Uncollectible Taxes	(12,159)
1240	Due from Other Governments	1,837,631
1290	Other Receivables	59,339
	Capital Assets:	
1510	Land	50,000
1520	Buildings, Net	23,375,262
1530	Vehicles and Equipment, Net	2,060,950
1580	Construction Work in Progress	5,253,888
1000	Total Assets	\$ 44,280,372
	DEFERRED OUTFLOWS OF RESOURCES:	
1705	Deferred Outflows Related to Pension Liability	\$ 3,220,140
1706	Deferred Outflows Related to OPEB Liability	2,183,594
1700	Total Deferred Outflows of Resources	\$ 5,403,734
	LIABILITIES:	
2110	Accounts Payable	\$ 437,437
2140	Accrued Interest Payable	141,456
2150	Payroll Deductions and Withholdings	210,004
2160	Accrued Wages Payable	689,193
2180	Due to Other Governments	995
2300	Unearned Revenues	48,811
2501	Due Within One Year	700,000
2502	Due in More Than One Year	10,850,000
2516	Unamortized Bond Premium	1,137,626
2540	Net Pension Liability	5,949,820
2545	Net OPEB Liability	3,229,729
2000	Total Liabilities	\$ 23,395,071
	DEFERRED INFLOWS OF RESOURCES:	
2601	Deferred Inflows Related to Refunding Debt	\$ 347,765
2605	Deferred Inflows Related to Pension Liability	631,614
2606	Deferred Inflows Related to OPEB Liability	5,147,965
2600	Total Deferred Inflows of Resources	\$ 6,127,344
	NET POSITION:	
3200	Net Investment in Capital Assets	\$ 17,563,253
3850	Restricted for Debt Service	395,258
3890	Restricted for Other Purposes	335,691
3900	Unrestricted Net Position	1,867,489
3000	Total Net Position	\$ 20,161,691

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
11	Instruction	\$ 10,654,685	\$ 12,394	\$ 1,758,595	\$ (8,883,696)
12	Instructional Resources and Media Services	119,841		23,467	(96,374)
13	Curriculum and Staff Development	372,768		174,086	(198,682)
21	Instructional Leadership	336,212		58,882	(277,330)
23	School Leadership	1,123,192		81,482	(1,041,710)
31	Guidance, Counseling, and Evaluation Services	554,541		84,964	(469,577)
32	Social Work Services	42,168		38,134	(4,034)
33	Health Services	242,590		312,656	70,066
34	Student Transportation	412,861		12,403	(400,458)
35	Food Services	1,289,731	47,734	1,290,214	48,217
36	Extracurricular Activities	867,147	42,014	314	(824,819)
41	General Administration	743,003			(743,003)
51	Plant Maintenance and Operations	2,556,946	2,300	649,797	(1,904,849)
52	Security and Monitoring Services	116,130		157	(115,973)
53	Data Processing Services	173,744		3,621	(170,123)
61	Community Services	5,821		999	(4,822)
72	Debt Service - Interest	288,449		313,917	25,468
73	Bond Issuance Costs and Fees	3,500			(3,500)
95	Payments to JJAEP	4,307			(4,307)
99	Other Intergovernmental Charges	102,200			(102,200)
TP	Total Primary Government	\$ 20,009,836	\$ 104,442	\$ 4,803,688	\$ (15,101,706)

Data Control Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 3,494,479
DT	Property Taxes, Levied for Debt Service	740,084
SF	State Aid - Formula Grants	11,927,466
IE	Investment Earnings	488,531
MI	Miscellaneous Local and Intermediate Revenue	64,770
S1	Special Item	(6,407)
TR	Total General Revenues, Special Items, and Transfers	\$ 16,708,923
CN	Change in Net Position	\$ 1,607,217
NB	Net Position - Beginning	18,554,474
NE	Net Position - Ending	\$ 20,161,691

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes	Major Fund		98 Total Governmental Funds	
	10 General Fund	Other Governmental Funds		
ASSETS AND OTHER DEBITS:				
1110	Cash and Temporary Investments	\$ 10,523,436	\$ 339,351	\$ 10,862,787
1220	Property Taxes - Delinquent	663,173	129,501	792,674
1230	Allowance for Uncollectible Taxes	(10,670)	(1,489)	(12,159)
1240	Due from Other Governments	1,304,877	532,754	1,837,631
1260	Due from Other Funds	715,544		715,544
1290	Other Receivables	49,455	9,884	59,339
1000	Total Assets	\$ 13,245,815	\$ 1,010,001	\$ 14,255,816
LIABILITIES:				
2110	Accounts Payable	\$ 437,437		\$ 437,437
2150	Payroll Deductions and Withholdings Payable	210,004		210,004
2160	Accrued Wages Payable	689,193		689,193
2170	Due to Other Funds	175,325	540,219	715,544
2180	Due to Other Governments		995	995
2300	Unearned Revenues		48,811	48,811
2000	Total Liabilities	\$ 1,511,959	\$ 590,025	\$ 2,101,984
DEFERRED INFLOWS OF RESOURCES:				
2601	Unavailable Revenue - Property Taxes	\$ 652,503	\$ 128,012	\$ 780,515
2600	Total Deferred Inflows	\$ 652,503	\$ 128,012	\$ 780,515
FUND BALANCES:				
Restricted:				
3450	Federal or State Funds Grant Restriction	\$ 335,691		\$ 335,691
3480	Retirement of Long-Term Debt		267,246	267,246
Assigned:				
3510	Construction	4,487,054		4,487,054
3590	Campus Activity Funds		24,718	24,718
3600	Unassigned	6,258,608		6,258,608
3000	Total Fund Balances	\$ 11,081,353	\$ 291,964	\$ 11,373,317
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 13,245,815	\$ 1,010,001	\$ 14,255,816

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2023

Data
Control
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 11,373,317
1	General capital assets are not financial resources and are not reported in the funds. This amount is the cost, net of accumulated depreciation, of the District's general capital assets.	30,740,100
2	Long-term liabilities (e.g., bonds, capital leases, loans payable, etc.), including premiums and discounts on related debt and gains and losses on debt refunding, do not require current financial resources and are not reported in the funds.	(13,035,391)
3	Interest on debt is recognized when due in the governmental funds but is accrued as incurred in the Statement of Activities. This amount recognizes accrued interest at year end, including interest accrued and added to the principal of the capital appreciation bonds	(141,456)
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB No. 68, a deferred resource inflow, and a deferred resource outflow. This amounted to a decrease in net position.	(3,361,294)
5	Included in the items related to debt is the recognition of the District's proportionate share of the net post employment obligation liabilities required by GASB No. 75, a deferred resource inflow, and a deferred resource outflow. This amounted to a decrease in net position.	(6,194,100)
6	Property taxes levied, but not available, are not revenues in the governmental funds, but are accrued when earned (net of estimated uncollectibles) in the Statement of Activities. This amount eliminates the deferred property tax liability reported in the governmental funds.	<u>780,515</u>
19	Total Net Position of Governmental Activities (Exhibit A-1)	<u>\$ 20,161,691</u>

