

**MULESHOE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Muleshoe Independent School District
Annual Financial Report
For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	17	E-1
Notes to the Financial Statements	18	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	44	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teachers Retirement System.....	46	G-2
Schedule of District's Contributions - Teachers Retirement System.....	47	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	48	G-4
Schedule of District's Contributions - OPEB Plan.....	49	G-5
Notes to Required Supplementary Information.....	50	G-6
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	51	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	53	J-2
Debt Service Fund.....	54	J-3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55	

Muleshoe Independent School District
Annual Financial Report
For The Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	57	
Schedule of Findings and Questioned Costs	59	
Schedule of Expenditures of Federal Awards	60	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	61	
Schedule of Required Responses to Selected School First Indicators.....	62	K-2

Introductory Section

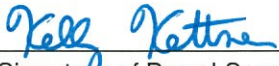
CERTIFICATE OF BOARD

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, 2018, at a meeting of the board of trustees of such school district on the 12 day of November, 2018.



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

RANDALL L. FIELD, P.C.

214 WEST SECOND
MULESHOE, TEXAS 79347

Independent Auditor's Report

To the Board of Trustees
Muleshoe Independent School District
514 West Ave. G
Muleshoe, Texas 79347

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muleshoe Independent School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Muleshoe Independent School District as of June 30, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Muleshoe Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Muleshoe Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 15, 2018 on my consideration of Muleshoe Independent School District's internal control over financial reporting and on my 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 my 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 Muleshoe Independent School District's internal control over financial reporting and compliance.



Randall L. Field, P.C.

Muleshoe, Texas
October 15, 2018

MULESHOE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Muleshoe Independent School District's (the District) financial performance provides an overview of the District's financial performance for the year ended June 30, 2018. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditors' Report.

FINANCIAL HIGHLIGHTS

- The District's statement of activities showed total revenues were \$16,371,178 and expenses totaled \$14,001,648.
- The assets of the District exceeded its liabilities at the close of the most recent year by \$14,518,716 (net position). Of this amount, \$2,429,862 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The balance of cash and investments at June 30, 2018, was \$10,172,823.
- During the year, the District did not issue any bonds. The District made principal payments on bonds of \$805,000. Bonds Payable and Interest Payable on those bonds at June 30, 2018 total \$17,363,351. This compares to a balance of \$18,180,261 in 2017.
- Total government-wide expenses were \$14,001,648 for the year ended June 30, 2018; this compares with expenses of \$18,285,609 for the year ended June 30, 2017.
- The District's total revenues on the Statement of Activities decreased from \$18,635,682 in 2016-17 to \$16,371,178 in 2017-18.

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 provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

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

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 sections labeled TEA Required Schedules and Federal Awards 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, you 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 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

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

Changes in Net Position

The District's net position increased during the year ended June 30, 2018, by \$2,369,530 (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 increased \$2,232,671. from restated \$197,191 in 2017 to \$2,232,671 in 2018.

Table I
Muleshoe Independent School District
Summary of Net Position
June 30, 2018 and 2017

	June 30,		Percentage Change
	2018	2017	
Current Assets	\$ 12,776,082	\$ 12,147,747	5.17%
Capital Assets, Net of Accumulated Depreciation	<u>28,963,697</u>	<u>29,583,439</u>	-2.09%
Total Assets	\$ <u>41,739,779</u>	\$ <u>41,731,186</u>	0.02%
Deferred Outflow Loss Refunding Bonds	166,656	176,090	
Deferred Outflow Related to TRS	<u>932,422</u>	<u>1,364,282</u>	-31.65%
	<u>1,099,078</u>	<u>1,540,372</u>	
Current Liabilities	473,106	491,916	-3.82%
Long-Term Liabilities	<u>25,229,674</u>	<u>21,733,618</u>	16.09%
Total Liabilities	\$ <u>25,702,780</u>	\$ <u>22,225,534</u>	15.65%
Deferred Inflow Related to TRS	<u>2,617,361</u>	<u>331,045</u>	690.64%
Net Position			
Net Investment in Capital Assets	\$ 11,357,356	\$ 11,142,222	1.93%
Restricted Federal/State Funds Grant	167,311	225,116	-25.68%
Restricted for Debt Service	564,187	584,658	-3.50%
Unrestricted Net Assets	<u>2,429,862</u>	<u>8,762,983</u>	-72.27%
Total Net Position	\$ <u>14,518,716</u>	\$ <u>20,714,979</u>	-29.91%

Table II
Muleshoe Independent School District
Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	June 30,		(A)	Percentage Change
	2018	2017		
Program Revenues:				
Charges for Services	\$ 248,053	\$ 254,456		-2.52%
Operating Grants and Contributions	1,252,652	4,001,654		-68.70%
Capital Grants and Contributions				
General Revenues				
Property Taxes	3,882,646	3,750,145		3.53%
State Aid – Formula	10,828,598	10,555,987		2.58%
Investment Earnings	159,229	73,440		116.82%
Total Revenues	\$ <u>16,371,178</u>	\$ <u>18,635,682</u>		-12.15%
Instruction	7,193,563	10,206,863		-29.52%
Instructional Resources and Media Services	91,053	165,022		-44.82%
Curriculum and Staff Development	95,686	78,979		21.15%
Instructional Leadership	244,926	359,472		-31.87%
School Leadership	552,272	849,248		-34.97%
Guidance, Counseling and Evaluation Services	298,514	490,333		-39.12%
Social Work Services	36,348	33,354		8.98%
Health Services	114,098	177,055		-35.56%
Student Transportation	218,232	527,438		-58.62%
Food Services	1,162,274	1,155,736		0.57%
Extracurricular Activities	1,112,403	1,021,888		8.86%
General Administration	430,558	582,612		-26.10%
Facilities Maintenance and Operations	1,405,944	1,525,795		-7.85%
Security & Monitoring Svcs.	30,204	17,789		69.79%
Data Processing Services	72,766	55,343		31.48%
Community Services	5,726	4,768		20.09%
Interest on Long-term Debt	675,400	706,844		-4.45%
Bond Issuance Costs and Fees	1,000	1,000		0.00%
Payments Related to Shared Services Arrangements	173,031	231,928		-25.39%
Payments to Juvenile Justice Alternative Ed. Programs	516	8,249		-93.74%
Other intergovernmental Charges	87,134	85,893		1.44%
Total Expenses	\$ <u>14,001,648</u>	\$ <u>18,285,609</u>		-23.43%
Increase (Decrease) in Net Assets	\$ 2,369,530	\$ 350,073		576.87%
Net Assets - Beginning of Year	20,714,979	20,364,906		1.72%
Prior Period Adjustment - GASB Statement No. 75	(8,565,792)			
Net Assets - End of Year	\$ <u>14,518,717</u>	\$ <u>20,714,979</u>		-29.91%

(A) The District was required to adopt GASB Statement No. 75, effective July 1, 2017. As Permitted by GASB Statement No. 75, prior fiscal year was not restated.

