

**MULESHOE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

Muleshoe Independent School District
Annual Financial Report
For The Year Ended June 30, 2012

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Introductory Section

CERTIFICATE OF BOARD

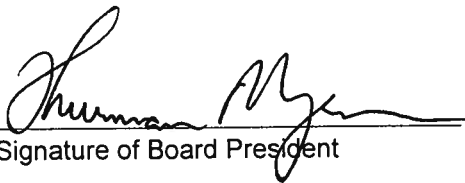
Muleshoe Independent School District
Name of School District

BAILLY
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, 2012, at a meeting of the board of trustees of such school district on the 29 day of October, 2012.


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 on Financial Statements

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

Members of the Board of Trustees:

I have audited the accompanying 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Muleshoe Independent School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 29, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Muleshoe Independent School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Randall L. Field, P.C.

August 29, 2012

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, 2012. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditors' Report.

The Management's Discussion and Analysis (MD&A) is an element of the new financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued June 1999. The Texas Education Agency mandated all school districts in Texas adopt the new financial reporting model effective September 1, 2001.

FINANCIAL HIGHLIGHTS

- The net assets of the District increased by \$1,026,229. The District's statement of activities showed total revenues were \$16,703,543, and expenses totaled \$15,677,314.
- The District ended the year, June 30, 2012, with total net assets of \$21,311,177, including unrestricted net assets of \$9,657,098. The balance of cash and investments at June 30, 2012, was \$7,580,612.
- During the year, the District did not issue any bonds. The District made principal payments on bonds of \$655,000. Bonds Payable and Interest Payable on those bonds at June 30, 2012 total \$21,826,845. This compares to a balance of \$22,487,634 in 2011.
- Total government-wide expenses were \$15,677,314 for the year ended June 30, 2012; this compares with expenses of \$16,162,554 for the year ended June 30, 2011.
- The District's total revenues on the Statement of Activities decreased from \$17,104,662 in 2010-11 to \$16,703,543 in 2011-12.

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 Assets 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 Assets 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 Assets 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 assets and changes in them. The District's net assets (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 assets 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 Assets 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 three 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 Assets 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 assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

**Table I
Muleshoe Independent School District
Net Assets
June 30, 2012 and 2011**

	June 30,	
	2012	2011
Cash and Temporary Investments	\$ 7,580,612	\$ 8,980,250
Receivables and Deferred Expenditures	3,828,479	1,698,170
Unamortized Bond issue Costs	299,524	315,414
Capital Assets, Net of Accumulated Depreciation	32,803,316	33,241,977
Total Assets	\$ 44,511,931	\$ 44,235,811
Current Liabilities and Differed Revenues	1,010,153	1,075,390
Long-Term Liabilities	21,515,000	22,170,000
Unamortized Bond Premium	675,599	705,475
Total Liabilities	\$ 23,200,752	\$ 23,950,865
Net Assets		
Invested in Capital Assets Net of Related Debt	\$ 10,912,240	\$ 10,681,915
Restricted for Debt Service	741,840	673,746
Restricted for Federal Programs	-	206,681
Restricted for Capital Assets	-	-
Unrestricted Net Assets	9,657,098	8,722,604
Total Net Assets	\$ 21,311,178	\$ 20,284,946

Changes in Net Assets

The District's net assets increased during the year ended June 30, 2012, by \$1,026,229 (see Table II).. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$934,494 from \$8,722,604 in 2011 to \$9,657,098 in 2012.

Table II
Mulshoe Independent School District
Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	June 30.	
	2012	2011
Program Revenues:		
Charges for Services	\$ 391,342	\$ 337,609
Operating Grants and Contributions	4,544,485	4,753,291
Capital Grants and Contributions	-	64,000
General Revenues		
Property Taxes	3,732,333	3,916,340
State Aid – Formula	8,010,502	7,929,192
Investment Earnings	24,881	104,230
Total Revenues	<u>\$ 16,703,543</u>	<u>\$ 17,104,662</u>
Instruction	8,370,934	8,736,740
Instructional Resources and Media Services	170,650	198,836
Curriculum Dev. And Instructional Staff Dev.	135,805	104,638
Instructional Leadership	327,173	365,197
School Leadership	860,418	896,647
Guidance, Counseling and Evaluation Services	231,488	236,030
Social Work Services	50,259	36,594
Health Services	164,261	168,132
Student (Pupil) Transportation	562,835	492,409
Food Services	996,327	966,064
Extracurricular Activities	824,891	769,399
General Administration	561,388	545,029
Plant Maintenance & Oper.	1,259,717	1,224,908
Security & Monitoring Svcs.	7,654	8,283
Data Processing Services	32,544	32,629
Community Services	15,961	16,544
Interest on Long-term Debt	823,121	1,012,006
Bond Issuance Costs and Fees	16,891	17,502
Payments Related to Shared Services Arrangements	168,563	234,379
Payments to Juvenile Justice Alternative Ed. Programs	8,523	11,060
Other intergovernmental Charges	87,911	89,526
Total Expenses	<u>\$ 15,677,314</u>	<u>\$ 16,162,552</u>
Increase (Decrease) in Net Assets	\$ 1,026,229	\$ 942,110
Net Assets - Beginning of Year	20,284,948	19,342,838
Net Assets - End of Year	<u>\$ 21,311,177</u>	<u>\$ 20,284,948</u>

The District's total revenues decreased from \$17,104,662 in fiscal year 2011 to \$16,703,543 in fiscal year 2012, an decrease of \$401,079. This decrease is largely due to the decrease in state funding. In the 2011 state legislative session district's state funding was reduced by 6%. The total expenses of the District decreased by \$485,238, from \$16,162,552 to \$15,677,314. This decrease is attributable to expenditure decreases across the board with a large decrease in ARRA expenditures as the ARRA funds ended in 2011.