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	Major Fund		98 Total Governmental Funds
	10 General Fund	Other Governmental Funds	
Revenues:			
5700 Local and Intermediate Sources	\$ 4,059,246	\$ 748,862	\$ 4,808,108
5800 State Program Revenues	12,623,215	457,377	13,080,592
5900 Federal Program Revenues	1,530,496	2,889,373	4,419,869
5020 Total Revenues	\$ 18,212,957	\$ 4,095,612	\$ 22,308,569
Expenditures:			
0011 Instruction	\$ 8,937,940	\$ 1,723,116	\$ 10,661,056
0012 Instructional Resources and Media Services	92,286	24,000	116,286
0013 Curriculum and Staff Development	173,739	197,389	371,128
0021 Instructional Leadership	269,799	63,288	333,087
0023 School Leadership	1,035,723	82,851	1,118,574
0031 Guidance, Counseling, and Evaluation Services	468,132	85,941	554,073
0032 Social Work Services		44,365	44,365
0033 Health Services	191,845	49,387	241,232
0034 Student Transportation	495,390	5,096	500,486
0035 Food Services	1,508,896	18,855	1,527,751
0036 Extracurricular Activities	831,249	9,801	841,050
0041 General Administration	719,327	9,109	728,436
0051 Facilities Maintenance and Operations	1,867,593	728,436	2,596,029
0052 Security and Monitoring Services	113,865		113,865
0053 Data Processing Services	168,493		168,493
0061 Community Services	4,510	1,000	5,510
0071 Debt Service - Principal		940,000	940,000
0072 Debt Service - Interest		423,994	423,994
0073 Debt Service - Bond Issuance Cost and Fees		3,500	3,500
0081 Facilities Acquisition and Construction	4,851,104		4,851,104
0095 Payments to JJAEP	4,307		4,307
0099 Other Intergovernmental Charges	102,200		102,200
6030 Total Expenditures	\$ 21,836,398	\$ 4,410,128	\$ 26,246,526
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (3,623,441)	\$ (314,516)	\$ (3,937,957)
Other Financing Sources (Uses):			
7915 Transfers In	\$	\$ 335,605	\$ 335,605
8911 Transfers Out	(335,605)		(335,605)
8912 Special Item	(6,407)		(6,407)
7080 Total Other Financing Sources	\$ (342,012)	\$ 335,605	\$ (6,407)
1200 Net Change in Fund Balance	\$ (3,965,453)	\$ 21,089	\$ (3,944,364)
0100 September 1 - Fund Balance	15,046,806	270,875	15,317,681
3000 August 31 - Fund Balance	\$ 11,081,353	\$ 291,964	\$ 11,373,317

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3)	\$ (3,944,364)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	4,404,841
Bond premiums are recognized as other financing resources in the fund financial statements. In the government-wide financial statements these are deferred and amortized over the life of the bond. Bond premiums and gain on refunding were amortized in the amount of \$91,427 and \$27,455, respectively. The net effect of including these amounts is to increase net position.	118,882
Repayment of the bonds and other long-term debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This amount of repayments is an increase to net position.	940,000
Accrued interest payable at year end is not recorded on the fund financials. However, this is recorded as a liability and expense on the government-wide financial statements. The effect of including this accrued interest is to decrease net position.	16,663
GASB No. 68 and No. 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2022 are recognized as deferred outflows. The District's share of the unrecognized deferred inflows and outflows as of the measurement date had to be amortized. The impact of these transactions is to decrease the change in net position.	(13,003)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred property tax revenue changed between the current year and the prior year.	<u>84,198</u>
Change in Net Position of Governmental Activities (Exhibit B-1).	<u>\$ 1,607,217</u>

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2023

	<u>Custodial Funds</u>
ASSETS:	
Cash and Temporary Investments	\$ <u>84,134</u>
Total Assets	\$ <u>84,134</u>
 NET POSITION:	
Restricted for Other Purposes	\$ <u><u>84,134</u></u>

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUND
JUNE 30, 2023

	<u>Custodial Funds</u>
ADDITIONS:	
Other Revenues	\$ <u>151,184</u>
Total Additions	\$ <u>151,184</u>
DEDUCTIONS:	
Student Activities	\$ <u>165,094</u>
Total Deductions	\$ <u>165,094</u>
Change in Net Position	\$ (13,910)
Net Position - September 1 (Beginning)	<u>98,044</u>
Net Position - August 31 (Ending)	\$ <u><u>84,134</u></u>

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Muleshoe Independent School District (the District) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The District also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

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

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

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business-type activities.

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance and as other resources and other uses on the Governmental Fund 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.

FUND FINANCIAL STATEMENTS

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after June 30, 2023. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available.

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

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

The fiduciary fund financial statements were reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and undesignated fund balances are considered resources available for current operations. The food service fund is included as a separate component of the general fund and has its own budget.

Additionally, the government reports the following governmental fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Any unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds.

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

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MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

FIDUCIARY FUND TYPES

Custodial Funds – These custodial funds are used to account for activities of student groups. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of School Trustees.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

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

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

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Vacation time is to be taken within the same year it is earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued for unused vacation. Sick leave is allowed to be accumulated but does not vest. Therefore, no liability has been accrued for unused sick leave.

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

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

D. BUDGETARY DATA

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at June 30, 2023.

F. FUND BALANCES

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

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

Assigned – Amounts that intends to be used for specific purposes. Amounts can be assigned by the board of trustees or by an official to which the board of trustees delegates the authority.

Unassigned – Amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – This component of net position represents the difference between capital assets less accumulated depreciation and the outstanding balance of debt associated with capital assets, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service – This component of net position represents the balance of unspent resources acquired for the sole purpose of maintaining debt service and consists of assets with constraints placed on their use by creditors.

Restricted for Other Purposes – This component of net position represents the amounts restricted by other outside parties.