The District's total revenues decreased from \$18,635,682 in fiscal year 2017 to \$16,371,178 in fiscal year 2018, an decrease of \$2,264,504. Total expenses of the District decreased by \$4,283,961, from \$18,285,609 to \$14,001,648. This decrease is attributable to the negative on-behalf revenue and expense reported in accordance with GASB 75.(Footnote A)

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

- The District appraised valuation of taxable property increased from \$282,538,512 to \$288,323,625, an increase of \$5,785,113 or 2.05%. This increase is attributable largely to property reappraisals. The total school property taxes levied for school year 2018 were \$3,880,123. This is a increase of \$93,063 from the \$3,787,060 levied in 2017.
- Total tax collections for 2018 were \$3,808,200 (98% of the current year levy). The tax collections for 2017 were \$3,721,432 (98% of the current year levy).

Fund Balances

The District's total Governmental Funds fund balance was \$11,811,244. This fund balance is reported in the various Governmental funds as follows:

General Fund \$11,079,746. Of this balance, \$6,000,000 is assigned for future construction and equipment purchases. This 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 of operating expenses. The balance in the General Fund in 2017 was \$10,419,310.

Debt Service Fund \$564,187. This balance is reserved for extinguishing of long-term debt. The fund balance reserved for Debt Service in 2017 was \$584,658.

Special Revenue Fund \$167,311. This entire balance is restricted for use in the districts food service program. The fund balance reserved in 2017 was \$225,116.

Budgetary Highlights

Over the course of the fiscal year, the District recommended and the Board of Trustees approved several revision to budgeted revenues and appropriations. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for the amounts reserved and designated in the prior year
- Amendments in early and late spring to revise estimates for local and state revenue based on the latest information on student attendance numbers and tax collections
- Amendments throughout the year for transfer to and from other funds
- Amendment throughout the year for unexpected occurrences.

These amendments resulted in actual expenditures \$499,793 below final budgeted amounts. The most significant positive variance resulted from instruction and plant maintenance and operations.

Instruction resulted in \$67,095 positive variance between actual expenditures and final budgeted amounts. The positive variance was primarily due to lower supply and travel costs than anticipated.

Plant Maintenance and Operations resulted in \$99,676 positive variance between actual expenditures and final budgeted amounts. The positive variance was primarily due to less salary costs and contracted services than originally anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$28,963,697 of capital assets, net of accumulated depreciation. Financial statement Footnote D discloses the capital asset activity of the District for the year ended June 30, 2018.

Debt

At June 30, 2018, the District's long-term debt included \$17,110,000 in Bonds Payable, \$3,116,311 in Net Pension Liability and \$4,879,667 in Net OPEB Liability. The funding for the payment of the bonds comes from operating revenues. Interest and Sinking property taxes will assist in making bond payments. Financial statement Footnote F discloses the debt activity of the District for the year ended June 30, 2018.

ECONOMIC FACTORS AND NEXT YEAR BUDGET

The district has budgeted \$15,217,425 in general fund revenue for the year 2018-2019 fiscal year. This is an decrease of \$88,468 from the \$15,305,893 actual general fund revenue for the 2017-2018 fiscal year. The primary factor for this increase in revenue is an increase in state program revenue for the 2018-2019 fiscal year.

For the 2018-2019 fiscal year, the District has approved the maintenance and operations tax rate of \$1.17 and the interest and sinking tax rate of \$0.17.

The District has also budgeted \$15,217,425 in general fund expenditures for the 2018-2019 year. This is an increase of \$1,021,969 from the \$14,195,456 actual general fund expenditures for the 2017-2018 fiscal year. This small increase in budgeted expenditures is a result of extremely conservative budgeting and will be amended as necessary.

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 West Ave. G, Muleshoe, Texas 79347.