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

- The District appraised valuation of taxable property increased from \$269,968,091 to \$286,555,791, an increase of \$16,587,700 or 6.1%. This increase is attributable largely to property reappraisals. The total school property taxes assessed for school year 2012 were \$3,756,124. This is an increase of \$99,946 from the \$3,856,070 assessed in 2011.
- Total tax collections for 2012 were \$3,476,386 (92.6% of the current year levy). The tax collections for were \$3,868,878 (100.3% of the current year levy).

Fund Balances

The District's total Governmental Funds fund balance was \$9,968,565. This fund balance is reported in the various Governmental funds as follows:

General Fund \$9,003,089. Of this balance, \$5,000,000 is designated 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 operating expenses. The balance in the General Fund in 2011 was \$8,363,189.

Debt Service Fund \$741,840. This balance is reserved for extinguishing of long-term debt. The fund balance reserved for Debt Service in 2011 was \$673,746.

Special Revenue Fund \$223,636. This entire balance is restricted for use in the districts food service program. The fund balance reserved in 2011 was \$206,681.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses. The largest amendments were increases in technology equipment and food service equipment expenditures with an offset to construction and revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had \$32,803,315 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, 2012.

Debt

At June 30, 2012, the District's long-term debt included \$21,515,000 in Bonds Payable. 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, 2012.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The process of setting the District's annual fiscal year budget and tax rates continue to present numerous items to consider and continues to be a challenge for the District's elected and appointed officials. The economy and enrollment trends are major factors in setting the District's annual fiscal year budget and tax rates, but the 2010 budget and tax rates continue to be largely influenced by mandates from HB1 which came from the 79th Legislature, 3rd Called Session. The projected financial shortfall in the state's budget also becomes a factor to our district as we plan for the future. The state continues to portray a bleak future regarding the financing of the state's public school systems. HB1 was focused on property tax relief, mandating that all districts compress their M&O Tax Rates to 88% of the adopted 2005-06 M&O Tax Rate for 2006-07. HB1 allowed local school boards to adopt up to \$0.04 per \$100 valuation in addition to this compressed rate without voter approval. In the second year of the biennium, 2007-08, HB1 required further compression to 66% of the adopted 2005-06 M&O Tax rate. In general HB1 has resulted in a greater portion of the school funding burden to rest more on the State than within individual district tax efforts, however the hold harmless provision that is incorporated into the state funding templates prohibits the District from generating more state revenue than was generated in 2005-06 unless tax rates are increased or student enrollment increases. For the fiscal year 2006-07 Muleshoe ISD adopted the compressed rate of \$1.33 plus \$.04 resulting in a net M&O Tax Rate of \$1.37. The additional compression of the 2005-06 M&O Rate to 66% in year two further reduced the Districts M & O compressed rate to \$1.00 for 2007-08 plus the \$0.04 option adopted in 2006-07 or \$1.04 total M & O rate for 2007-08. Additionally, HB1 allows districts to access up to \$0.13 additional cents on the local M&O Tax Rate, with voter approval, through a Rollback Election. Muleshoe ISD has been at a \$1.04 M&O tax rate since the 2007-08 year. HB3646 was passed by the 81st Legislature in 2009 giving a slight bit of relief to the hold harmless provision of HB1 by regulating the release of \$1.9 billion of new money into public educational entities and guaranteeing every district a minimum increase in WADA (weighted average daily attendance) revenue of \$120. For Muleshoe ISD the additional revenue calculation resulted in \$225,000 of additional state funds for 2009-2010, but did not produce any additional funding in 2010-2011. HB3646 also included a provision for an across-the-board educator pay raise of the greater of \$800/year or each educator's share of \$60/WADA for the district and includes speech-pathologists in the educator pay raise. For Muleshoe ISD this provision resulted in an \$874 increase in salary for all teachers, nurses, librarians, counselors, and speech pathologists in 2009-2010. This educator increase must be sustained in all future years as well as moving the educator along on the salary schedule related to years of experience. This pay increase was to be funded from the \$225,000 extra revenue in 2009-2010, but no new funding was allocated to sustain the increase in subsequent years. The District Administration agrees that these staff members not only needed but are also very deserving of this increase. However, the salary increase provision of HB3646 left very little funding remaining to assist with other expenses of the district that continue to increase in these trying economic times. In the 2011 Legislative session, public education was cut resulting in a 6% reduction in state funding for 2011-12 and a 2% reduction in state funding for 2012-13.

Construction projects funded through past school bonds have provided our students some of the finest facilities in our region and have accommodated most of the growth occurring in our population. HB3646 also established a permanent "roll-forward" for the Existing Debt Allotment (EDA) program, but there was no increase in EDA funding. The District's I&S Tax Rate was set at \$0.31 per \$100 valuation for 2012-13 in order to collect adequate funds for payments of current school bonds. The total tax rate for 2012-13 was set at \$1.35 per \$100 valuation (\$1.04 M&O and \$0.31 I&S). Appraised property values for 2012-13 were \$265,174,089, a decrease of 1% over the 2011-12 values of \$267,669,099. Local tax revenues are expected to decrease about \$25,000 due to the property value assessments. Preliminary attendance figures indicate a decrease of approximately 30 students for 2012-13 ADA above 2011-12 ADA.