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

H. PENSIONS

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

I. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

J. MANAGEMENT'S USE OF ESTIMATES

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (the Act) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

Policies Governing Deposits and Investments

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At June 30, 2023, all of the District’s investments are in certificates of deposit with its depository bank, and are completely covered by pledged securities as described in the preceding paragraph.
- c. Credit Risk – The risk that an issuer of the other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At June 30, 2023, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

The carrying amount of the District’s cash and temporary investments at June 30, 2023, approximates fair value and consisted of the following shown below:

	Amount	Percent	Maturity in Less than 1 Year	Credit Rating
Cash in Bank	\$ 1,465,094	13.4%	\$ 1,465,094	N/A
Money Market Cash	10,020	0.1%	10,020	N/A
Lone Star Investment Pool	<u>9,471,807</u>	<u>86.5%</u>	<u>9,471,807</u>	AAAm
	<u>\$ 10,946,921</u>	<u>100.0%</u>	<u>\$ 10,946,921</u>	
Cash Balances				
Statement of Net Position	\$ 10,862,787			
Statement of Fiduciary Net Position	<u>84,134</u>			
	<u>\$ 10,946,921</u>			

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

3. PROPERTY TAXES

Property taxes are levied by October 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 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

4. DUE FROM OTHER GOVERNMENTS

The amount due from other governments consisted of \$1,304,877 accrued 2022-23 Foundation funds due from the state and \$532,754 due to various special revenue fund programs for unreimbursed grant expenditures.

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2023, consisted of the following fund receivables and payables:

	General Fund	Special Revenue Funds	Total
Due from Other Funds	\$ 715,544	\$	\$ 715,544
Due to Other Funds	\$ 175,325	\$ 540,219	\$ 715,544

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>7/1/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2023</u>
Capital Assets:				
Land	\$ 50,000	\$	\$	\$ 50,000
Building	37,203,181	48,100		37,251,281
Equipment/Vehicles	5,319,471	631,833		5,951,304
Construction Work in Progress	402,784	4,851,104		5,253,888
	<u>\$ 42,975,436</u>	<u>\$ 5,531,037</u>	<u>\$ 0</u>	<u>\$ 48,506,473</u>
Accumulated Depreciation:				
Buildings	\$ 12,908,929	\$ 967,090	\$	\$ 13,876,019
Equipment/Vehicles	3,731,248	159,106		3,890,354
	<u>\$ 16,640,177</u>	<u>\$ 1,126,196</u>	<u>\$ 0</u>	<u>\$ 17,766,373</u>
Total Net Value of Capital Assets	<u>\$ 26,335,259</u>	<u>\$ 4,404,841</u>	<u>\$ 0</u>	<u>\$ 30,740,100</u>

Depreciation Expense were allocated by function as follows:

	<u>Depreciation</u>
Instruction	\$ 602,691
Instruction Resources and Media Services	6,574
Curriculum and Instructional Staff Development	20,981
Instructional Leadership	18,830
School Leadership	63,235
Guidance, Counseling, and Evaluation Services	31,323
Social Work Services	2,508
Health Services	13,637
Student Transportation	28,293
Food Services	86,367
Extracurricular Activities	47,546
General Administration	41,180
Plant Maintenance and Operations	146,758
Security and Monitoring Services	6,437
Data Processing Services	9,525
Community Services	311
	<u>\$ 1,126,196</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Buildings and Improvements	10 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	5 - 10 years

7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

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

	Deferred Outflows	Deferred Inflows
Pension Related (See Note 12)	\$ 3,220,140	\$ 631,614
OPEB Related (See Note 13)	2,183,594	5,147,965
Unamortized Gain on Refunding		347,765
Deferred Outflows/Inflows	<u>\$ 5,403,734</u>	<u>\$ 6,127,344</u>

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

	General Fund	Debt Service Fund	Total
Property Taxes - Delinquent	\$ 663,173	\$ 129,501	\$ 792,674
Less: Allowance for Uncollectible Taxes	<u>10,670</u>	<u>1,489</u>	<u>12,159</u>
Total Unavailable Tax Revenues (Exhibit C-1)	<u>\$ 652,503</u>	<u>\$ 128,012</u>	<u>\$ 780,515</u>

8. UNEARNED REVENUE

Unearned revenue consists of the following an overpayment of state revenue in the debt service fund related to the Existing Debt Allotment of \$48,811.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

Description	Interest Rates	Year of Maturity	Amounts Originally Issued	Amounts Outstanding 6/30/2023	Due within 1 Year
2008 Building Bonds	3.50-4.12%	2023	\$ 3,000,000	\$ 0	\$ 0
2020 Refunding Bonds	2.00-5.00%	2036	14,630,000	11,550,000	700,000
Total Unlimited Tax Bonds				\$ 11,550,000	\$ 700,000

General Obligation Bonds

A summary of general obligation bonds outstanding as of June 30, 2023 is as follows:

Description	Amounts Outstanding 7/1/2022	Additions	Reductions	Amounts Outstanding 6/30/2023
2008 Building Bonds	\$ 265,000	\$	\$ 265,000	\$ 0
2020 Refunding Bonds	12,225,000		675,000	11,550,000
Total Long-Term Liabilities	\$ 12,490,000	\$ 0	\$ 940,000	\$ 11,550,000
Bond Premiums	\$ 1,229,053	\$ 0	\$ 91,427	\$ 1,137,626

Interest expenditures for bonded debt for the year ended June 30, 2023, totaled \$423,994. Accrued interest payable at year end amounted to approximately \$141,456 and is shown as a payable on the Statement of Net Position.

Scheduled debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 700,000	\$ 379,312	\$ 1,079,312
2025	720,000	362,687	1,082,687
2026	745,000	347,387	1,092,387
2027	780,000	310,138	1,090,138
2028	820,000	271,138	1,091,138
2029-2033	4,680,000	765,087	5,445,087
2034-2036	3,105,000	152,712	3,257,712
	\$ 11,550,000	\$ 2,588,461	\$ 14,138,461

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Special Revenue Funds	Total
Property Taxes, Penalties, Interest, and Other Tax-Related Income	\$ 3,426,394	\$ 723,971	\$	\$ 4,150,365
Food Sales	47,734			47,734
Interest Income	472,770	15,761		488,531
Co-Curricular Student Activities	32,884		9,130	42,014
Rent	2,300			2,300
Gifts and Contributions	12,394			12,394
Insurance Proceeds	18,949			18,949
Other	45,821			45,821
	<u>\$ 4,059,246</u>	<u>\$ 739,732</u>	<u>\$ 9,130</u>	<u>\$ 4,808,108</u>

11. GENERAL FUND FEDERAL SOURCE REVENUES

Federal revenues recognized in the General Fund consist of \$263,325 in reimbursements for School Health and Related Services (SHARS) and \$1,267,171 in federal revenue related to the Child Nutrition Program reported in the General Fund.

12. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Pension Plan Fiduciary Net Position

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

The information provided in the Notes to the Financial Statements in the 2022 and 2021 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2022 and 2021:

<u>Net Pension Liability</u>	<u>2022</u>	<u>2021</u>
Total Pension Liability	\$ 243,553,045,455	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	<u>(184,185,617,196)</u>	<u>(201,807,002,496)</u>
Net Pension Liability	<u>\$ 59,367,428,259</u>	<u>\$ 25,466,461,134</u>
 Net Position as Percentage of Total Pension Liability	 75.62%	 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with five years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with five years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code, Title 8, Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provided gradual contribution increases from the State, participating employers, and active employees for the fiscal years 2019 through 2024.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Contributions

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

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

The following table shows contribution rates by type of contributor for the fiscal years 2022 and 2023, and the contributions by type reported by TRS which were received by TRS during the measurement year (TRS FY 2022). These are included in the calculation of the District's proportionate share of the net pension liability.

	Contribution Rates	
	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
TRS FY 2022 Employer Contributions	\$	466,454
TRS FY 2022 Member Contributions		858,177
TRS FY 2022 NECE On-Behalf Contributions		509,047

The actual contributions during the District's 2023 fiscal year were \$421,979 by the employer and \$807,595 by employees.

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025. The surcharge for fiscal year 2023 is 1.8%.
- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

Roll Forward – The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has the sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four-year period ending August 31, 2021 and were adopted in July 2022.

The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP. The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-Term Expected Rate	7.00%
Municipal Bond Rate at August 2022	3.91%*
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None

* - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

Discount Rate

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation % (b)	Long-Term Expected Arithmetic Real Rate of Return (c)	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity (a)	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return (a)		3.70%	
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources, and Infrastructure	6.00%	5.10%	0.37%
Commodities		3.60%	
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage Cash			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag (d)			-0.91%
Total	100.00%		8.21%

(a) - Absolute Return includes Credit Sensitive Investments

(b) - Target allocations are based on the FY 2022 policy model

(c) - Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

(d) - The volatility drag results from the conversion between arithmetic and geometric mean returns

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's Proportionate Share of the Net Pension Liability	\$ 9,255,664	\$ 5,949,820	\$ 3,270,278

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Pension Liabilities and Pension Expense

At June 30, 2023, the District reported a liability of \$5,949,820 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	\$	5,949,820
State's Proportionate Share that is Associated with the District		<u>6,476,401</u>
Total	\$	<u><u>12,426,221</u></u>

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

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.0100220% which was an increase of 0.0024542% from its proportion measured as of August 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$619,070 and revenue of \$509,047 for support provided by the State in the Government Wide Statement of Activities.

Changes since the Prior Actuarial Valuation

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

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

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

At June 30, 2023, 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	\$ 86,272	\$ 129,717
Changes in Actuarial Assumptions	1,108,645	276,305
Difference Between Projected and Actual Investment Earnings	587,823	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	1,086,069	225,592
Contributions Paid to TRS Subsequent to the Measurement Date	<u>351,331</u>	
Total	\$ <u><u>3,220,140</u></u>	\$ <u><u>631,614</u></u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	Pension Expense Amount
2024	\$ 522,609
2025	352,166
2026	228,864
2027	896,437
2028	237,119
Thereafter	-

13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

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

OPEB Plan Fiduciary Net Position

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 <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2022 and 2021 are as follows:

<u>Net OPEB Liability</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability	\$ 27,061,942,520	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	<u>(3,117,937,218)</u>	<u>(2,539,242,470)</u>
Net OPEB Liability	<u>\$ 23,944,005,302</u>	<u>\$ 38,574,468,613</u>
 Net Position as Percentage of Total OPEB Liability	 11.52%	 6.18%

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Benefits Provided

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

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

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$300,000,000 as of August 31, 2022.

The premium rates for retirees are presented below:

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

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and 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 or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The following table shows contributions to the TRS-Care plan by type of contributor which were reported for the District by TRS for the measurement year. These were included in the calculation of the District’s proportionate share of the net TRS-Care liability.

	Contribution Rates	
	2022	2023
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
TRS FY 2022 Employer Contributions	\$	110,605
TRS FY 2022 Member Contributions		69,728
TRS FY 2022 NECE On-Behalf Contributions		135,144

The actual contributions during the District’s 2023 fiscal year were \$98,983 by the employer and \$65,618 by employees.

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

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

Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Additional Actuarial Methods and Assumptions:

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

The election rates for normal retirement were 62% participation rate prior to age 65 and 25% participation rate after age 65. For pre-65 retirees were 30% of pre-65 retirees were assumed to discontinue coverage at age 65.

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

Discount Rate

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% point lower and 1% point higher than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's Proportionate Share of the Net OPEB Liability	\$ 3,808,107	\$ 3,229,729	\$ 2,761,169

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 2,661,311	\$ 3,229,729	\$ 3,966,610

OPEB Liabilities and OPEB Expense

At June 30, 2023, the District reported a liability of \$3,229,729 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	\$ 3,229,729
State's Proportionate Share that is Associated with the District	<u>3,939,762</u>
Total	<u>\$ 7,169,491</u>

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

At August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.0134887% which is an increase of 0.0020524% from its proportion measured as of August 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$559,084 and revenue of \$135,144 for support provided by the State.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Changes Since the Prior Actuarial Valuation

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

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

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

At June 30, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 179,562	\$ 2,690,654
Changes in Actuarial Assumptions	491,952	2,243,824
Difference Between Projected and Actual Investment Earnings	9,620	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	1,420,143	213,487
Contributions Paid to TRS Subsequent to the Measurement Date	82,317	
Total	<u>\$ 2,183,594</u>	<u>\$ 5,147,965</u>

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

	OPEB Expense Amount
2024	\$ (644,327)
2025	(644,294)
2026	(507,331)
2027	(321,907)
2028	(394,857)
Thereafter	(533,972)

14. RISK MANAGEMENT

The District's risk management program includes coverage, though various third-party insurance providers, to protect the District against losses related to torts, errors and omissions, theft and damage or destruction of property, employee health, and natural disasters. For the year ended June 30, 2023, there were no significant reductions in insurance coverage from the previous year.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

15. HEALTH CARE COVERAGE

During the year ended June 30, 2023, employees of the District were covered by a health insurance plan through TRS – Active Care Program administered by the Teacher Retirement System. The District contributed \$225 of the employee-only premium per month and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Payments made on behalf of the District by the state for Medicare, Part D fringe benefits and salaries amounted to \$51,164 and \$33,736 for the years ended June 30, 2023 and 2022, respectively.