Basic Financial Statements

MULESHOE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 557,531
1120	<i>Current Investments</i>	9,615,250
1225	<i>Property Taxes Receivable (Net)</i>	728,797
1240	<i>Due from Other Governments</i>	1,818,410
1250	<i>Accrued Interest</i>	42
1410	<i>Unrealized Expenses</i>	56,052
Capital Assets:		
1510	<i>Land</i>	50,000
1520	<i>Buildings and Improvements, Net</i>	27,141,397
1530	<i>Furniture and Equipment, Net</i>	1,772,300
1000	Total Assets	<u>41,739,779</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Unamortized Loss on Refunding of Debt</i>	166,656
	<i>Deferred Outflow Related to Pensions</i>	865,094
	<i>Deferred Outflow Related to OPEB</i>	67,328
1700	Total Deferred Outflows of Resources	<u>1,099,078</u>
LIABILITIES:		
2140	<i>Interest Payable</i>	253,351
2165	<i>Accrued Liabilities</i>	203,207
2180	<i>Due to Other Governments</i>	12,350
2300	<i>Unearned Revenue</i>	4,198
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	840,000
2502	<i>Due in More Than One Year</i>	16,932,997
2540	<i>Net Pension Liability</i>	2,577,010
2545	<i>Net OPEB Liability</i>	4,879,667
2000	Total Liabilities	<u>25,702,780</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	576,187
	<i>Deferred Inflow Related to OPEB</i>	2,041,174
2600	Total Deferred Inflows of Resources	<u>2,617,361</u>
NET POSITION:		
3200	Net Investment in Capital Assets	11,357,356
Restricted For:		
3820	State and Federal Programs	167,311
3850	Debt Service	564,187
3900	Unrestricted	2,429,862
3000	Total Net Position	<u>\$ 14,518,716</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 7,193,563	\$ 63,631	\$ 138,793	\$ (6,991,139)
12	<i>Instructional Resources and Media Services</i>	91,053	--	(14,287)	(105,340)
13	<i>Curriculum and Staff Development</i>	95,686	--	44,272	(51,414)
21	<i>Instructional Leadership</i>	244,926	--	61,714	(183,212)
23	<i>School Leadership</i>	552,272	--	(119,992)	(672,264)
31	<i>Guidance, Counseling, & Evaluation Services</i>	298,514	--	(29,506)	(328,020)
32	<i>Social Work Services</i>	36,348	--	57,525	21,177
33	<i>Health Services</i>	114,098	--	(25,870)	(139,968)
34	<i>Student Transportation</i>	218,232	2,205	(45,835)	(261,862)
35	<i>Food Service</i>	1,162,274	136,016	889,432	(136,826)
36	<i>Cocurricular/Extracurricular Activities</i>	1,112,403	44,301	(45,868)	(1,113,970)
41	<i>General Administration</i>	430,558	--	(59,020)	(489,578)
51	<i>Facilities Maintenance and Operations</i>	1,405,944	1,900	(120,326)	(1,524,370)
52	<i>Security and Monitoring Services</i>	30,204	--	--	(30,204)
53	<i>Data Processing Services</i>	72,766	--	(7,296)	(80,062)
61	<i>Community Services</i>	5,726	--	2,299	(3,427)
72	<i>Interest on Long-term Debt</i>	675,400	--	526,617	(148,783)
73	<i>Bond Issuance Costs and Fees</i>	1,000	--	--	(1,000)
93	<i>Payments Related to Shared Services Arrangement</i>	173,031	--	--	(173,031)
95	<i>Payments to Juvenile Justice Alternative Ed. Progra</i>	516	--	--	(516)
99	<i>Other Intergovernmental Charges</i>	87,134	--	--	(87,134)
TG	Total Governmental Activities	<u>14,001,648</u>	<u>248,053</u>	<u>1,252,652</u>	<u>(12,500,943)</u>
TP	Total Primary Government	<u>\$ 14,001,648</u>	<u>\$ 248,053</u>	<u>\$ 1,252,652</u>	<u>(12,500,943)</u>
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				3,364,017
DT	<i>Property Taxes, Levied for Debt Service</i>				518,629
IE	<i>Investment Earnings</i>				159,229
GC	<i>Grants and Contributions Not Restricted to Specific Progra</i>				10,828,598
TR	Total General Revenues				<u>14,870,473</u>
CN	Change in Net Position				2,369,530
NB	Net Position - Beginning				20,714,978
PA	Prior Period Adjustment				(8,565,792)
	Net Position - Beginning, as Restated				12,149,186
NE	Net Position - Ending				<u>\$ 14,518,716</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 384,810	\$ 15,504	\$ 157,217	\$ 557,531
1120	Current Investments	9,054,217	561,033	--	9,615,250
1225	Taxes Receivable, Net	594,675	134,121	--	728,796
1240	Due from Other Governments	1,410,307	--	408,103	1,818,410
1250	Accrued Interest	42	--	--	42
1260	Due from Other Funds	393,811	--	--	393,811
1410	Unrealized Expenditures	39,766	--	--	39,766
1000	Total Assets	<u>11,877,628</u>	<u>710,658</u>	<u>565,320</u>	<u>13,153,606</u>
LIABILITIES:					
Current Liabilities:					
2150	Payroll Deductions & Withholdings	\$ 203,207	\$ --	\$ --	\$ 203,207
2170	Due to Other Funds	--	--	393,811	393,811
2180	Due to Other Governments	--	12,350	--	12,350
2300	Unearned Revenue	--	--	4,198	4,198
2000	Total Liabilities	<u>203,207</u>	<u>12,350</u>	<u>398,009</u>	<u>613,566</u>
DEFERRED INFLOWS OF RESOURCES:					
	Unavailable Revenue - Property Taxes	594,675	134,121	--	728,796
2600	Total Deferred Inflows of Resources	<u>594,675</u>	<u>134,121</u>	<u>--</u>	<u>728,796</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3430	Prepaid Items	39,766	--	--	39,766
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	167,311	167,311
3480	Retirement of Long-Term Debt	--	564,187	--	564,187
Assigned Fund Balances:					
3550	Construction	6,000,000	--	--	6,000,000
3600	Unassigned	5,039,980	--	--	5,039,980
3000	Total Fund Balances	<u>11,079,746</u>	<u>564,187</u>	<u>167,311</u>	<u>11,811,244</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 11,877,628</u>	<u>\$ 710,658</u>	<u>\$ 565,320</u>	<u>\$ 13,153,606</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION*
 JUNE 30, 2018

Total fund balances - governmental funds balance sheet	\$ 11,811,244
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	28,963,697
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	728,796
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,772,997)
Payables for bond interest which are not due in the current period are not reported in the funds.	(253,351)
Prepaid expenses which are not due in the current period are not reported in the funds.	16,286
Unamortized loss on refunding bonds recorded in the governmental activities are not reported in the funds.	166,657
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,577,010)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(576,187)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	865,094
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(4,879,667)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,041,174)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>67,328</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 14,518,716</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**IN FUND BALANCES - GOVERNMENTAL FUNDS**FOR THE YEAR ENDED JUNE 30, 2018*