Amounts available for appropriation in the General Fund budget for 2012-13 are \$12,009,738. Budgeted general fund expenditures are expected to decrease about \$341,211 in 2012-13 from the \$12,350,949 budgeted expenditures in 2011-12. This decrease is largely due to the district construction projects completion and the reduction of vacant positions at the end of 2011-12. District administration felt this reduction in staff numbers was critical in order to sustaining district's budget in other areas of increasing costs and to provide some buffer for the projected shortfall of state funding sources.

The addition to Dillman Elementary and Watson Junior High was completed in the 2008-09 school year. The additions to Deshazo Elementary and the High School were completed in 2010-11 school year. The additions and renovations completed have left the District with enough room for growth and have allowed the District to sale all portable builds that was being used. The Board and School Administrators continue to be optimistic toward the future of this district and will continue to utilize all resources available for the advancement and progress of the Muleshoe Independent School District.

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 ASSETS
JUNE 30, 2012

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 4,094,573
1120	Current Investments	3,486,039
1225	Property Taxes Receivable (Net)	726,666
1240	Due from Other Governments	3,076,925
1410	Deferred Expenses	24,888
1420	Capitalized Bond and Other Debt Issuance Costs	299,524
Capital Assets:		
1510	Land	50,000
1520	Buildings and Improvements, Net	31,154,833
1530	Furniture and Equipment, Net	1,598,483
1000	Total Assets	<u>44,511,931</u>
LIABILITIES:		
2110	Accounts Payable	397,270
2140	Interest Payable	311,844
2165	Accrued Liabilities	203,658
2180	Due to Other Governments	2,830
2300	Unearned Revenue	94,551
Noncurrent Liabilities:		
2501	Due Within One Year	670,000
2502	Due in More Than One Year	21,520,600
2000	Total Liabilities	<u>23,200,753</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	10,912,240
Restricted For:		
3820	State and Federal Programs	223,636
3850	Debt Service	741,840
3900	Unrestricted	9,433,462
3000	Total Net Assets	<u>\$ 21,311,178</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Program Revenues		Governmental Activities
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 8,370,934	\$ 155,715	\$ 2,011,531	\$ (6,203,688)
12	Instructional Resources and Media Services	170,650	--	7,514	(163,136)
13	Curriculum and Staff Development	135,805	--	84,252	(51,553)
21	Instructional Leadership	327,173	--	125,588	(201,585)
23	School Leadership	860,418	--	41,534	(818,884)
31	Guidance, Counseling, & Evaluation Services	231,488	--	10,696	(220,792)
32	Social Work Services	50,259	--	50,259	--
33	Health Services	164,261	--	8,569	(155,692)
34	Student Transportation	562,835	20,492	14,528	(527,815)
35	Food Service	996,327	151,093	840,787	(4,447)
36	Cocurricular/Extracurricular Activities	824,891	59,782	22,030	(743,079)
41	General Administration	561,388	--	23,173	(538,215)
51	Plant Maintenance and Operations	1,259,717	4,260	507,892	(747,565)
52	Security and Monitoring Services	7,654	--	--	(7,654)
53	Data Processing Services	32,544	--	--	(32,544)
61	Community Services	15,961	--	15,506	(455)
72	Interest on Long-term Debt	823,121	--	724,100	(99,021)
73	Bond Issuance Costs and Fees	16,891	--	--	(16,891)
93	Payments Related to Shared Services Arrangements	168,563	--	56,526	(112,037)
95	Payments to Juvenile Justice Alternative Ed. Program	8,523	--	--	(8,523)
99	Other Intergovernmental Charges	87,911	--	--	(87,911)
TG	Total Governmental Activities	<u>15,677,314</u>	<u>391,342</u>	<u>4,544,485</u>	<u>(10,741,487)</u>
TP	Total Primary Government	<u>\$ 15,677,314</u>	<u>\$ 391,342</u>	<u>\$ 4,544,485</u>	<u>(10,741,487)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,874,274
DT	Property Taxes, Levied for Debt Service				858,059
IE	Investment Earnings				24,881
GC	Grants and Contributions Not Restricted to Specific Programs				8,010,502
TR	Total General Revenues				<u>11,767,716</u>
CN	Change in Net Assets				1,026,229
NB	Net Assets - Beginning				<u>20,284,949</u>
NE	Net Assets - Ending				<u>\$ 21,311,178</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110	\$ 3,832,701	\$ 261,872	\$ 4,094,573
1120	2,749,661	736,378	3,486,039
1225	593,418	133,248	726,666
1240	2,331,627	745,298	3,076,925
1260	667,893	--	667,893
1410	9,338	--	9,338
1000	<u>\$ 10,184,638</u>	<u>\$ 1,876,796</u>	<u>\$ 12,061,434</u>
LIABILITIES:			
Current Liabilities:			
2110	\$ 384,473	\$ 12,797	\$ 397,270
2150	203,658	--	203,658
2170	--	667,894	667,894
2180	--	2,830	2,830
2300	593,418	227,799	821,217
2000	<u>1,181,549</u>	<u>911,320</u>	<u>2,092,869</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3430	9,338	--	9,338
Restricted Fund Balances:			
3450	--	223,636	223,636
3480	--	741,840	741,840
Assigned Fund Balances:			
3550	5,000,000	--	5,000,000
3600	3,993,751	--	3,993,751
3000	<u>9,003,089</u>	<u>965,476</u>	<u>9,968,565</u>
4000	<u>\$ 10,184,638</u>	<u>\$ 1,876,796</u>	<u>\$ 12,061,434</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 ASSETS*
 JUNE 30, 2012