16. CHAPTER 313 AGREEMENTS

In December 2021, the Texas Comptroller Office certified the limitation on appraised value of property for M&O taxes between the District and Willing Solar Energy, LLC. The agreement is for Willing Solar Energy, LLC to invest capital of \$250 million to \$300 million on a long-term basis for a valuation limitation of \$20,000,000. There is no limitation for I&S taxes. The M&O limitation is expected to start in 2026.

In January 2023, the Texas Comptroller Office certified the limitation on appraised value of property for M&O taxes between the District and Sunbuddie Solar Energy, LLC. The agreement is for Sunbuddie Solar Energy, LLC to invest capital of \$70 million on a long-term basis for a valuation limitation of \$20,000,000. There is no limitation for I&S taxes. The M&O limitation is expected to start in 2026.

17. LITIGATION

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

18. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

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

Construction

The District has entered into contracts for engineering and construction of a new facility. At June 30, 2023 the District had contract totaling approximately \$7.4 million, with approximately \$2.7 million remaining on the contracts.

REQUIRED SUPPLEMENTARY INFORMATION

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 3,757,829	\$ 3,703,453	\$ 4,059,246	\$ 355,793
5800	State Program Revenues	12,495,810	12,495,810	12,623,215	127,405
5900	Federal Program Revenues	1,326,633	1,459,633	1,530,496	70,863
5020	Total Revenues	\$ 17,580,272	\$ 17,658,896	\$ 18,212,957	\$ 554,061
Expenditures:					
0011	Instruction	\$ 9,449,215	\$ 9,036,488	\$ 8,937,940	\$ 98,548
0012	Instructional Resources and Media Services	113,529	120,047	92,286	27,761
0013	Curriculum and Staff Development	172,720	188,457	173,739	14,718
0021	Instructional Leadership	299,917	302,867	269,799	33,068
0023	School Leadership	872,007	1,060,143	1,035,723	24,420
0031	Guidance, Counseling, and Evaluation Services	550,559	501,152	468,132	33,020
0033	Health Services	232,462	212,381	191,845	20,536
0034	Student Transportation	645,307	558,307	495,390	62,917
0035	Food Services	1,153,023	1,636,023	1,508,896	127,127
0036	Extracurricular Activities	916,691	919,565	831,249	88,316
0041	General Administration	706,943	750,943	719,327	31,616
0051	Facilities Maintenance and Operations	1,667,424	1,930,424	1,867,593	62,831
0052	Security and Monitoring Services	114,268	134,268	113,865	20,403
0053	Data Processing Services	168,677	192,677	168,493	24,184
0061	Community Services	7,286	7,286	4,510	2,776
0081	Facilities Acquisition and Construction	7,500,000	7,500,000	4,851,104	2,648,896
0095	Payments to JJAEP	5,000	7,000	4,307	2,693
0099	Other Intergovernmental Charges	115,000	115,000	102,200	12,800
6030	Total Expenditures	\$ 24,690,028	\$ 25,173,028	\$ 21,836,398	\$ 3,336,630
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (7,109,756)	\$ (7,514,132)	\$ (3,623,441)	\$ 3,890,691
Other Financing Sources (Uses):					
8911	Transfers Out (Use)	\$ (390,244)	\$ (335,605)	\$ (335,605)	\$ 0
8912	Special Item			(6,407)	(6,407)
7080	Total Other Financing Sources and (Uses)	\$ (390,244)	\$ (335,605)	\$ (342,012)	\$ (6,407)
1200	Net Change in Fund Balance	\$ (7,500,000)	\$ (7,849,737)	\$ (3,965,453)	\$ 3,884,284
0100	July 1 - Fund Balance	15,046,806	15,046,806	15,046,806	0
3000	June 30 - Fund Balance	\$ 7,546,806	\$ 7,197,069	\$ 11,081,353	\$ 3,884,284

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM FOR THE YEARS ENDED JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Plan Yr 2022	Plan Yr 2021	Plan Yr 2020	Plan Yr 2019	Plan Yr 2018	Plan Yr 2017	Plan Yr 2016	Plan Yr 2015	Plan Yr 2014
District's Proportion of the Net Pension Liability	0.0100220%	0.0075678%	0.0069257%	0.0076469%	0.0079717%	0.0080595%	0.0082467%	0.0082815%	0.0054052%
District's Proportionate Share of the Net Pension Liability	\$ 5,949,820	\$ 1,927,263	\$ 3,709,273	\$ 3,975,102	\$ 4,387,794	\$ 2,577,010	\$ 3,116,311	\$ 3,280,887	\$ 1,443,804
State's Proportionate Share of the Net Pension Liability Associated with the District	6,476,401	3,494,955	7,275,555	6,720,300	7,514,414	4,471,629	5,613,243	5,347,059	4,683,403
Total	\$ 12,426,221	\$ 5,422,218	\$ 10,984,828	\$ 10,695,402	\$ 11,902,208	\$ 7,048,639	\$ 8,729,554	\$ 8,627,946	\$ 6,127,207
District's Covered Payroll	\$ 10,891,313	\$ 10,207,569	\$ 9,621,315	\$ 9,062,831	\$ 9,092,032	\$ 8,882,873	\$ 8,955,899	\$ 8,773,342	\$ 8,440,782
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	54.63%	18.88%	38.55%	43.86%	48.26%	29.01%	34.80%	37.40%	17.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR PENSIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30

Exhibit G-3

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 421,979	\$ 457,725	\$ 309,785	\$ 280,432	\$ 268,624	\$ 148,603	\$ 264,309	\$ 281,158	\$ 258,978
Contribution in Relation to the Contractually Required Contribution	(421,979)	(457,725)	(309,785)	(280,432)	(268,624)	(148,603)	(264,309)	(261,156)	(256,978)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's Covered Payroll	\$ 11,241,262	\$ 10,744,232	\$ 10,124,756	\$ 9,515,124	\$ 9,017,138	\$ 9,060,934	\$ 8,879,320	\$ 8,965,512	\$ 8,710,428
Contributions as a Percentage of Covered Payroll	3.75%	4.26%	3.06%	2.95%	2.98%	1.64%	2.98%	2.91%	2.95%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30