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 3,586,201	\$ 526,097	\$ 141,030	\$ 4,253,328
5800 <i>State Program Revenues</i>	11,456,809	526,617	144,281	12,127,707
5900 <i>Federal Program Revenues</i>	262,883	--	2,126,041	2,388,924
5020 Total Revenues	<u>15,305,893</u>	<u>1,052,714</u>	<u>2,411,352</u>	<u>18,769,959</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	8,025,511	--	1,153,429	9,178,940
0012 <i>Instructional Resources and Media Services</i>	114,268	--	--	114,268
0013 <i>Curriculum and Staff Development</i>	51,736	--	44,612	96,348
0021 <i>Instructional Leadership</i>	235,819	--	93,307	329,126
0023 <i>School Leadership</i>	791,127	--	--	791,127
0031 <i>Guidance, Counseling, & Evaluation Services</i>	411,342	--	34,726	446,068
0032 <i>Social Work Services</i>	--	--	57,529	57,529
0033 <i>Health Services</i>	160,815	--	--	160,815
0034 <i>Student Transportation</i>	545,920	--	--	545,920
0035 <i>Food Service</i>	--	--	1,083,252	1,083,252
0036 <i>Cocurricular/Extracurricular Activities</i>	993,056	--	--	993,056
0041 <i>General Administration</i>	553,945	--	--	553,945
0051 <i>Facilities Maintenance and Operations</i>	1,522,688	--	--	1,522,688
0052 <i>Security and Monitoring Services</i>	28,905	--	--	28,905
0053 <i>Data Processing Services</i>	96,783	--	--	96,783
0061 <i>Community Services</i>	3,596	--	2,301	5,897
0071 <i>Principal on Long-term Debt</i>	--	805,000	--	805,000
0072 <i>Interest on Long-term Debt</i>	--	717,186	--	717,186
0073 <i>Bond Issuance Costs and Fees</i>	--	1,000	--	1,000
0081 <i>Capital Outlay</i>	399,264	--	--	399,264
0093 <i>Payments to Shared Service Arrangements</i>	173,031	--	--	173,031
0095 <i>Payments to Juvenile Justice Alternative Education Programs</i>	516	--	--	516
0099 <i>Other Intergovernmental Charges</i>	87,134	--	--	87,134
6030 Total Expenditures	<u>14,195,456</u>	<u>1,523,186</u>	<u>2,469,156</u>	<u>18,187,798</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,110,437</u>	<u>(470,472)</u>	<u>(57,804)</u>	<u>582,161</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	450,000	--	450,000
8911 <i>Transfers Out</i>	(450,000)	--	--	(450,000)
7080 Total Other Financing Sources and (Uses)	<u>(450,000)</u>	<u>450,000</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>660,437</u>	<u>(20,472)</u>	<u>(57,804)</u>	<u>582,161</u>
0100 Fund Balances - Beginning	<u>10,419,309</u>	<u>584,659</u>	<u>225,115</u>	<u>11,229,083</u>
3000 Fund Balances - Ending	<u>\$ 11,079,746</u>	<u>\$ 564,187</u>	<u>\$ 167,311</u>	<u>\$ 11,811,244</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018*

Net change in fund balances - total governmental funds	\$ 582,161
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	760,698
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,380,441)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	53,076
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	805,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	29,876
(Increase) decrease in accrued interest from beginning of period to end of period.	11,910
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(205,029)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>1,712,279</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 2,369,530</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

Data Control Codes		<u>Agency Fund</u>
		<u>Student Activity</u>
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 97,677
1000	Total Assets	<u>97,677</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 97,677
2000	Total Liabilities	<u>97,677</u>
	NET POSITION:	
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

Muleshoe Independent School District has the following joint ventures at June 30, 2018.

- a. Muleshoe Independent School District in conjunction with the City of Muleshoe, County of Bailey, Texas, and Muleshoe Area Hospital District, created Bailey Central Appraisal District pursuant to the laws of the State of Texas, for the appraisal and collection of property taxes. Bailey Central Appraisal District is governed by a five-member board composed of three appointees by Muleshoe School District and one each by the County of Bailey, Texas, and City of Muleshoe. Each taxing entity is liable for its share of the cost of operating Bailey Central Appraisal District. In accordance with the agreement with each taxing entities, excess funds will be paid annually at the discretion of Bailey Central Appraisal Board. All known costs and refunds have been shown in current financial statements. Complete financial statements for Bailey Central Appraisal District can be obtained from from Bailey Central Appraisal District, 302 Main, Muleshoe, Texas.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The District reports the following major governmental funds:

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

Debt Service Fund: The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

In addition, the District reports the following fund types:

Governmental Funds:

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

Fiduciary Funds:

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

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

b. **Measurement Focus, Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance cost are expensed in the period incurred.

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In accordance with Texas Property Tax Code Sec. 33.05 Limitation on Collection of Taxes:

- . Personal Property may not be seized and a suit may not be filed:
 - To collect a tax on personal property that has been delinquent more than four years, or
 - To collect a tax on real property that has been delinquent more than 20 years.
- . A tax delinquent for more than the limitation period prescribed by this section and any penalty and interest on the tax is presumed paid unless a suit to collect the tax is pending.
- . The collector for the taxing unit shall cancel and removed from the delinquent tax roll a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years if there is no pending litigation concerning the delinquent taxes at the time of the cancellation and removal.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

c. Capital Assets

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

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation. Debt services resources are to be used for future servicing of the bonds and are restructured through debt covenants. Resources received from the National School Lunch and Breakfast Programs are restricted by the Department of Agriculture to be used for school food programs, and shown as restricted in state and federal programs.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

Net Position on the Government-wide Statement:

In the government-wide statements, net position are reported in the three components- invested in capital assets net of related debt, restricted, and unrestricted. Invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct or improve those assets. Restricted net position are reported when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or by enabling legislation. Unrestricted are net position that do not meet the definition of either of the first categories of net position.

j. Net Position Flow Assumption

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

k. Fund Balance Flow Assumptions

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

l. Accumulated Unpaid Vacation and Sick Leave Benefits

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statement. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the financial statements. At June 30, 2018, the District had no liability for accrued sick leave or vacation leave.

m. 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 the time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at June 30, 2018.

n. Nonmonetary Transactions

During the year the District received food commodities from the Department of Agriculture. The value of the commodities received is determined by the Department of Agriculture and recorded in the District's Food Service Fund at this value (GAAP BASIS). There were no related gains or losses associated with this transaction.

o. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions As Reported	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On- Behalf Accruals)
11 - Instruction	\$ 138,793	\$ (1,527,585)	\$ 1,666,378
12 - Instructional Resources and Media Services	(14,287)	(17,304)	3,017
13 - Curriculum and Instructional Staff Development	44,272	(386)	44,658
21 - Instructional Leadership	61,714	(38,248)	99,962
23 - School Leadership	(119,992)	(145,328)	25,336
31 - Guidance, Counseling and Evaluation Services	(29,506)	(77,811)	48,305
32 - Socail Work Services	57,525		57,525
33 - Health Services	(25,870)	(31,333)	5,463
34 - Student (Pupil) Transportation	(45,835)	(55,514)	9,679
35 - Food Services	889,432	-	889,432
36 - Extracurricular Activities	(45,868)	(73,387)	27,519
41 - General Administration	(59,020)	(71,482)	12,462
51 - Facilities Maintenance and Operations	(120,326)	(161,505)	41,179
53 - Data Processing Services	(7,296)	(8,837)	1,541
61 - CommunityServices	2,299		2,299
72 - Long-term Debt	526,617		526,617
	<u>\$ 1,252,652</u>	<u>\$ (2,208,720)</u>	<u>\$ 3,461,372</u>

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At June 30, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$654,859 and the bank balance was \$984,458. The District's cash deposits at June 30, 2018 and during the year ended June 30, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investment at June 30, 2018 is shown below.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Type	days	
Corporate Overnight Fund	37	\$ 5,009,904
Government Overnight Fund	23	4,605,346
Total Investments		<u>\$ 9,615,250</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

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

At June 30, 2018, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

investment contracts.