Total fund balances - governmental funds balance sheet	\$ 9,968,565
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	32,803,315
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	726,666
Unamortized debt issue cost recorded in governmental activities are not reported in the funds.	299,524
Payables for bond principal which are not due in the current period are not reported in the funds.	(22,413,857)
Payables for bond interest which are not due in the current period are not reported in the funds.	(311,845)
Prepaid expenses which are not used in the current period are not reported in the funds.	15,550
Unamortized loss on refunding bonds recorded in governmental activities are not reported in the funds.	<u>223,257</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 21,311,178</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, 2012

Data Control Codes	10	Other	98
	General Fund	Governmental Funds	Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 3,035,299	\$ 1,060,872	\$ 4,096,171
5800 State Program Revenues	8,496,495	796,609	9,293,104
5900 Federal Program Revenues	269,371	2,979,986	3,249,357
5020 Total Revenues	<u>11,801,165</u>	<u>4,837,467</u>	<u>16,638,632</u>
EXPENDITURES:			
Current:			
0011 Instruction	6,147,115	1,519,491	7,666,606
0012 Instructional Resources and Media Services	168,514	--	168,514
0013 Curriculum and Staff Development	51,553	84,252	135,805
0021 Instructional Leadership	212,116	115,057	327,173
0023 School Leadership	841,339	--	841,339
0031 Guidance, Counseling, & Evaluation Services	225,926	461	226,387
0032 Social Work Services	--	50,259	50,259
0033 Health Services	163,953	20	163,973
0034 Student Transportation	530,964	--	530,964
0035 Food Service	41	975,440	975,481
0036 Cocurricular/Extracurricular Activities	602,842	--	602,842
0041 General Administration	549,605	4,000	553,605
0051 Plant Maintenance and Operations	1,219,937	416,622	1,636,559
0052 Security and Monitoring Services	7,654	--	7,654
0053 Data Processing Services	32,544	--	32,544
0061 Community Services	455	15,506	15,961
0071 Principal on Long-term Debt	--	655,000	655,000
0072 Interest on Long-term Debt	--	858,786	858,786
0073 Bond Issuance Costs and Fees	--	1,000	1,000
0081 Capital Outlay	198,236	--	198,236
0093 Payments to Shared Service Arrangements	112,037	56,526	168,563
0095 Payments to Juvenile Justice Alternative			
0095 Education Programs	8,523	--	8,523
0099 Other Intergovernmental Charges	87,911	--	87,911
6030 Total Expenditures	<u>11,161,265</u>	<u>4,752,420</u>	<u>15,913,685</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	639,900	85,047	724,947
1200 Net Change in Fund Balances	639,900	85,047	724,947
0100 Fund Balances - Beginning	8,363,189	880,429	9,243,618
3000 Fund Balances - Ending	<u>\$ 9,003,089</u>	<u>\$ 965,476</u>	<u>\$ 9,968,565</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, 2012

Net change in fund balances - total governmental funds	\$ 724,947
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	744,838
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,183,499)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	64,911
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	258
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	655,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(15,891)
(Increase) decrease in accrued interest from beginning of period to end of period.	5,788
Bond premium and loss on refunding bonds are amortized in the SOA but not in the funds.	<u>29,876</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 1,026,229</u>

The accompanying notes are an integral part of this statement.

MULESHOE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

Data Control Codes		<u>Agency Fund</u>
<u>ASSETS:</u>		<u>Student Activity</u>
1110	Cash and Cash Equivalents	\$ 107,061
1000	Total Assets	<u>\$ 107,061</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
2190	Due to Student Groups	\$ 107,061
2000	Total Liabilities	<u>107,061</u>
<u>NET ASSETS</u>		
3000	Total Net Assets	<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, 2012

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") promulgated by the Governmental Accounting Standards No. 69 of the American Institute of Certified Public Accountants; as applied 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" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity. The District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." The district receives support from various booster club organizations; however, none of these organizations meet the criteria specified by GASB Statement No. 39 to be included in the District's financial statements.

Muleshoe Independent School District has the following joint ventures at June 30, 2012.

- 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.
- b. Muleshoe Independent School District is the fiscal agent of a shared services arrangement that accounts for the funds from the Target Tech in Texas (T3) Collaborative Grant- American Recovery and Reinvestment Act (ARRA) of 2009 for technology improvements. In addition to the District, other members include Lazbuddie Independent School District, Olton Independent School District, Sudan Independent School District, and Springlake-Earth Independent School District. The fiscal agent manager is responsible for financial activities of the shared services arrangement, and accounts for payments to member district and other grants expenditures in a Special Revenue Fund. Each district reports their individual expenditures.
- c. Muleshoe Independent School District participates in a shared service arrangement for the Title IV Part B 21st Century Community Learning Centers Grant. Hale Center Independent Center is the fiscal agent manager and is responsible the financial activities of the shared service arrangement. Muleshoe Independent School District receives (6%) \$52,230 which is account for in a Special Revenue Fund.

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations 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 the 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.

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.

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.

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.

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.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, as well as issuance cost, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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 in the General Fund is based upon historical experience in collecting property taxes. 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.

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>
Buildings	50
Building Improvements	15-20
Vehicles	7-10
Equipment	5-10

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

d. 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.

e. 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 assets.

f. Use of Estimates

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

g. 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 insure accuracy in building a statewide database for policy development and funding plans.

h. 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 statements. 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, 2012, the District had no liability for accrued sick leave or vacation leave.

i. Fund Equity

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not 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.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Assets on the Government-wide Statement:

In the government-wide statements, net assets 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 assets are reported when constraints placed on net assets 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 net are net assets that do not meet the definition of either of the first categories of net assets.

j. Use of Restricted or Unrestricted Assets

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

k. 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, 2012.

l. 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.