	2023	2022	2021	2020	2019	2018
	Plan Yr 2022	Plan Yr 2021	Plan Yr 2020	Plan Yr 2019	Plan Yr 2018	Plan Yr 2017
District's Proportion of the Net OPEB Liability	0.0134887%	0.0114362%	0.0108785%	0.0110552%	0.0114560%	0.0112212%
District's Proportionate Share of Net OPEB Liability	\$ 3,229,729	\$ 4,411,468	\$ 4,135,399	\$ 5,228,119	\$ 5,720,084	\$ 4,879,687
State's Proportionate Share of the Net OPEB Liability Associated with the District	3,939,762	5,910,385	5,556,985	6,947,000	7,455,780	6,600,551
Total	\$ 7,169,491	\$ 10,321,853	\$ 9,692,384	\$ 12,175,119	\$ 13,175,864	\$ 11,480,238
District's Covered Payroll	\$ 10,891,313	\$ 10,207,569	\$ 9,621,315	\$ 9,062,831	\$ 13,175,864	\$ 11,480,218
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	29.65%	43.22%	42.98%	57.69%	43.41%	42.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.02%	6.18%	4.99%	2.66%	1.57%	0.91%

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit G-5

**SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR OTHER POST-EMPLOYMENT BENEFITS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30**

	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 98,983	\$ 109,910	\$ 87,115	\$ 81,802	\$ 78,074	\$ 75,889
Contribution in Relation to the Contractually Required Contribution	<u>(98,983)</u>	<u>(109,910)</u>	<u>(87,115)</u>	<u>(81,802)</u>	<u>(78,074)</u>	<u>(75,889)</u>
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's Covered Payroll	\$ 11,241,262	\$ 10,744,232	\$ 10,124,756	\$ 9,515,124	\$ 9,017,135	\$ 9,060,934
Contributions as a Percentage of Covered Payroll	0.88%	1.02%	0.86%	0.86%	0.87%	0.84%

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. NOTES TO SCHEDULES FOR THE TRS PENSION

Changes of Benefit Terms

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

Changes of Assumptions

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

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN

Changes of Benefit Terms

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

Changes of Assumptions

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

OTHER SUPPLEMENTARY INFORMATION
EXHIBITS H-1 THROUGH J-3

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit H-1
(Continued)

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds								
	205	211	212	224	225	242	255	263	279
		ESEA Title I Part A Improving Basic Program	ESEA Title I Part C Migrant	IDEA, Part B Formula	IDEA, Part B Preschool	Summer Feeding Program	ESEA Title II Part A Training and Recruiting	Title III Part A English Lang. Acquisition	ESSER III
Head Start									
ASSETS:									
Cash and Temporary Investments	\$ 8,460	\$	\$	\$	\$	\$	\$	\$	\$
Property Taxes - Delinquent									
Allowance for Uncollectible Taxes									
Due from Other Governments	26,974	167,603	36,222	65,366	5,047	18,855	13,490	14,928	5,332
Other Receivables									
Total Assets	\$ 35,434	\$ 167,603	\$ 36,222	\$ 65,366	\$ 5,047	\$ 18,855	\$ 13,490	\$ 14,928	\$ 5,332
LIABILITIES:									
Due to Other Funds	\$ 35,434	\$ 166,608	\$ 36,222	\$ 65,366	\$ 5,047	\$ 18,855	\$ 13,490	\$ 14,928	\$ 5,332
Due to Other Governments		995							
Unearned Revenue									
Total Liabilities	\$ 35,434	\$ 167,603	\$ 36,222	\$ 65,366	\$ 5,047	\$ 18,855	\$ 13,490	\$ 14,928	\$ 5,332
DEFERRED INFLOWS OF RESOURCES:									
Unavailable Revenue - Property Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Deferred Inflows of Resources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCES:									
Restricted:									
Retirement of Long-Term Debt	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assigned:									
Campus Activity Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 35,434	\$ 167,603	\$ 36,222	\$ 65,366	\$ 5,047	\$ 18,855	\$ 13,490	\$ 14,928	\$ 5,332

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit H-1
(Concluded)

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds						Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Governmental Funds
	281	282	289	429	461	599			
	Operation Connectivity (PPRP)	ARP ESSER III	Title IV, Part A, Subpart 1	Other State Funds	Campus Activity Funds				
ASSETS:									
Cash and Temporary Investments	\$	\$	\$	\$	\$	33,178	306,173	\$ 339,351	
Property Taxes - Delinquent						0	129,501	129,501	
Allowance for Uncollectible Taxes						0	(1,489)	(1,489)	
Due from Other Governments	59,967	108,242	6,531	4,197		532,754	9,884	532,754	
Other Receivables						0	9,884	9,884	
Total Assets	\$ 59,967	\$ 108,242	\$ 6,531	\$ 4,197	\$ 24,718	\$ 565,932	\$ 444,069	\$ 1,010,001	
LIABILITIES:									
Due to Other Funds	\$ 59,967	\$ 108,242	\$ 6,531	\$ 4,197	\$	\$ 540,219	\$	\$ 540,219	
Due to Other Governments						995		995	
Unearned Revenue						0	48,811	48,811	
Total Liabilities	\$ 59,967	\$ 108,242	\$ 6,531	\$ 4,197	\$ 0	\$ 541,214	\$ 48,811	\$ 590,025	
DEFERRED INFLOWS OF RESOURCES:									
Unavailable Revenue - Property Taxes	\$	\$	\$	\$	\$	0	128,012	\$ 128,012	
Total Deferred Inflows of Resources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 128,012	\$ 128,012	
FUND BALANCES:									
Restricted:									
Retirement of Long-Term Debt	\$	\$	\$	\$	\$	0	267,246	\$ 267,246	
Assigned:									
Campus Activity Funds					24,718	24,718		24,718	
Total Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,718	\$ 24,718	\$ 267,246	\$ 291,964	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 59,967	\$ 108,242	\$ 6,531	\$ 4,197	\$ 24,718	\$ 565,932	\$ 444,069	\$ 1,010,001	