Public Funds Investment Pools

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

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

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

D. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 50,000	\$ --	\$ --	\$ 50,000
Total capital assets not being depreciated	<u>50,000</u>	<u>--</u>	<u>--</u>	<u>50,000</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	37,110,533	242,226	100,000	37,252,759
Equipment	2,451,105	154,290	259,703	2,345,693
Vehicles	2,449,110	364,182	--	2,813,292
Total capital assets being depreciated	<u>42,010,748</u>	<u>760,699</u>	<u>359,703</u>	<u>42,411,744</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,260,985)	(950,377)	(100,000)	(10,111,362)
Equipment	(1,576,780)	(242,149)	(259,703)	(1,559,227)
Vehicles	(1,639,544)	(187,914)	--	(1,827,458)
Total accumulated depreciation	<u>(12,477,309)</u>	<u>(1,380,441)</u>	<u>(359,703)</u>	<u>(13,498,047)</u>
Total capital assets being depreciated, net	<u>29,533,439</u>	<u>(619,742)</u>	<u>--</u>	<u>28,913,697</u>
Governmental activities capital assets, net	<u>\$ 29,583,439</u>	<u>\$ (619,742)</u>	<u>\$ --</u>	<u>\$ 28,963,697</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Depreciation was charged to functions as follows:

Instruction	\$ 837,309
Instructional Resources and Media Services	2,032
School Leadership	19,080
Guidance, Counseling, & Evaluation Services	5,102
Health Services	278
Student Transportation	123,887
Food Services	84,806
Extracurricular Activities	248,281
General Administration	7,439
Plant Maintenance and Operations	49,066
Security and Monitoring Services	1,299
Data Processing Services	1,862
	<u>\$ 1,380,441</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 393,811	Short-term loans
	Total	<u>\$ 393,811</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Debt service fund	\$ 450,000	Provide resources for repayment of bonds.
	Total	<u>\$ 450,000</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
School Building Bonds Series 2008	\$ 1,440,000	\$ --	\$ (215,000)	\$ 1,225,000	\$ 225,000
Unlimited Tax Refunding Bonds, Series 2010	16,475,000	--	(590,000)	15,885,000	615,000
Bond Issuance Premiums	702,307	--	(39,310)	662,997	
Net Pension Liability *	3,116,311	--	(539,301)	2,577,010	
Net OPEB Liability *	--	4,879,667	--	4,879,667	

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Total governmental activities \$ 21,733,618 \$ 4,879,667 \$ (1,383,611) \$ 25,229,674 \$ 840,000

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	
Net OPEB Liability *	Governmental	

Muleshoe Independent School District Unlimited Tax School Building Bonds, Series 2008- \$3,000,000. The original issue comprised of serial current interest bonds in the \$2,895,000 and Premium Capital Appreciation Bonds in the amount of \$105,000. The current interest bonds outstanding due in variable annual installments of \$165,000 to 265,000 through 2023 at interest rates of 1.9% to 4.16% and Premium Capital Appreciation Bonds outstanding due in an annual installment of \$105,000 in 2010 and accrete interest from date of issued to their maturity. The bond are absolutely and unconditionally guarantee by the corpus of the Permanent School Fund of the State of Texas. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

On October 15, 2010, Muleshoe Independent School District issued Unlimited Tax Refunding Bonds, Series 2010 of \$20,360,000 due in various annual installments of \$485,000 to \$1,215,000 through 2036 at interest rates of 2% to 4%, to currently refund the District's outstanding School Building Bonds, Series 2006, of \$20,770,000 with interest and pay the costs of issuing the bonds. The bond are absolutely and unconditionally guarantee by the corpus of the Permanent School Fund of the State of Texas. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

The Unlimited Tax Refunding, Series 2010 were issued at a premium of \$934,510, and after paying issuance cost of \$253,379, the net proceeds were \$21,041,131. The net proceeds were used to pay off the School Building Bonds, Series Series 2006 prinicipal and interest.

The District had a loss (the difference between the requisition price and net carring amount) on the retirement of the Series 2006 Bonds of \$238,980 to be deferred and amortized over the life the Series 2010 Bonds.

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 840,000	\$ 684,986	\$ 1,524,986
2020	875,000	651,386	1,526,386
2021	910,000	616,386	1,526,386
2022	950,000	579,986	1,529,986
2023	985,000	541,731	1,526,731
2024-2028	4,080,000	2,196,000	6,276,000
2029-2033	4,965,000	1,312,600	6,277,600
2034-2038	3,505,000	284,200	3,789,200
Totals	\$ <u>17,110,000</u>	\$ <u>6,867,276</u>	\$ <u>23,977,276</u>

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2018, as follows:

<u>Year Ending June 30,</u>	
2019	\$ 58,918
Total Minimum Rentals	\$ <u>58,918</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Rental Expenditures in 2018 \$ 58,918

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. 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.

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. 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. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 148,603	
District's 2018 Member Contributions	\$ 697,692	
NECE 2017 On-Behalf Contributions to District	\$ 457,383	

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

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

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

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation was determined using the following actuarial assumptions:

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.
** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 4,344,329	\$ 2,577,010	\$ 1,105,429

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

At June 30, 2018, the District reported a liability of \$2,577,010 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	\$ 2,577,010
State's proportionate share that is associated with District	<u>4,471,629</u>
Total	<u>\$ 7,048,639</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0080595%. which was an increase (decrease) of -0.0001901% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$341,078 and revenue of \$341,078 for support provided by the State.

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37,703	\$ 138,975
Changes in actuarial assumptions	117,387	67,201
Difference between projected and actual investment earnings	--	187,807
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	585,268	182,204
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>124,736</u>	<u>--</u>
Total	<u>\$ 865,094</u>	<u>\$ 576,187</u>

\$124,736 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2019.