MULESHOE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets 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.

Cash Deposits:

At June 30, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,201,285 and the bank balance was \$4,270,084. The District's cash deposits at June 30, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments:

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 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.

Investment Accounting Policy

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

The District has invested in the Lone Star Investment Pool (the "Pool") sponsored by the Texas Association of School Boards.

The Pool is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. Article 4413 (32c), and Article 4414 (34c), Vernon's Texas Civil Statutes, as amended, and is designed to provide participating local governments with an investment vehicle for local funds not required to be spent immediately and available for investment in securities with maturities and returns generally greater than those for money market instruments. The Pool invests in investments authorized under the Public Funds Investment Act.

The District's temporary investments at June 30, 2012 are shown below.

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity (Days)</u>
Lone Star Investment Pool			
Corporate Overnight Fund	\$ 2,648,741	\$ 2,648,741	47
Government Overnight Fund	837,298	837,298	50
	<u>\$ 3,486,039</u>	<u>\$ 3,486,039</u>	

The market values investment in Lone Star Investment Pool are based on quoted market values. The investments are reported by the School District at amortized cost in accordance with Governmental Accounting Standards Board Statement (GASB) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." All gains/losses that are reported in the financial statements are for realized gains/losses. In accordance with GASB 31, no unrealized gains/losses were recognized.

Credit Risk

The ratings of securities by national recognized rating agencies are designed to give an indication of credit risk. The District's investment in Lone Star Investment Pool has a credit rating of AAA by Standard & Poor's as required by the Public Funds Investment Act, therefore the District is not significantly exposed to credit risk.

Custodial Credit Risk

Custodial credit risk for investment is the risk that in the event for the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of outer parties. 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. The District's cash deposits at June 30, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. Since the District deposits are covered by depository insurance and pledged securities, it has no custodial credit risk for deposits.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to the risk of changes in interest rates and decline in fair value by limiting investment in any internally created pool fund group of the district shall have a maximum dollar weighted maturity of 180 days. the maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The School Board may specifically authorize a longer maturity for a given investment, within legal limits.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investment in any one issuer (other than U.S. Treasury Securities, Mutual Funds, and External Investment Pools) That represent five percent or more of the total entity investments represent a concentration risk. At June 30, 2012, all of the Districts investment are in the bank investments completely covered by pedged securities, or an external investment pool.

Foreign Currency Risk

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. This District is not exposed to foreign currency risk.

D. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 50,000	\$ --	\$ --	\$ 50,000
Construction in progress	94,668	--	(94,668)	--
Total capital assets not being depreciated	<u>144,668</u>	<u>--</u>	<u>(94,668)</u>	<u>50,000</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	35,206,751	632,111	--	35,838,861
Equipment	1,448,083	124,896	--	1,572,978
Vehicles	1,629,550	82,500	(101,964)	1,610,086
Total capital assets being depreciated	<u>38,284,383</u>	<u>839,506</u>	<u>(101,964)</u>	<u>39,021,926</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,803,738)	(880,292)	--	(4,684,029)
Equipment	(413,706)	(170,554)	--	(584,260)
Vehicles	(969,631)	(132,654)	101,964	(1,000,321)
Total accumulated depreciation	<u>(5,187,075)</u>	<u>(1,183,500)</u>	<u>101,964</u>	<u>(6,268,610)</u>
Total capital assets being depreciated, net	<u>33,097,309</u>	<u>(343,993)</u>	<u>--</u>	<u>32,753,315</u>
Governmental activities capital assets, net	<u>\$ 33,241,977</u>	<u>\$ (343,993)</u>	<u>\$ (94,668)</u>	<u>\$ 32,803,315</u>

Depreciation was charged to functions as follows:

Instruction	\$ 714,744
Instructional Resources and Media Services	2,136
School Leadership	19,079
Guidance, Counseling	5,101
Health Services	288
Student Transportation	114,371
Food Services	77,347
Extracurricular Activities	222,049
General Administration	7,783
Plant Maintenance	20,601
	<u>\$ 1,183,500</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

E. Interfund Balances and Activities

Due To and From Other Funds

Balances due to and due from other funds at June 30, 2012, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue	\$ <u>667,894</u>	Short-term Loans

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

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, 2012, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
School Building Bonds					
Series 2008	2,565,000	--	170,000	2,395,000	175,000
Unlimited Tax Refunding					
Bonds, Series 2010	19,605,000	--	485,000	19,120,000	495,000
Bonds Issuance Premiums	938,166	--	39,310	898,857	--
Deferred Loss on Early					
Retirement of Bonds	(232,691)	--	(9,433)	(223,257)	
Total governmental activities	\$ <u>22,875,476</u>	\$ <u>--</u>	\$ <u>684,876</u>	\$ <u>22,190,599</u>	\$ <u>670,000</u>

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 principal and interest.

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

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2012, are as follows:

Year Ending June 30.	Governmental Activities		
	Principal	Interest	Total
2013	\$ 670,000	843,136	\$ 1,513,136
2014	695,000	822,161	1,517,161
2015	715,000	800,386	1,515,386
2016	745,000	777,986	1,522,986
2017	775,000	748,186	1,523,186
2018-2022	4,380,000	3,249,931	7,629,931
2023-2027	4,185,000	2,363,731	6,548,731
2028-2032	4,770,000	1,503,400	6,273,400
2033-2037	4,580,000	467,400	5,047,400
Totals	\$ 21,515,000	\$ 11,576,319	\$ 33,091,319

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, 2012, as follows:

Year Ending June 30.	
2013	\$ 49,213
2014	49,213
2015	28,707
Total Minimum Rentals	\$ 127,133
Rental Expenditures in 2012	\$ 58,175

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 2012, 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 contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending June 30, 2012, 2011 and 2010 were \$447,932 \$496,619 and \$520,630 respectively. The District paid additional state contributions for the years ending June 30, 2012, 2011 and 2010 in the amount of \$45,118, \$49,407 and \$49,475 respectively, on portion of the employees' salaries that exceeded the statutory minimum.