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds										
	205	211	212	224	225	242	244	255	263	270	279
	ESEA Title I Part A Improving Basic Program	ESEA Title I Part C Migrant	IDEA, Part B Formula	IDEA, Part B Preschool	Summer Feeding Program	Career and Technical Basic Grant	ESEA Title II Part A Training and Recruitment	Title III Part A English Lang. Acquisition	ESEA Title VI Part B Rural and Low Income	TC/LAS ESSER III	
Revenues:											
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
State Program Revenues											
Federal Program Revenues	214,852	412,216	181,007	296,513	11,958	18,855	20,656	67,478	42,894	48,107	16,707
Total Revenues	\$ 214,852	\$ 412,216	\$ 181,007	\$ 296,513	\$ 11,958	\$ 18,855	\$ 20,656	\$ 67,478	\$ 42,894	\$ 48,107	\$ 16,707
Expenditures:											
Instruction	\$ 214,694	\$ 399,315	\$ 111,916	\$ 271,716	\$ 11,958	\$	\$ 20,656	\$ 54,630	\$ 42,788	\$ 48,107	\$ 2,443
Instructional Resources and Media Services											
Curriculum and Instructional Staff Development	158	12,125	47,827	50				12,848			14,264
Instructional Leadership				277							
School Leadership											
Guidance, Counseling, and Evaluation Services				1,251							
Social Work Services			21,146	23,219							
Health Services											
Student Transportation											
Food Services						18,855					
Extracurricular Activities											
General Administration											
Facilities Maintenance and Operations											
Community Services		776	118								
Debt Service - Principal											
Debt Service - Interest											
Debt Service - Bond Issuance Cost and Fees											
Total Expenditures	\$ 214,852	\$ 412,216	\$ 181,007	\$ 296,513	\$ 11,958	\$ 18,855	\$ 20,656	\$ 67,478	\$ 42,894	\$ 48,107	\$ 16,707
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):											
Transfers In											
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance - July 1 (Beginning)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance - June 30 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds										Total Non-Major Special Revenue Funds	599 Debt Service Fund	Total Non-Major Governmental Funds	
	281 Operation Connectivity (PPRP)	282 ARP ESSER III	284 IDEA, Part B Formula ARP	289 Title IV, Part A, Subpart 1	410 State Instructional Materials	429 Other State Funds	461 Campus Activity Funds	461 Campus Activity Funds		599 Debt Service Fund				
Revenues:														
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
State Program Revenues	638,217	793,370	31,127	95,416	47,552	95,908	9,130	9,130	9,130	9,130	9,130	739,732	313,917	748,862
Federal Program Revenues	638,217	793,370	31,127	95,416	47,552	95,908	9,130	9,130	9,130	9,130	9,130	739,732	313,917	457,377
Total Revenues	\$ 638,217	\$ 793,370	\$ 31,127	\$ 95,416	\$ 47,552	\$ 95,908	\$ 9,130	\$ 9,130	\$ 9,130	\$ 9,130	\$ 9,130	\$ 1,053,649	\$ 1,053,649	\$ 4,095,612
Expenditures:														
Instruction	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Instructional Resources and Media Services	24,000	427,335	31,127	38,879	47,552							1,723,116		1,723,116
Curriculum and Instructional Staff Development		165,100		4,969								24,000		24,000
School Leadership		3,059										197,389		197,389
Guidance, Counseling, and Evaluation Services		82,851										63,288		63,288
Social Work Services		84,690										82,851		82,851
Health Services						49,387						85,941		85,941
Student Transportation		5,096										44,365		44,365
Food Services												49,387		49,387
Extracurricular Activities								9,801				5,096		5,096
General Administration		9,109										18,855		18,855
Facilities Maintenance and Operations		16,130										9,801		9,801
Community Services				51,568		46,521						9,109		9,109
Debt Service - Principal												728,436		728,436
Debt Service - Interest												1,000		1,000
Debt Service - Bond Issuance Cost and Fees												0	940,000	940,000
Total Expenditures	\$ 638,217	\$ 793,370	\$ 31,127	\$ 95,416	\$ 47,552	\$ 95,908	\$ 9,801	\$ 9,801	\$ 9,801	\$ 9,801	\$ 9,801	\$ 3,042,634	\$ 1,367,494	\$ 4,410,128
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (671)	\$ (671)	\$ (671)	\$ (671)	\$ (671)	\$ (313,845)	\$ (313,845)	\$ (314,516)
Other Financing Sources (Uses):														
Transfers In	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 335,605
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (671)	\$ (671)	\$ (671)	\$ (671)	\$ (671)	\$ 21,760	\$ 21,760	\$ 21,089
Fund Balance - July 1 (Beginning)	0	0	0	0	0	0	25,389	25,389	25,389	25,389	25,389	245,486	245,486	270,875
Fund Balance - June 30 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,718	\$ 24,718	\$ 24,718	\$ 24,718	\$ 24,718	\$ 267,246	\$ 267,246	\$ 291,964

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2023

Last Ten Years Ended June 30	1		2		3 Assessed/ Appraised Value for School Tax Purposes	10 Beginning Balance 7/1/2022	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2023
	Maintenance	Debt Service	Maintenance	Debt Service							
2014 and Prior Years	Various	Various	Various	Various	\$ 74,359	\$	\$ 4,576	\$ 793	\$ (56,832)	\$	12,158
2015	1.0400	0.3100	272,788,709	42,825	42,825		1,777	530	(525)		39,993
2016	1.0400	0.3100	270,473,870	45,058	45,058		2,310	689	(207)		41,852
2017	1.1700	0.1800	277,687,113	58,047	58,047		3,515	541	(202)		53,789
2018	1.1700	0.1800	282,538,512	57,339	57,339		3,835	590			52,914
2019	1.1700	0.1700	288,323,625	68,494	68,494		8,038	1,168	(305)		58,983
2020	1.0684	0.1700	302,464,471	79,804	79,804		11,306	1,799	(179)		66,520
2021	1.0437	0.1946	313,091,589	97,164	97,164		17,863	3,330	(535)		75,436
2022	1.0437	0.1946	321,373,262	212,932	212,932		80,644	15,036	(3,255)		113,997
2023 (School Year Under Audit)	1.0146	0.2159	340,973,357				3,218,715	684,921	(15,009)		277,032
1000	TOTALS			\$ 736,022	\$ 4,195,677	\$ 3,352,579	\$ 709,397	\$ (77,049)	\$	\$ 792,674	

Tax Collection Summary:	Gen. Fund		Debt Serv.		Total
	(M&O)	Fund	Fund		
Base Tax Collections	\$ 3,352,579	\$ 709,397	\$ 709,397	\$ 4,061,976	
Penalty and Interest	73,699	14,037	14,037	87,736	
Total	\$ 3,426,278	\$ 723,434	\$ 723,434	\$ 4,149,712	