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

Year Ended June 30	Pension Expense Amount
2019	\$ 29,577
2020	\$ 194,074
2021	\$ 16,940
2022	\$ (36,683)
2023	\$ (29,919)
Thereafter	\$ (9,819)

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board 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. there are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans:

Monthly TRS-Care Plan Premium Rates			
Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

* or surviving spouse

4. 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 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

Current fiscal year District contributions	\$	75,889
Current fiscal year Member contributions	\$	65,069
2017 measurement year NECE contributions	\$	78,913

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

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and 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 not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income 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" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 5,759,218	\$ 4,879,667	\$ 4,172,706

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 4,062,810	\$ 4,879,667	\$ 5,951,486

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, the District reported a liability of \$4,879,667 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	\$ 4,879,667
State's proportionate share that is associated with the District	\$ <u>6,600,551</u>
Total	\$ <u><u>11,480,218</u></u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0112212.

10. Changes Since the Prior Actuarial Valuation.

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

- a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis-point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(2,208,720) and revenue of \$(2,208,720) for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 101,867
Changes in actuarial assumptions	--	1,939,307
Differences between projected and actual investment earnings	741	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	22	--
Contributions paid to TRS subsequent to the measurement date	<u>66,565</u>	
	<u>\$ 67,328</u>	<u>2,041,174</u>

\$66,565 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending June 30, 2019.

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

Year ended August 31,	Amount
2019	\$ (269,233)
2020	\$ (269,233)
2021	\$ (269,233)
2022	\$ (269,233)
2023	\$ (269,419)
Thereafter	\$ (694,058)

K. Employee Health Care Coverage

During the year ended June 30, 2018, employees of the District were covered through TRS Active Care Program, administered by the Teacher Retirement System. The District paid premiums of \$150 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at June 30,2018.

M. Subsequent Events

The District's management has evaluated subsequent events through October 15, 2018, the date which the financial statements were available for issue.

N. Unearned Revenue

Unearned revenue at June 30, 2017 consisted of the following:

Revenue Description	Other Governmental Fund
Five Area Community Telecommunications	\$ 4,198

O. General Fund Federal Source Revenues

During the year ended June 30, 2018, General Fund federal source revenues consisted of the following:

Program or Source	CFDA	Amount
Medicaid Administrative Claiming Program	93.778	\$ 251,612
E-Rate Federal Communications Commission		11,271
		\$ 262,883

P. Property/Casualty Insurance

The District participates in Texas Association of School Boards, Inc. (TASB) Risk Management Fund's (the Fund's) Property Casualty Program. The District contribution to the modified self-funded pool for the year ended June 30, 2018 was \$84,957.

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

The Fund purchase stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2018, the Fund anticipates the District has no additional liability beyond the contractual

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available at TASB offices and have been filed with the Texas Department of Insurance in Austin.

Q. Self-Funded Workers' Compensation Plan

Muleshoe Independent School District has entered into an interlocal agreement with South Plains Workers' Compensation Program for Workers' Compensation Self-Insurance.

The South Plains School Workers' Compensation Program is an entity made up of Texas political subdivisions. To be eligible to participate in the program, a political subdivision must adopt the South Plains School Workers' Compensation Program Interlocal Agreement. The Program is not intended to operate as an insurance company, but rather is intended to be a nonprofit contractual mechanism by which each Program member provides self-insurance to extend workers' compensation to its employees through an interlocal agreement with other political subdivisions.

The Texas Department of Insurance workers' compensation rates will be used for calculating contributions. The Texas Department of Insurance rates will be modified by the experience rating factor of the Participant. The initial net contribution payable annually shall be a percentage of standard contribution as determined by the Board of Directors. The Participant agrees to pay the initial net contributions as provided by the Program, as well as its pro-rata share of additional contributions necessary to pay the total claims and expenses incurred annually by the Program. (Pro-rata share shall mean the ratio of each Participant's net contribution.) Should the Participant leave the Program at any time, they shall pay an amount equal to an estimate of their maximum liability in the Program less their contribution already paid.

The following is a summary of liabilities and cost of Muleshoe Independent School District for the year ended June 30, 2018.

- a. The program has reinsurance with specific retention \$350,000; Aggregate limit is \$1,000,000.
- b. Muleshoe Independent School District initial net contribution for year ended June 30, 2018 was \$75,754
- c. Plan Administrator estimates the plan will have a surplus at June 30, 2018 therefore no additional pro-rata contribution will be required.

R. Unemployment Compensation Pool

During the year ending June 30, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Governmental Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payments have been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation Pool Members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available at TASB offices and have been filed with the Texas Department of Insurance in Austin.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

S. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created with Internal Revenue code 457. The plan, available to all employee not cover by TRS, permits them to defer a portion of their salary until future years. participation in the plan is optional. The deferred compensation is not available to employees, until termination, retirement, death, or unforeseeable emergency. The plan complies with IRC Section 457(g), Which allows for the plan to hold its assets in trust. Under these requirements, the District does not own the amount deferred by employees and, therefore , the liability and corresponding investment are not reflected in the financial statements.

T. Budgetary Data

The official budget was prepared for adoption for the General Fund, Debt Service Fund and the Food Service Fund, which is included within the Other Governmental Funds. The following procedures are followed in establishing the budgetary data:

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

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and Food Service Fund.

The District is required to present the adopted and Final amended budgeted revenues and expenditures for each of these funds. The General Fund Budget report appears in Exhibit G-1, Food Service Fund in Exhibit J-2, and Debt Service Fund in Exhibit J-3.

U. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2018, are reported on the combined financial statements as Due from Other Governments and are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 1,410,307	\$	\$ 1,410,307
Other Governmental Funds	--	408,103	408,103
Total	<u>\$ 1,410,307</u>	<u>\$ 408,103</u>	<u>\$ 1,818,410</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

V. Local and Intermediate Revenues

During the year ended June 30, 2018 local and intermediate revenues consisted of the following:

Revenue Description	General Fund	Debt Service Fund	Other Governmental Fund
Property Taxes	\$ 3,295,375	\$ 512,825	\$ --
Discount on Property Taxes	(56,315)	(8,664)	--
Penalties, Interest and Other Tax	71,883	14,468	--
Food Sales	--	--	134,221
Five Area Community Telecom.	--	--	4,962
Investment Income	151,709	7,468	1,847
Co-curricular Student Activities	44,302		
Other	41,419		
Reimbursed Expense	21,353		
Student Fee	--		
Donations	16,475		
Total	\$ 3,586,201	\$ 526,097	\$ 141,030

W. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(8,565,792) net position balance of \$12,149,187.