J. Employee Health Care Coverage

The District on September 1, 2002 elected to enroll in a comprehensive health care and prescription drug program through the Teacher Retirement System of Texas named TRS-ActiveCare. The District paid premiums of \$150 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for cost incurred beyond the premiums paid.

K. 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

The District was not involved in litigation at June 30, 2012, that, in the opinion of the District's Administration, the settlement of which would create a material adverse economic impact upon the District.

L. 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.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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-4, and Debt Service Fund in Exhibit J-5.

M. 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, 2012, 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.

Fund	State Entitlements	Federal Grants	Total
General	\$ 2,331,627	\$ --	\$ 2,331,627
Other Governmental Funds	66,491	678,807	745,298
Total	\$ 2,398,118	\$ 678,807	\$ 3,076,925

N. Local and Intermediate Revenues

During the year ended June 30, 2012, local and intermediate revenues consisted of the following:

Revenue Description	General Fund	Other Governmental Fund
Property Taxes	\$ 2,778,410	\$ 852,679
Discount on Property Taxes	(50,404)	(15,509)
Penalties, Interest and Other Tax	81,357	20,889
Food Sales	--	154,153
Five Area Community Telecom.	--	47,594
Investment Income	23,815	1,066
Co-curricular Student Activities	59,782	--
Other	13,699	--
Reimbursed Expense	18,000	--
Rent	1,200	--
Student Fee	6,320	--
Donations	12,526	--
Insurance Recovery	20,491	--
Refunds	70,103	--
Total	\$ 3,035,299	\$ 1,060,872

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

O. Unearned Revenue

Unearned revenue at June 30, 2012 consisted of the following:

<u>Revenue Description</u>	<u>General Fund</u>	<u>Other Governmental Fund</u>
Net Tax Revenue	\$ 593,418	\$ 133,248
Five Area Community Telecommunications	--	88,384
Summer Feeding	--	6,167
Total Deferred Revenue	<u>\$ 593,418</u>	<u>\$ 227,799</u>

P. General Fund Federal Source Revenues

During the year ended June 30, 2012, General Fund federal source revenues consisted of the following:

<u>Program or Source</u>	<u>CFDA</u>	<u>Amount</u>
Medicaid Administrative Claiming Program	93.778	\$ 212,078
E-Rate Federal Communications Commission		<u>57,293</u>
		<u>\$ 269,371</u>

Q. 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, 2012 was \$90,339.

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, 2012, the Fund anticipates the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2011, are available at TASB offices and have been filed with the Texas Department of Insurance in Austin.

R. 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.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012.

- 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, 2012 was \$94,919
- c. Plan Administrator estimates the plan will have a surplus at June 30, 2012, therefore no additional pro-rata contribution will be required.

S. Unemployment_Compensation_Pool

During the year ending June 30, 2012, 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, 2011, are available at TASB offices and have been filed with the Texas Department of Insurance in Austin.

T. Retiree_Health_Care_Plan

1 Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

MULESHOE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011 and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$70,654, \$71,850, and \$77,154, respectively, the active member contributions were \$53,330, \$54,815, and \$56,207, respectively, and the District's contributions were \$45,126, \$46,383 and \$47,383, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-CARE) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-CARE participants. For the fiscal years ended June 30, 2012, 2011, and 2010 the subsidy payments received by TRS-CARE on behalf of the District were \$18,101, \$19,016, and \$22,703, respectively.

The Early Retiree Retirement Program (ERRP) is provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from ERRP program. For the fiscal year ended June 30, 2012 the ERRP reimbursements received by TRS on behalf of the District were \$19,960.

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, 2012

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,058,398	\$ 3,023,038	\$ 3,035,299	\$ 12,261
5800	State Program Revenues	8,382,551	8,358,551	8,496,495	137,944
5900	Federal Program Revenues	200,000	240,860	269,371	28,511
5020	Total Revenues	<u>11,640,949</u>	<u>11,622,449</u>	<u>11,801,165</u>	<u>178,716</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	6,491,401	6,578,782	6,147,115	431,667
0012	Instructional Resources and Media Services	193,215	191,639	168,514	23,125
0013	Curriculum and Staff Development	93,870	85,668	51,553	34,115
	Total Instruction & Instr. Related Services	<u>6,778,486</u>	<u>6,856,089</u>	<u>6,367,182</u>	<u>488,907</u>
Instructional and School Leadership:					
0021	Instructional Leadership	229,125	234,125	212,116	22,009
0023	School Leadership	848,180	866,660	841,339	25,321
	Total Instructional & School Leadership	<u>1,077,305</u>	<u>1,100,785</u>	<u>1,053,455</u>	<u>47,330</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	219,960	244,196	225,926	18,270
0033	Health Services	165,959	179,259	163,953	15,306
0034	Student (Pupil) Transportation	463,666	579,666	530,964	48,702
0035	Food Services	--	500	41	459
0036	Cocurricular/Extracurricular Activities	615,455	621,336	602,842	18,494
	Total Support Services - Student (Pupil)	<u>1,465,040</u>	<u>1,624,957</u>	<u>1,523,726</u>	<u>101,231</u>
Administrative Support Services:					
0041	General Administration	535,019	570,519	549,605	20,914
	Total Administrative Support Services	<u>535,019</u>	<u>570,519</u>	<u>549,605</u>	<u>20,914</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,465,505	1,421,505	1,219,937	201,568
0052	Security and Monitoring Services	7,050	8,550	7,654	896
0053	Data Processing Services	34,850	34,850	32,544	2,306
	Total Support Services - Nonstudent Based	<u>1,507,405</u>	<u>1,464,905</u>	<u>1,260,135</u>	<u>204,770</u>
Ancillary Services:					
0061	Community Services	3,250	3,250	455	2,795
	Total Ancillary Services	<u>3,250</u>	<u>3,250</u>	<u>455</u>	<u>2,795</u>
Capital Outlay:					
0081	Capital Outlay	710,000	470,000	198,236	271,764
	Total Capital Outlay	<u>710,000</u>	<u>470,000</u>	<u>198,236</u>	<u>271,764</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	173,000	140,500	112,037	28,463
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	12,000	12,000	8,523	3,477
0099	Other Intergovernmental Charges	89,444	89,444	87,911	1,533
	Total Intergovernmental Charges	<u>274,444</u>	<u>241,944</u>	<u>208,471</u>	<u>33,473</u>
6030	Total Expenditures	<u>12,350,949</u>	<u>12,332,449</u>	<u>11,161,265</u>	<u>1,171,184</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2012