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	1		2	3	Variance With Final Budget Favorable (Unfavorable)
	Budgeted Amounts			Actual	
	Original	Amended			
Revenues:					
5700	Local and Intermediate	\$ 671,783	\$ 726,422	\$ 739,732	\$ 13,310
5800	State Program Revenues	<u>305,717</u>	<u>334,526</u>	<u>313,917</u>	<u>(20,609)</u>
5020	Total Revenues	\$ <u>977,500</u>	\$ <u>1,060,948</u>	\$ <u>1,053,649</u>	\$ <u>(7,299)</u>
Expenditures:					
0071	Debt Service - Principal	\$ 940,000	\$ 940,000	\$ 940,000	\$ 0
0072	Debt Service - Interest	423,994	423,994	423,994	0
0073	Bond Issuance Cost	<u>3,750</u>	<u>3,750</u>	<u>3,500</u>	<u>250</u>
6030	Total Expenditures	\$ <u>1,367,744</u>	\$ <u>1,367,744</u>	\$ <u>1,367,494</u>	\$ <u>250</u>
Other Financing Sources (Uses):					
7915	Transfers In	\$ <u>390,244</u>	\$ <u>335,605</u>	\$ <u>335,605</u>	\$ <u>0</u>
7080	Total Other Financing Sources (Uses)	\$ <u>390,244</u>	\$ <u>335,605</u>	\$ <u>335,605</u>	\$ <u>0</u>
1200	Net Change in Fund Balance	\$ 0	\$ 28,809	\$ 21,760	\$ (7,049)
0100	July 1 - Fund Balance	<u>245,486</u>	<u>245,486</u>	<u>245,486</u>	<u>0</u>
3000	June 30 - Fund Balance	\$ <u>245,486</u>	\$ <u>274,295</u>	\$ <u>267,246</u>	\$ <u>(7,049)</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

STATE COMPENSATORY EDUCATION AND BILINGUAL
EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

Section A: Compensatory Education Programs

AP1	Did the district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 1,703,898
AP 4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 2,029,644

Section B: Bilingual Education Programs

AP5	Did the district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 254,201
AP 8	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 25, 35)	\$ 143,355

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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

Board of School Trustees
Muleshoe Independent School District
Muleshoe, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Muleshoe Independent School District (the District) as of and for the year ended June 30, 2023, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 12, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

October 12, 2023

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

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

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

Board of School Trustees
Muleshoe Independent School District
Muleshoe, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Muleshoe Independent School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. Muleshoe Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Muleshoe Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

October 12, 2023

FEDERAL FINANCIAL ASSISTANCE SECTION

MULESHOE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

A. Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued Unmodified
Internal control over financial reporting
Material weakness(es) identified? yes X no
Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported
Noncompliance material to financial statements noted? yes X no

2. Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no
Significant deficiency identified that are not considered to be material weaknesses? yes X none reported
Type of auditor's report issued on compliance for major programs Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

Table with 2 columns: CFDA Number(s) and Name of Federal Program or Cluster. Rows include 84.425D COVID-19 Section 1 Education Stabilization Fund (ESF) - (ESSER) and 84.425U COVID-19 Section 1 Education Stabilization Fund (ESF) - (ARP ESSER)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
Auditee qualified as low-risk auditee? X yes no

B. Section II - Findings Related to the Financial Statements

The audit disclosed no findings required to be reported.

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

The audit disclosed no findings required to be reported.

MULESHOE INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Status of Prior Year's Finding/Noncompliance

None

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MULESHOE INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA Title I, Part A - Improving Basic Programs (211)	84.010A	23610101009901	\$ 412,216
ESEA Title I, Part C - Migrant (212)	84.011A	23615001009901	\$ 181,007
<i>Special Education Cluster (IDEA)</i>			
IDEA - Part B, Formula (224)	84.027A	236600010099016600	\$ 296,513
COVID-19, IDEA - Part B, Formula - American Rescue Plan (284)	84.027X	225350010099015350	\$ 31,127
IDEA - Part B, Preschool (225)	84.173A	236610010099016610	\$ 11,958
<i>Total Special Education Cluster (IDEA)</i>			\$ 339,598
22-23 Perkins V: Strengthening CTE for 21st Century (244)	84.048A	23420006009901	\$ 20,656
ESEA Title II, Part A - Supporting Effective Instruction (255)	84.367A	23694501009901	\$ 67,478
ESEA Title III, Part A - English Language Acquisition (263)	84.365A	23671001009901	\$ 42,894
2022-2023 TTL V, B, SP 2 - Rural (270)	84.358B	22696001009901	\$ 48,107
COVID-19, (ESF, Section 1) CRRSA ESSER II (281)	84.425D	21521001009901	\$ 638,217
COVID-19, (ESF, Section 1) Texas COVID Learning (TCLAS) - ESSER III (279)	84.425U	21528042009901	\$ 16,707
COVID-19, (ESF, Section 1) American Rescue Plan ESSER III (282)	84.425U	21528001009901	\$ 793,370
<i>Total ALN 84.425D/84.425U - (ESF, Section 1) COVID-19</i>			\$ 1,448,294
LEP Summer School (289)	84.369A	69552102	\$ 2,878
LEP Summer School (289)	84.369A	69552202	\$ 2,958
<i>Total ALN 84.369A</i>			\$ 5,836
ESEA Title IV, Part A, Subpart 1 (289)	84.424A	23680101009901	\$ 38,012
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	39352201	\$ 51,568
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,655,666
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through South Plains Community Action Association, Inc.</u>			
Head Start (205)	93.600	06CH012152	\$ 198,709
COVID-19, Head Start ARP (205)	93.600	06HE000799-01-00	\$ 16,143
<i>Total Head Start</i>			\$ 214,852
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 214,852
U.S. DEPARTMENT OF AGRICULTURE			
<i>Child Nutrition Cluster</i>			
<u>Passed Through Texas Education Agency</u>			
National School Lunch Program (101) - Cash Assistance	10.555	71302201	\$ 149,821
National School Lunch Program (101) - Cash Assistance	10.555	71302301	\$ 652,795
School Breakfast Program (101)	10.555	71402201	\$ 63,501
School Breakfast Program (101)	10.553	71402301	\$ 280,669
<u>Passed Through Texas Department of Agriculture</u>			
National School Lunch Program (101) - Non-Cash Assistance	10.555		\$ 72,395
Summer Feeding Program (242)	10.559	236TX332N1099	\$ 18,855
National School Lunch Program (101) - Supply Chain Assistance	10.555	226TX400N8903	\$ 43,777
<i>Total Child Nutrition Cluster</i>			\$ 1,281,813
National School Lunch Program (101) - Pandemic Electronic Benefit Transfer	10.649	226TX109S9009	\$ 3,135
National School Lunch Program (101) - Contract Warehouse Private Storage & Delivery	10.560	226TX312N2533	\$ 1,078
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 1,286,026
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,156,544

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Muleshoe Independent School District under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Summary of Significant Accounting Policies

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

Federal Revenue Reconciliation

Total Expenditures of Federal Awards Per SEFA	\$	4,156,544
SHARS Reimbursements		<u>263,325</u>
Total Federal Revenues Received Per Exhibit C-3	\$	<u><u>4,419,869</u></u>