Required Supplementary Information

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,443,055	\$ 3,504,930	\$ 3,586,201	\$ 81,271
5800	State Program Revenues	11,221,975	11,452,973	11,456,809	3,836
5900	Federal Program Revenues	160,000	160,000	262,883	102,883
5020	Total Revenues	<u>14,825,030</u>	<u>15,117,903</u>	<u>15,305,893</u>	<u>187,990</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	7,949,213	8,092,606	8,025,511	67,095
0012	Instructional Resources and Media Services	155,181	130,572	114,268	16,304
0013	Curriculum and Staff Development	88,350	62,650	51,736	10,914
	Total Instruction & Instr. Related Services	<u>8,192,744</u>	<u>8,285,828</u>	<u>8,191,515</u>	<u>94,313</u>
Instructional and School Leadership:					
0021	Instructional Leadership	227,155	260,155	235,819	24,336
0023	School Leadership	798,408	805,788	791,127	14,661
	Total Instructional & School Leadership	<u>1,025,563</u>	<u>1,065,943</u>	<u>1,026,946</u>	<u>38,997</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	434,719	427,959	411,342	16,617
0033	Health Services	173,060	168,980	160,815	8,165
0034	Student (Pupil) Transportation	551,719	589,719	545,920	43,799
0036	Cocurricular/Extracurricular Activities	986,639	1,020,013	993,056	26,957
	Total Support Services - Student (Pupil)	<u>2,146,137</u>	<u>2,206,671</u>	<u>2,111,133</u>	<u>95,538</u>
Administrative Support Services:					
0041	General Administration	600,644	600,644	553,945	46,699
	Total Administrative Support Services	<u>600,644</u>	<u>600,644</u>	<u>553,945</u>	<u>46,699</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,674,364	1,622,364	1,522,688	99,676
0052	Security and Monitoring Services	22,300	32,300	28,905	3,395
0053	Data Processing Services	103,999	108,999	96,783	12,216
	Total Support Services - Nonstudent Based	<u>1,800,663</u>	<u>1,763,663</u>	<u>1,648,376</u>	<u>115,287</u>
Ancillary Services:					
0061	Community Services	4,500	4,500	3,596	904
	Total Ancillary Services	<u>4,500</u>	<u>4,500</u>	<u>3,596</u>	<u>904</u>
Capital Outlay:					
0081	Capital Outlay	325,000	425,000	399,264	25,736
	Total Capital Outlay	<u>325,000</u>	<u>425,000</u>	<u>399,264</u>	<u>25,736</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	254,000	184,000	173,031	10,969
0095	Payments to Juvenile Justice Alternative Education Programs	20,000	5,000	516	4,484
0099	Other Intergovernmental Charges	95,000	154,000	87,134	66,866
	Total Intergovernmental Charges	<u>369,000</u>	<u>343,000</u>	<u>260,681</u>	<u>82,319</u>
6030	Total Expenditures	<u>14,464,251</u>	<u>14,695,249</u>	<u>14,195,456</u>	<u>499,793</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	360,779	422,654	1,110,437	687,783
	Other Financing Sources (Uses):				
8911	Transfers Out	(478,438)	(478,438)	(450,000)	28,438
7080	Total Other Financing Sources and (Uses)	(478,438)	(478,438)	(450,000)	28,438
1200	Net Change in Fund Balance	(117,659)	(55,784)	660,437	716,221
0100	Fund Balance - Beginning	10,419,309	10,419,309	10,419,309	--
3000	Fund Balance - Ending	<u>\$ 10,301,650</u>	<u>\$ 10,363,525</u>	<u>\$ 11,079,746</u>	<u>\$ 716,221</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED JUNE 30, 2018

	Measurement Year Ended August 31,			
	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0080595495%	0.0082467146%	0.0092815000%	0.0054052000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,577,010	\$ 3,116,311	\$ 3,280,887	\$ 1,443,804
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	4,471,629	5,613,243	5,347,059	4,683,403
Total	<u>\$ 7,048,639</u>	<u>\$ 8,729,554</u>	<u>\$ 8,627,946</u>	<u>\$ 6,127,207</u>
District's Covered Payroll	\$ 8,882,873	\$ 8,955,899	\$ 8,773,342	\$ 8,440,782
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	29.01%	34.80%	37.40%	17.11%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

MULESHOE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED JUNE 30, 2018

	Fiscal Year Ended June 30,			
	2018	2017	2016	2015
Contractually Required Contribution	\$ 148,603	\$ 264,309	\$ 261,156	\$ 256,976
Contribution in Relation to the Contractually Required Contribution	<u>(148,603)</u>	<u>(264,309)</u>	<u>(261,156)</u>	<u>(256,976)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 9,060,934	\$ 8,879,320	\$ 8,965,512	\$ 8,710,428
Contributions as a percentage of Covered Payroll	1.64%	2.98%	2.91%	2.95%

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

MULESHOE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED JUNE 30, 2018

	Measurement Year Ended August 31, 2017
District's Proportion of the Net OPEB Liability (Asset)	0.0112211723%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 4,879,667
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	6,600,551
Total	\$ 11,480,218
District's Covered Payroll	\$ 8,882,873
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	54.93%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.91%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MULESHOE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED JUNE 30, 2018

	Fiscal Year Ended June 30, 2018
Contractually Required Contribution	\$ 75,889
Contribution in Relation to the Contractually Required Contribution	(75,889)
Contribution Deficiency (Excess)	\$ -
District's Covered Payroll	\$ 9,060,934
Contributions as a percentage of Covered Payroll	0.84%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MULESHOE INDEPENDENT SCHOOL DISTRICT

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018*

Budget

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

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

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Supplementary Information

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

MULESHOE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2018

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2009 and Prior Years						
2010		1.04		.34		259,660,128
2011		1.04		.35		278,556,547
2012		1.04		.32		277,584,494
2013		1.04		.31		270,420,419
2014		1.04		.31		272,788,709
2015		1.04		.31		270,473,870
2016		1.04		.31		277,687,113
2017		1.17		.18		282,538,512
2018 (School Year Under Audit)		1.17		.18		288,323,625