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	<u>(710,000)</u>	<u>(710,000)</u>	<u>639,900</u>	<u>1,349,900</u>
1200 Net Change in Fund Balance	<u>(710,000)</u>	<u>(710,000)</u>	<u>639,900</u>	<u>1,349,900</u>
0100 Fund Balance - Beginning	<u>8,299,783</u>	<u>8,299,783</u>	<u>8,363,189</u>	<u>63,406</u>
3000 Fund Balance - Ending	<u>\$ 7,589,783</u>	<u>\$ 7,589,783</u>	<u>\$ 9,003,089</u>	<u>\$ 1,413,306</u>

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, 2012*

Year Ended June 30	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2003 and Prior Years	\$ Various	\$ Various	\$ Various
2004	1.40	—	190,658,363
2005	1.43	—	188,287,212
2006	1.50	—	197,069,494
2007	1.37	.30	214,993,676
2008	1.04	.24	243,354,916
2009	1.04	.33	249,922,056
2010	1.04	.34	259,660,128
2011	1.04	.35	269,968,091
2012 (School Year Under Audit)	1.04	.32	286,555,791

1000 Totals

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

10 Beginning Balance 7/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/12
\$ 89,634	\$ --	\$ 4,920	\$ --	\$ (749)	\$ 83,966
25,656	--	1,951	--	(167)	23,538
31,057	--	2,072	--	(185)	28,800
39,512	--	2,667	--	(445)	36,400
50,107	--	3,997	875	(1,379)	43,856
58,967	--	7,183	1,658	(1,362)	48,765
92,766	--	15,605	4,952	(1,361)	70,848
116,655	--	25,101	8,206	(1,470)	81,878
233,400	--	56,502	19,015	(48,007)	109,876
--	3,756,124	2,658,413	817,973	--	279,738
<u>\$ 737,755</u>	<u>\$ 3,756,124</u>	<u>\$ 2,778,410</u>	<u>\$ 852,679</u>	<u>\$ (55,124)</u>	<u>\$ 807,665</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

MULESHOE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTION 41 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 237,132	\$ 164,101	\$ --	\$ 19,173	\$ 420,406
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	2,659	--	--	--	--	--	2,659
6212	Audit Services	--	--	--	16,450	--	--	16,450
6213	Tax Appraisal and Collection	--	128,571	--	--	--	--	128,571
621X	Other Prof. Services	--	--	--	3,411	--	--	3,411
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	400	875	--	4,000	5,275
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	14,207	--	--	14,207
6290	Miscellaneous Contr.	--	--	4,272	--	--	--	4,272
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	320	--	8,412	3,528	4,152	--	16,412
6410	Travel, Subsistence, Stipends	4,704	--	763	4,015	--	--	9,482
6420	Ins. and Bonding Costs	--	--	--	500	4,294	--	4,794
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	6,440	--	725	2,369	6,043	--	15,577
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 14,123 \$ 128,571 \$ 251,704 \$ 209,456 \$ 14,489 \$ 23,173 \$ 641,516

Total Expenditures for General and Special Revenue Funds (9) \$ 14,398,899

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 744,838
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,239,374
Food (Function 35, 6341 and 6499)	(13)	\$ 3,362
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 209,456

Subtotal 2,197,030

Net Allowed Direct Cost \$ 12,201,869

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 35,838,861
Historical Cost of Buildings over 50 years old	(16)	1,380,180
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,572,978
Historical Cost of Furniture & Equipment over 16 years old	(19)	28,171
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - No Function 53 expenditures and \$87,911 in Function 99 expenditures are included in this report on administrative costs.