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 7/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/18
\$ 123,266	\$ --	\$ 6,481	\$ 1,309	\$ (5,481)	\$ 109,995
38,682	--	2,139	699	(275)	35,568
43,089	--	1,874	631	(525)	40,059
39,279	--	2,175	669	(832)	35,603
45,271	--	2,826	842	(817)	40,786
54,635	--	3,560	1,061	(914)	49,100
78,237	--	8,808	2,625	(896)	65,908
103,281	--	15,903	4,740	(1,357)	81,280
225,082	--	89,652	13,793	(2,851)	118,787
--	3,880,123	3,161,956	486,455	--	231,713
<u>\$ 750,821</u>	<u>\$ 3,880,123</u>	<u>\$ 3,295,375</u>	<u>\$ 512,825</u>	<u>\$ (13,948)</u>	<u>\$ 808,796</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

MULESHOE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT J-2

Data Control Codes	1	2	3 Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 168,200	\$ 136,016	\$ (32,184)
5800 <i>State Program Revenues</i>	5,500	5,633	133
5900 <i>Federal Program Revenues</i>	933,941	869,507	(64,434)
5020 Total Revenues	<u>1,107,641</u>	<u>1,011,156</u>	<u>(96,485)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,107,641	1,068,960	38,681
Total Support Services - Student (Pupil)	<u>1,107,641</u>	<u>1,068,960</u>	<u>38,681</u>
6030 Total Expenditures	<u>1,107,641</u>	<u>1,068,960</u>	<u>38,681</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(57,804)	(57,804)
1200 Net Change in Fund Balance	--	(57,804)	(57,804)
0100 Fund Balance - Beginning	225,115	225,115	--
3000 Fund Balance - Ending	<u>\$ 225,115</u>	<u>\$ 167,311</u>	<u>\$ (57,804)</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 525,329	\$ 526,097	\$ 768
5800 <i>State Program Revenues</i>	519,420	526,617	7,197
5020 Total Revenues	<u>1,044,749</u>	<u>1,052,714</u>	<u>7,965</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	805,000	805,000	--
0072 <i>Interest on Long-Term Debt</i>	717,187	717,186	1
0073 <i>Bond Issuance Costs and Fees</i>	1,000	1,000	--
Total Debt Service	<u>1,523,187</u>	<u>1,523,186</u>	<u>1</u>
6030 Total Expenditures	<u>1,523,187</u>	<u>1,523,186</u>	<u>1</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(478,438)</u>	<u>(470,472)</u>	<u>7,966</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	478,438	450,000	(28,438)
7080 Total Other Financing Sources and (Uses)	<u>478,438</u>	<u>450,000</u>	<u>(28,438)</u>
1200 Net Change in Fund Balance	--	(20,472)	(20,472)
0100 Fund Balance - Beginning	584,659	584,659	--
3000 Fund Balance - Ending	<u>\$ 584,659</u>	<u>\$ 564,187</u>	<u>\$ (20,472)</u>

RANDALL L. FIELD, P.C.
214 WEST SECOND
MULESHOE, TEXAS 79347

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Muleshoe Independent School District
514 West Ave. G
Muleshoe, Texas 79347

Members of the Board of Trustees:

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Muleshoe Independent School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Muleshoe Independent School District's basic financial statements, and have issued my report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Muleshoe Independent School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Randall L. Field, P.C.

Muleshoe, Texas
October 15, 2018

RANDALL L. FIELD, P.C.
214 WEST SECOND
MULESHOE, TEXAS 79347

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Muleshoe Independent School District
514 West Ave. G
Muleshoe, Texas 79347

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

I have audited the Muleshoe Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Muleshoe Independent School District's major federal programs for the year ended June 30, 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Muleshoe Independent School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Muleshoe Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Muleshoe Independent School District's compliance.

Opinion on Each Major Federal Program

In my opinion, the 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, 2018.

Report on Internal Control Over Compliance

Management of the Muleshoe Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Muleshoe Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Muleshoe Independent School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Randall L. Field, P.C.

Muleshoe, Texas
October 15, 2018

MULESHOE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MULESHOE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT K-1

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	009-901	\$ --	\$ 227,623
National School Lunch Program	10.555	009-901	240	567,547
National School Lunch Program (Non-cash)	10.555	009-901	555	74,337
Total CFDA Number 10.555			<u>795</u>	<u>641,884</u>
Summer Food Service Program	10.559	009-901	--	14,292
Total Passed Through State Department of Education			<u>795</u>	<u>883,800</u>
Total U. S. Department of Agriculture			<u>795</u>	<u>883,800</u>
Total Child Nutrition Cluster			<u>795</u>	<u>883,800</u>
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Formula	84.027	186600100990	--	284,510
IDEA-B Discretionary	84.027	1866007700990	--	10,000
Total CFDA Number 84.027			<u>--</u>	<u>294,510</u>
IDEA-B Preschool	84.173	1866100100990	--	12,930
Total Passed Through State Department of Education			<u>--</u>	<u>307,440</u>
Total U. S. Department of Education			<u>--</u>	<u>307,440</u>
Total Special Education (IDEA) Cluster			<u>--</u>	<u>307,440</u>
OTHER PROGRAMS:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through South Plains Community Action Association Inc.:				
Head Start	93.600	06CH5487	--	86,534
Passed Through South Plains Community Action Association, Inc.:				
Head Start	93.600	06CH5487	--	90,451
Total U. S. Department of Health and Human Services			<u>--</u>	<u>176,985</u>
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	1861010100990	--	411,210
ESEA Title I Part C - Education of Migratory Children	84.011	1861500100990	--	210,221
Career and Technical - Basic Grant	84.048	1842000600990	--	18,362
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	1869600100990	--	24,611
Title III Part A English Language Acquisition and Language Enhance	84.365	1867100100990	--	25,615
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	1869450100990	--	51,915
LEP Summer School	84.369A	69551702	--	2,374
Title IV Part A	84.424A	1868010100990	--	10,634
Total Passed Through State Department of Education			<u>--</u>	<u>754,942</u>
Total U. S. Department of Education			<u>--</u>	<u>754,942</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 795</u>	<u>\$ 2,123,167</u>
E-Rate Revenue Reported in Fund 489 Fact				<u>2,874</u>
				<u>\$ 2,126,041</u>

The accompanying notes are an integral part of this schedule.

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Muleshoe Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Muleshoe Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

MULESHOE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2018

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 2,577,010
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."