MULESHOE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 171,434	\$ 154,376	\$ (17,058)
5800 <i>State Program Revenues</i>	5,050	5,588	538
5900 <i>Federal Program Revenues</i>	786,190	836,237	50,047
5020 Total Revenues	<u>962,674</u>	<u>996,201</u>	<u>33,527</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,012,874	959,810	53,064
Total Support Services - Student (Pupil)	<u>1,012,874</u>	<u>959,810</u>	<u>53,064</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	25,000	19,437	5,563
Total Support Services - Nonstudent Based	<u>25,000</u>	<u>19,437</u>	<u>5,563</u>
6030 Total Expenditures	<u>1,037,874</u>	<u>979,247</u>	<u>58,627</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(75,200)</u>	<u>16,954</u>	<u>92,154</u>
1200 Net Change in Fund Balance	<u>(75,200)</u>	<u>16,954</u>	<u>92,154</u>
0100 Fund Balance - Beginning	206,682	206,682	-
3000 Fund Balance - Ending	<u>\$ 131,482</u>	<u>\$ 223,636</u>	<u>\$ 92,154</u>

MULESHOE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

*DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012*

Data Control Codes	1	2	3
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 821,769	\$ 858,779	\$ 37,010
5800 <i>State Program Revenues</i>	<u>693,018</u>	<u>724,100</u>	<u>31,082</u>
5020 Total Revenues	<u>1,514,787</u>	<u>1,582,879</u>	<u>68,092</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	655,000	655,000	--
0072 <i>Interest on Long-Term Debt</i>	858,787	858,786	1
0073 <i>Bond Issuance Costs and Fees</i>	<u>1,000</u>	<u>1,000</u>	<u>--</u>
Total Debt Service	<u>1,514,787</u>	<u>1,514,786</u>	<u>1</u>
6030 Total Expenditures	<u>1,514,787</u>	<u>1,514,786</u>	<u>1</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	68,093	68,093
1200 Net Change in Fund Balance	--	68,093	68,093
0100 Fund Balance - Beginning	673,747	673,747	--
3000 Fund Balance - Ending	<u>\$ 673,747</u>	<u>\$ 741,840</u>	<u>\$ 68,093</u>

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

Independent Auditor's Report

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 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, 2012, which collectively comprise the Muleshoe Independent School District's basic financial statements and have issued my report thereon dated August 29, 2012. 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.

Internal Control Over Financial Reporting

Management of Muleshoe Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Muleshoe Independent School District's internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Muleshoe Independent School District's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muleshoe Independent School District's financial statements are free of 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*.

Board of Trustees
Muleshoe Independent School District
Page 2

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Randall L. Field, P.C.

August 29, 2012

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

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

I have audited Muleshoe Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Muleshoe Independent School District's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Muleshoe Independent School District's management. My responsibility is to express an opinion on Muleshoe Independent School District's compliance based on my audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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. My audit does not provide a legal determination of Muleshoe Independent School District's compliance with those requirements.

In my opinion, Muleshoe Independent School District complied, in all material respects, with the 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, 2012.

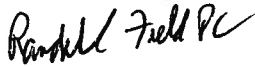
Internal Control Over Compliance

Management of Muleshoe Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Muleshoe Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Randall L. Field, P.C.

August 29, 2012

MULESHOE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
81.052	Energy Conservation for Buildings
84.010	ESEA Title I Part A
84.027	IDEA-B Formula
84.173	IDEA-B Preschool
84.392	ARRA-IDEA-B Preschool
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: \$300,000

Auditee qualified as low-risk auditee? Yes No

MULESHOE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

EXHIBIT K-1

Page 1 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through South Plains Community Action Association:			
Head Start *	93.600	11/1206CH5487	\$ 103,724
Head Start *	93.600	12/1306CH5487	70,947
Total CFDA Number 93.600			<u>174,671</u>
Total Passed Through South Plains Community Action Association			<u>174,671</u>
Total U. S. Department of Health and Human Services			<u>174,671</u>
U. S. DEPARTMENT OF ENERGY			
Passed Through Texas Comptroller of Public Accounts:			
Energy Conservation for Institutional Buildings	81.052	DE-EE-0000116	<u>397,185</u>
Total U. S. Department of Energy			<u>397,185</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	12610101009901	373,292
ESEA Title I Part C - Education of Migratory Children	84.011	11615001009901	428
ESEA Title I Part C - Education of Migratory Children	84.011	12615001009901	<u>208,692</u>
Total CFDA Number 84.011			<u>209,120</u>
IDEA-B Formula *	84.027	12660001009901600	320,570
Career and Technical - Basic Grant	84.048	124200060009901	17,360
IDEA-B Preschool *	84.173	126610010099016000	12,245
Title III Part A English Language Acquisition and Language Enhancer	84.365	11671001009901	791
Title III Part A English Language Acquisition and Language Enhancer	84.365	12671001009901	<u>29,623</u>
Total CFDA Number 84.365			<u>30,414</u>
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	12694501009901	78,659
Summer School LEP	84.369A	69551102	2,220
ARRA - SSA Title II Part D Subpart 1-Enhancing Education Through	84.386	105530027110028	153,335
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389	10551001009901	17,851
ARRA - IDEA Part B, Preschool *	84.392	10555001009901	272
Education Jobs Fund	84.410	1155101009901	<u>288,695</u>
Total Passed Through State Department of Education			<u>1,504,033</u>
Passed Through Hale Center ISD:			
Title IV Part B21st Century Community Learning Centers	84.287	12695017110014	<u>52,230</u>
Total U. S. Department of Education			<u>1,556,263</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	009-901	244,517
National School Lunch Program *	10.555	009-901	\$ 541,524
National School Lunch Program (Non-cash) *	10.555	009-901	\$ 50,196

MULESHOE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT K-1

Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total CFDA Number 10.555			<u>591,720</u>
Summer Food Service Program *	10.559	009-901	<u>15,630</u>
Total Passed Through State Department of Education			<u>851,867</u>
Total U. S. Department of Agriculture			<u>851,867</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>2,979,986</u></u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

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, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Muleshoe Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Muleshoe Independent School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
ARRA of Title II D Subpart 1- Enhancing Education	84.386	\$ 153,335

MULESHOE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2012**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -