

**MUENSTER
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2023**

MUNSTER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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FOR THE YEAR ENDED JUNE 30, 2023

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CERTIFICATE OF BOARD

Muenster Independent School District
Name of School District

Cooke
County

049-902
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended June 30, 2023, at a meeting of the Board of Trustees of such school district on the 8th day of November, 2023.

Signature of Board Secretary

Signature of Board President

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**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditor's Report

Muenster Independent School District
Muenster, Texas

Opinion

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Muenster Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Muenster Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 13, and budgetary comparison information on page 61 and the Teacher Retirement System schedules on page 62 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023 on our consideration of Muenster Independent School District's internal control over financial reporting and on our tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Muenster Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muenster Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas
November 3, 2023

**MUENSTER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

As management of Muenster Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2023. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,683,376 (net position). The District's unrestricted net position is \$1,571,659 at the end of the fiscal year.
- The District's total net position increased by \$1,080,180 during the current fiscal year from the result of current year operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,296,685. Approximately 47% of this total amount, \$3,418,944, is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,418,944 or 52.8% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 and 18). 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 (starting on page 19) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 29) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. 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

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the fiscal year. These apply the accrual basis of accounting (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 of the District's assets and deferred outflows of resources are reported whether they serve the current year or future years. Liabilities and deferred inflows of resources are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most 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.
- Business-type activities—The District does not have any programs in which it charges a fee to “customers” to help it cover all or most of the cost of services it provides. Thus, the District had no business-type activities during the current fiscal period.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 19 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental funds**—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds**—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports the District's self-insurance workers compensation program that provides services for the District's other programs and activities.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or custodian, for money raised by student activities. The District's custodial activity is reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Fund Net Position on pages 27 and 28. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the District's governmental activities increased from \$603,196 to \$1,683,376. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,571,659 at June 30, 2023.

Table I
Muenster Independent School District
NET POSITION

	Governmental Activities June 30, 2023	Governmental Activities June 30, 2022
Current and other assets	\$ 7,992,187	\$ 6,922,156
Capital assets, net	11,732,712	12,882,780
Total assets	19,724,899	19,804,936
Deferred outflows of resources	1,394,679	1,257,443
Total assets and deferred outflows of resources	21,119,578	21,062,379
Long-term liabilities	16,982,478	17,831,009
Other liabilities	712,505	740,343
Total liabilities	17,694,983	18,571,352
Deferred inflows of resources	1,741,219	1,887,831
Total liabilities and deferred inflows of resources	19,436,202	20,459,183
Net Position:		
Net investments in capital assets	(1,854,153)	(2,215,580)
Restricted	1,965,870	2,338,397
Unrestricted	1,571,659	480,379
Total Net Position	\$ 1,683,376	\$ 603,196

Table II
Muenster Independent School District
CHANGES IN NET POSITION

	Governmental Activities Year Ended June 30, 2023	Governmental Activities Year Ended June 30, 2022
Revenues:		
Program Revenues:		
Charges for services	\$ 284,267	\$ 183,238
Operating grants and contributions	808,321	629,446
General Revenues:		
Maintenance and operations taxes	5,282,805	4,008,424
Debt service taxes	1,613,257	1,643,541
State aid	1,545,047	1,682,209
Investment Earnings	158,250	11,923
Miscellaneous	80,561	101,837
Total Revenue	<u>9,772,508</u>	<u>8,260,618</u>
Expenses:		
Instruction, curriculum and media services	4,109,952	3,882,309
School leadership	261,695	226,083
Student support services	557,771	366,637
Food services	425,015	415,626
Extracurricular activities	704,523	684,900
General administration	524,821	423,508
Plant maintenance, security and data processing	1,196,880	1,038,397
Debt services	496,496	544,593
Capital outlay	58,694	98,618
Payments to Shared Service Arrangements	356,481	271,838
Total Expenses	<u>8,692,328</u>	<u>7,952,509</u>
Increase (decrease) in net position	1,080,180	308,109
Net position at beginning of year	<u>603,196</u>	<u>295,087</u>
Net position at end of year	<u><u>\$ 1,683,376</u></u>	<u><u>\$ 603,196</u></u>

At the end of the current fiscal year, the District reports a negative balance in net investment in capital assets, and a positive balance in restricted net position and unrestricted net position. The District's net position increased by \$1,080,180 during the current fiscal year.

Revenues from property tax collections increased due to a 18.9% increase in taxable property values which offset a decrease in the tax rate. State aid decreased 8.2% due to an increase in tax collections which was offset by an increase in average daily attendance.

Governmental fund general fund expenditures increased \$429,167 due primarily to an increase in salaries, higher maintenance expenses, and higher transportation expenses. General fund revenues increased approximately \$1.2 million due primarily to higher enrollment and local tax collections.

The cost of all governmental activities for the current fiscal period was \$8,692,328. However, as shown in the Statement of Activities on page 18, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$6,896,062 because some of the costs were paid by those who directly benefited from the programs (\$284,267) or by other governments and organizations that subsidized certain programs with grants and contributions (\$808,321) or by State equalization funding (\$1,545,047).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 19) reported a combined fund balance of \$7,296,685, which is \$1,043,699 more than last year's total of \$6,252,986. Included in this year's total change in fund balance is an increase of \$964,208 in the District's General Fund and an increase of \$178,291 in the District's Debt Service Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June 2022). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$4,845,644 reported on page 19 differs from the General Fund's budgetary fund balance of \$4,632,167 reported in the budgetary comparison schedule on page 61. This is principally due to cost savings achieved during the year based on the final amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had \$11,732,712 invested in a broad range of capital assets, including land, facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$1,150,068 or 8.9% less than the balance at June 30, 2022.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At June 30, 2023, the District had \$14,549,607 in long-term debt outstanding versus \$15,596,005 at June 30, 2022—a decrease of \$1,046,398. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund) according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's General Fund revenues are budgeted to increase approximately \$572,224 due to decreased local tax collections. The 2023 Texas State legislative session increased State funding to local school districts and required a decrease in local property tax rates.
- The District's General Fund expenditures are budgeted to increase approximately \$602,327 due to salary increases and higher operating expenses.
- The 2023-2024 General Fund budget is a deficit budget with budgeted revenues of \$6.9 million and expenditures budgeted at \$7.1 million.
- The District's Maintenance and Operations tax rate decreased from \$0.9246 per \$100 valuation to \$0.738 per \$100 valuation. The Debt Service tax rate increased from \$0.25 per \$100 valuation to \$0.255 per \$100 valuation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Muenster Independent School District, P.O. Box 608, Muenster, Texas 76252.

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BASIC FINANCIAL STATEMENTS

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MUNSTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 7,441,008
1220 Property Taxes - Delinquent	238,441
1230 Allowance for Uncollectible Taxes	(47,688)
1240 Due from Other Governments	350,347
1290 Other Receivables, Net	10,079
Capital Assets:	
1510 Land	151,240
1520 Buildings, Net	11,066,734
1530 Furniture and Equipment, Net	482,723
1550 Right-to-Use Leased Assets, Net	32,015
1000 Total Assets	19,724,899
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refundings	503,483
1705 Deferred Resource Outflows Related to TRS Pension	597,377
1706 Deferred Resource Outflows Related to TRS OPEB	293,819
1700 Total Deferred Outflows of Resources	1,394,679
LIABILITIES	
2110 Accounts Payable	6,940
2140 Accrued Interest Payable	207,756
2150 Payroll Deductions and Withholdings	34,721
2160 Accrued Wages Payable	430,080
2200 Accrued Expenses	23,607
2300 Unearned Revenue	9,401
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,101,566
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	13,448,041
2540 Net Pension Liability (District's Share)	1,412,510
2545 Net OPEB Liability (District's Share)	1,020,361
2000 Total Liabilities	17,694,983
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflows Related to TRS Pension	150,204
2606 Deferred Resource Inflows Related to TRS OPEB	1,591,015
2600 Total Deferred Inflows of Resources	1,741,219
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	(1,854,153)
Restricted:	
3820 Restricted for Federal and State Programs	87,375
3850 Restricted for Debt Service	1,878,495
3900 Unrestricted	1,571,659
3000 Total Net Position	\$ 1,683,376

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,980,684	\$ 91,455	\$ 430,368	\$ (3,458,861)
12 Instructional Resources and Media Services	123,060	-	7,496	(115,564)
13 Curriculum and Instructional Staff Development	6,208	-	-	(6,208)
23 School Leadership	261,695	-	16,208	(245,487)
31 Guidance, Counseling, and Evaluation Services	140,166	-	53,837	(86,329)
33 Health Services	87,120	-	6,004	(81,116)
34 Student (Pupil) Transportation	330,485	-	46,165	(284,320)
35 Food Services	425,015	155,325	130,271	(139,419)
36 Extracurricular Activities	704,523	37,487	16,041	(650,995)
41 General Administration	524,821	-	33,556	(491,265)
51 Facilities Maintenance and Operations	941,786	-	53,709	(888,077)
52 Security and Monitoring Services	8,819	-	-	(8,819)
53 Data Processing Services	246,275	-	14,666	(231,609)
72 Debt Service - Interest on Long-Term Debt	495,496	-	-	(495,496)
73 Debt Service - Bond Issuance Cost and Fees	1,000	-	-	(1,000)
81 Capital Outlay	58,694	-	-	(58,694)
93 Payments Related to Shared Services Arrangements	356,481	-	-	(356,481)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 8,692,328	\$ 284,267	\$ 808,321	(7,599,740)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			5,282,805
DT	Property Taxes, Levied for Debt Service			1,613,257
SF	State Aid - Formula Grants			1,545,047
IE	Investment Earnings			158,250
MI	Miscellaneous Local and Intermediate Revenue			80,561
TR	Total General Revenues			8,679,920
CN	Change in Net Position			1,080,180
NB	Net Position - Beginning			603,196
NE	Net Position - Ending			\$ 1,683,376

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

MUENSTER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 5,141,344	\$ 1,994,791	\$ 281,266	\$ 7,417,401
1220 Property Taxes - Delinquent	177,017	61,424	-	238,441
1230 Allowance for Uncollectible Taxes	(35,403)	(12,285)	-	(47,688)
1240 Due from Other Governments	200,878	-	149,469	350,347
1260 Due from Other Funds	-	51,722	-	51,722
1290 Other Receivables	10,079	-	-	10,079
1000 Total Assets	<u>\$ 5,493,915</u>	<u>\$ 2,095,652</u>	<u>\$ 430,735</u>	<u>\$ 8,020,302</u>
LIABILITIES				
2110 Accounts Payable	\$ 6,940	\$ -	\$ -	\$ 6,940
2150 Payroll Deductions and Withholdings Payable	34,721	-	-	34,721
2160 Accrued Wages Payable	413,274	-	16,806	430,080
2170 Due to Other Funds	51,722	-	-	51,722
2300 Unearned Revenue	-	9,401	-	9,401
2000 Total Liabilities	<u>506,657</u>	<u>9,401</u>	<u>16,806</u>	<u>532,864</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	141,614	49,139	-	190,753
2600 Total Deferred Inflows of Resources	<u>141,614</u>	<u>49,139</u>	<u>-</u>	<u>190,753</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	87,375	87,375
3470 Capital Acquisition and Contractual Obligation	-	-	280,925	280,925
3480 Retirement of Long-Term Debt	-	2,037,112	-	2,037,112
Committed Fund Balance:				
3510 Construction	1,026,700	-	-	1,026,700
3530 Capital Expenditures for Equipment	400,000	-	-	400,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	45,629	45,629
3600 Unassigned Fund Balance	3,418,944	-	-	3,418,944
3000 Total Fund Balances	<u>4,845,644</u>	<u>2,037,112</u>	<u>413,929</u>	<u>7,296,685</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,493,915</u>	<u>\$ 2,095,652</u>	<u>\$ 430,735</u>	<u>\$ 8,020,302</u>

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 7,296,685
1 The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	-
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	24,954,080
3 Accumulated depreciation is not reported in the fund financial statements.	(13,221,368)
4 Bonds payable, notes payable and leases payable are not reported in the fund financial statements.	(13,133,207)
5 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	190,753
6 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(207,756)
7 Bond premiums and discounts are not recognized in the fund financial statements.	(1,238,066)
8 Deferred charge on bond refundings is not recognized in the fund financial statements.	503,483
9 Vested Retirement payable is not recognized in the fund financial statements.	(178,334)
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,412,510, Deferred Inflows of Resources related to TRS in the amount of \$150,204, and Deferred Outflows of Resources related to TRS in the amount of \$597,377. This results in a net decrease in Net Position in the amount of \$965,337.	(965,337)
11 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$1,020,361, a Deferred Resource Inflow related to TRS OPEB in the amount of \$1,591,015, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$296,819. This amounted to a net decrease in Net Position in the amount of \$2,317,557.	(2,317,557)
19 Net Position of Governmental Activities	\$ 1,683,376

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,556,402	\$ 1,635,226	\$ 188,041	\$ 7,379,669
5800 State Program Revenues	1,887,251	44,159	46,243	1,977,653
5900 Federal Program Revenues	-	-	385,507	385,507
5020 Total Revenues	7,443,653	1,679,385	619,791	9,742,829
EXPENDITURES:				
Current:				
0011 Instruction	3,188,645	-	286,163	3,474,808
0012 Instructional Resources and Media Services	126,192	-	-	126,192
0013 Curriculum and Instructional Staff Development	6,208	-	-	6,208
0023 School Leadership	268,466	-	-	268,466
0031 Guidance, Counseling, and Evaluation Services	94,731	-	47,911	142,642
0033 Health Services	89,629	-	-	89,629
0034 Student (Pupil) Transportation	228,009	-	-	228,009
0035 Food Services	9,463	-	277,560	287,023
0036 Extracurricular Activities	460,500	-	8,002	468,502
0041 General Administration	538,840	-	-	538,840
0051 Facilities Maintenance and Operations	824,929	-	46,212	871,141
0053 Data Processing Services	250,503	-	-	250,503
Debt Service:				
0071 Principal on Long-Term Liabilities	17,321	920,000	-	937,321
0072 Interest on Long-Term Liabilities	895	580,094	-	580,989
0073 Bond Issuance Cost and Fees	-	1,000	-	1,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	18,633	-	52,743	71,376
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	356,481	-	-	356,481
6030 Total Expenditures	6,479,445	1,501,094	718,591	8,699,130
1200 Net Change in Fund Balances	964,208	178,291	(98,800)	1,043,699
0100 Fund Balance - July 1 (Beginning)	3,881,436	1,858,821	512,729	6,252,986
3000 Fund Balance - June 30 (Ending)	\$ 4,845,644	\$ 2,037,112	\$ 413,929	\$ 7,296,685

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 1,043,699
The District uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities in the government-wide financial statements.	-
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	93,560
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(1,243,628)
Current year long-term debt principal payments on bonds and leases payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	937,321
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	104,360
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	39,471
Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	14,699
Current year amortization of the deferred charge on bond refundings is not recognized in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(33,566)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2022 caused the change in the ending net position to increase by \$13,407. These contributions were replaced with the District's pension expense for the year of \$58,657, which caused a decrease in the change in net position. The net effect of all of these is to decrease the change in net position by \$45,250.	(45,250)

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2022 but during the current fiscal year caused the ending net position to decrease in the amount of \$2,588. These contributions were replaced with the District's OPEB benefit for the year of \$167,385, which caused an increase in net position. The net effect of all of these is to increase the change in net position by \$164,797.	164,797
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The decrease in vested retirement payable increases the change in net position.	4,717
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Change in Net Position of Governmental Activities	\$ 1,080,180
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MUNSTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 23,607
Total Assets	23,607
LIABILITIES	
Current Liabilities:	
Accrued Expenses	23,607
Total Liabilities	23,607

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Governmental
Activities -

Internal
Service Fund

OPERATING REVENUES:

Local and Intermediate Sources

\$ 13,825

Total Operating Revenues

13,825

OPERATING EXPENSES:

Payroll Costs

13,825

Total Operating Expenses

13,825

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ -
Cash Payments for Insurance Claims	(13,825)
Net Cash Used for Operating Activities	(13,825)
Net Decrease in Cash and Cash Equivalents	(13,825)
Cash and Cash Equivalents at Beginning of Year	37,432
Cash and Cash Equivalents at End of Year	\$ 23,607
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(13,825)
Net Cash Used for Operating Activities	\$ (13,825)

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 92,828
Total Assets	<u>92,828</u>
NET POSITION	
Unrestricted Net Position	<u>92,828</u>
Total Net Position	<u>\$ 92,828</u>

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund
ADDITIONS:	
Student Group Fundraising Activities	\$ 125,253
Total Additions	<u>125,253</u>
DEDUCTIONS:	
Supplies and Materials	<u>112,075</u>
Total Deductions	<u>112,075</u>
Change in Fiduciary Net Position	13,178
Total Net Position - July 1 (Beginning)	<u>79,650</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 92,828</u></u>

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Muenster Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group elected by registered voters of the District, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Muenster Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities.
3. **Internal Service Fund** - The District utilizes an Internal Service Fund to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. This fund facilitates distribution of support costs to the users of support services. The District has an internal service fund for its workers compensation plan.
4. **Fiduciary Funds** - These funds are used to account for activities of student groups and other organizational activities on a fiduciary basis. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

The internal service fund is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund includes the cost of personal and contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the Texas Education Agency *Financial Accountability Resource Guide* ("Resource Guide"), the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the Resource Guide.

D. BUDGETARY CONTROL

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

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 19 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2023	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 87,375
Nonappropriated Budget Funds	<u>45,629</u>
All Special Revenue Funds	<u>\$133,004</u>

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2023.

F. INVENTORIES

The District records purchases of supplies as expenditures.

G. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

H. PREPAYMENTS

Prepaid balances are for payments made by the District in the current fiscal year to provide services occurring in the subsequent fiscal year, and the amount of prepayments has been recognized as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

I. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	15-50 Years
Furniture and Equipment	5-20 Years

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at June 30, 2023 was \$503,483.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 5.7052 years.

A deferred outflow for pension expense also results from payments made to the TRS pension plan by the District after the plan's measurement date. The total amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2023 was \$597,377.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.2179 years. The total amount of deferred outflows of resources related to TRS OPEB was \$293,819 at June 30, 2023.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2023 was \$190,753.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2023, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$150,204.

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Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.2179 years for the 2022 measurement year). In fiscal year 2023, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$1,591,015.

K. COMPENSATED ABSENCES

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. At June 30, 2023, the District had no material liability for accrued personal sick leave. The District has adopted a vested retirement policy which provides for employees upon retirement with at least 10 years of service and that have a total of at least 25 available days of eligible state and local leave to be reimbursed for any unused days. Such payment will be at 60% of the employee's final daily rate up to a maximum of \$15,000 or 80 days, whichever is less. As a result of employee retirements, the liability for such vested retirement benefits has been recorded in the government wide financial statements.

L. CASH EQUIVALENTS

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid and have a maturity of three months or less when purchased.

M. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2023, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. FUND BALANCES

In a previous year, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has no nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and other long-term debt and are restricted through debt covenants. Capital Projects funds are restricted for future acquisition and construction of approved capital assets. Food service and other Federal and State grant resources are restricted because their use is restricted pursuant to the mandates of the National School Lunch and Breakfast Program or other grant requirements.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2023 for construction and capital expenditures for equipment.

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- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees and the Superintendent may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned the fund balance of the Campus Activity Funds for campus activities.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

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

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16) and are described below:

General Fund

The General Fund has unassigned fund balance of \$3,418,944 at June 30, 2023. The General Fund has \$1,026,700 committed for construction and \$400,000 committed for future capital equipment purchases.

The Debt Service Fund has restricted funds of \$2,037,112 at June 30, 2023 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The Capital Projects Fund has funds of \$280,925 restricted for capital acquisition at June 30, 2023.

The fund balance of \$45,629 of the Campus Activity Fund (a special revenue fund) is shown as assigned due to Board policy assigning those funds to campus activities. The fund balance of \$87,375 in the Child Nutrition Fund (a special revenue fund) is shown as restricted for food service operations.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At June 30, 2023, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts and certificates of deposit) was \$7,533,837 and the bank balance was \$7,617,443. The District's cash deposits at June 30, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. There were 12 days during the fiscal year ended June 30, 2023 when the District's deposits were not entirely covered by FDIC insurance or by required pledged collateral.

MUNSTER INDEPENDENT SCHOOL DISTRICT
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2. Investments:

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

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, the District's cash deposits totaled \$7,617,443. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits were not exposed to custodial credit risk as of June 30, 2023.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2023, the District held investments in bank certificates of deposit and in two public funds investment pools. The District is not exposed to custodial credit risk for its certificates of deposit as all are covered by FDIC insurance. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for Lone Star Investment Pool at year-end was AAAM (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investments in external investments pools is less than 90 days. Additionally, all investments in bank certificates of deposit are covered by the District's depository pledge.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2023, the District was not exposed to foreign currency risk.

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- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At June 30, 2023, the District held 10.26% of its total investments in certificates of deposit. The District's investments in the public funds investment pool are not subject to the concentration risk.

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

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

The District's investments at June 30, 2023, are shown below:

Name	Carrying Amount	Market Value
Lone Star Investment Pool	\$5,448,695	\$5,448,695
Certificates of Deposit	622,715	622,715
Total	<u>\$6,071,410</u>	<u>\$6,071,410</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

<u>Fair Value Measurements Using</u>				
<u>Investments by Fair Value level:</u>	<u>Balance at</u> <u>6/30/23</u>	<u>Quoted</u> <u>Prices in</u> <u>Active</u> <u>Markets for</u> <u>Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Certificates of Deposit	\$622,715	\$ -	\$622,715	\$ -

The fair value of the certificates of deposit at June 30, 2023 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investments in Pool's (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirement/</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 151,240	\$ -	\$ -	\$ 151,240
Total capital assets, not being depreciated	151,240	-	-	151,240
Capital assets, being depreciated:				
Buildings and Improvements	22,874,189	12,682	-	22,886,871
Furniture and Equipment	1,787,911	80,878	-	1,868,789
Right-to-Use Asset	47,180	-	-	47,180
Total capital assets, being depreciated	24,709,280	93,560	-	24,802,840
Less accumulated depreciation for:				
Buildings and Improvements	(10,741,637)	(1,078,500)	-	(11,820,137)
Furniture and Equipment	(1,220,938)	(149,963)	-	(1,370,901)
Right-to-Use Asset	(15,165)	(15,165)	-	(30,330)
Total accumulated depreciation	(11,977,740)	(1,243,628)	-	(13,221,368)
Total capital assets being depreciated, net	12,731,540	(1,150,068)	-	11,581,472
Governmental activities capital assets, net	\$ 12,882,780	\$ (1,150,068)	\$ -	\$ 11,732,712

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Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$ 655,652
Student (Pupil) Transportation	104,883
Food Services	155,874
Extracurricular Activities	242,723
Plant Maintenance and Operations	73,777
Security & Monitoring	8,819
Data Processing Services	<u>1,900</u>
Total depreciation expense-Governmental activities	<u>\$1,243,628</u>

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds and capital leases payable. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2023:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 7/1/2022	Additions	Refunded/ Retired	Amounts Outstanding 6/30/2023	Due Within One Year
Bonded Indebtness:							
Unlimited Tax Refunding							
Bonds-Series 2017A	3.00-5.00%	\$ 2,100,000	\$ 1,380,000	\$ -	\$ 200,000	\$ 1,180,000	\$ 215,000
Unlimited Tax School Building							
Bonds-Series 2017B	3.00-5.00%	13,840,000	<u>12,660,000</u>	<u>-</u>	<u>720,000</u>	<u>11,940,000</u>	<u>760,000</u>
Total Bonded Indebtness			<u>14,040,000</u>	<u>-</u>	<u>920,000</u>	<u>13,120,000</u>	<u>975,000</u>
Other Direct Obligations:							
Bond Premiums			1,342,426	-	104,360	1,238,066	104,360
Right-to-Lease - 4 Dustin Copiers			25,266	-	15,773	9,493	9,493
Right-to-Lease - Copystar Copiers			5,262	-	1,548	3,714	1,610
Vested Retirement Payable			<u>183,051</u>	<u>18,616</u>	<u>23,333</u>	<u>178,334</u>	<u>-</u>
Total Other Obligations			<u>1,556,005</u>	<u>18,616</u>	<u>145,014</u>	<u>1,429,607</u>	<u>115,463</u>
Total Obligations of District			<u>\$ 15,596,005</u>	<u>\$ 18,616</u>	<u>\$ 1,065,014</u>	<u>\$ 14,549,607</u>	<u>\$ 1,090,463</u>

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Presented below is a summary of general obligation bond requirements to maturity:

Year Ended June 30,	General Obligation		Total
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2024	\$ 975,000	\$ 532,719	\$ 1,507,719
2025	1,020,000	482,844	1,502,844
2026	1,060,000	430,843	1,490,843
2027	1,115,000	376,469	1,491,469
2028	1,175,000	319,219	1,494,219
2029-2033	3,170,000	1,084,344	4,254,344
2034-2038	3,775,000	462,078	4,237,078
2039	830,000	14,006	844,006
Thereafter	-	-	-
	<u>\$ 13,120,000</u>	<u>\$ 3,702,522</u>	<u>\$ 16,822,522</u>

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2023.

NOTE 6. DEFERRED CHARGE ON BOND REFUNDINGS

The District's deferred charge on bond refundings is as follows:

Balance – June 30, 2022	\$537,049
Current year amortization	<u>(33,566)</u>
Balance – June 30, 2023	<u>\$503,483</u>

NOTE 7. LEASES

In June 2017, GASB issued Statement No. 87 - Leases. This statement increased the usefulness of the government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY 2022) by GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

The District measured the lease liability at the present value of the original unpaid lease payments, discounted using the District's incremental borrowing rate, 3.95%.

The District has entered into long-term agreements for the right-to-use certain technology equipment. No impairment related to losses were recognized by the District. The lease asset will be amortized over the life of the agreements. As of June 30, 2023, \$30,330 has been amortized. Below is a summary of the leases.

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	Balance 6/30/2022	Additions	Retirements	Balance 6/30/2023
Right-to-Use Asset	\$ 47,180	\$ -	\$ -	\$ 47,180
Less Accumulated Amortization	<u>(15,165)</u>	<u>(15,165)</u>	<u>-</u>	<u>(30,330)</u>
Total Right-to-Use Asset, Net	<u>\$ 32,015</u>	<u>\$ (15,165)</u>	<u>\$ -</u>	<u>\$ 16,850</u>

	Balance 6/30/2022	Additions	Retirements	Balance 6/30/2023
Lease Liability	\$ 30,528	\$ -	\$ (17,321)	\$ 13,207
Total Lease Liability	<u>\$ 30,528</u>	<u>\$ -</u>	<u>\$ (17,321)</u>	<u>\$ 13,207</u>

Future payment requirements under the leases as of June 30, 2023, are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2024	\$11,103	\$243	\$11,346
2025	1,675	53	1,728
2026	429	3	432
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$13,207</u>	<u>\$299</u>	<u>\$13,506</u>

NOTE 8. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

A State minimum personal leave program consisting of five days per year of personal leave, with no limit on accumulation and no restriction on transfer among districts, is provided for District employees. All employees who are eligible for State personal leave also earn an additional five workdays of local sick leave per year. Local sick leave is cumulative subject to continuous employment with the District. The District has not recorded a liability for accumulated sick leave since the amount is not considered material.

Upon retirement certain employees based on local policy are paid accrued vacation leave in a lump cash payment to such employee. A summary of changes in the accumulated vacation leave liability follows:

<u>Vacation Leave</u>	
Balance July 1, 2022	\$183,051
Net changed in Vested Benefits	<u>(4,717)</u>
Balance June 30, 2023	<u>\$178,334</u>

NOTE 9. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2022-23 fiscal year was based was \$568,634,855. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

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The tax rates assessed for the fiscal year ended June 30, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.8546 and \$0.32 per \$100 valuation, respectively, for a total of \$1.1746 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2023 were 98.7% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2023, property taxes receivable, net of estimated uncollectible taxes, totaled \$141,614 and \$49,139 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

NOTE 10. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

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

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	7.75%	8.0%
Muenster ISD FY2023 Employer Contributions	\$	124,461
Muenster ISD FY2023 Member Contributions	\$	310,839
Muenster ISD FY2023 NECE On-Behalf Contributions	\$	244,574

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- All public schools must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

MUNSTER INDEPENDENT SCHOOL DISTRICT
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Actuarial Assumptions. The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91%
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

The long-term rate of return on pension plan investments is 7.00%.

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
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Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.6%	1.12%
Non-U.S. Developed	13%	4.9%	0.90%
Emerging Markets	9%	5.4%	0.75%
Private Equity	14%	7.7%	1.55%
Stable Value			
Government Bonds	16%	1.0%	0.22%
Absolute Return ⁴	0%	3.7%	0.00%
Stable Value Hedge Funds	5%	3.4%	0.18%
Real Return			
Real Estate	15%	4.1%	0.94%
Energy, Natural Resources	6%	5.1%	0.37%
Commodities	0%	3.6%	0.00%
Risk Parity			
Risk Parity	8%	4.6%	0.43%
Leverage			
Cash	2%	3.0%	0.01%
Asset Allocation Leverage	-6%	3.6%	-0.05%
Inflation Expectation	-		2.70%
Volatility Drag ³	-		-0.93%
Total	<u>100%</u>		<u>8.19%</u>

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Muenster ISD's proportionate share of the net pension liability:	\$2,197,330	\$1,412,510	\$776,376

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, Muenster Independent School District reported a liability of \$1,412,510 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Muenster Independent School District. The amount recognized by Muenster Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Muenster Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$1,412,510
State's proportionate share that is associated with the District	<u>3,019,947</u>
Total	<u>\$4,432,457</u>

¹ Target allocations are based on the FY22 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

⁴ Absolute Return includes credit sensitive investments.

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

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.002379268%, an increase of 2.42% from its proportionate share of 0.002323042% at August 31, 2021.

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

For the year ended June 30, 2023, Muenster Independent School District recognized pension expense of \$244,574 and revenue of \$244,574 for support provided by the State.

At June 30, 2023, Muenster Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,481	\$ 30,795
Changes in actuarial assumptions	263,197	65,596
Difference between projected and actual investment earnings	139,552	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	65,373	53,813
Contributions paid to TRS subsequent to the measurement date	108,774	-
Total	\$597,377	\$150,204

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

Year ended June 30:	Pension Expense Amount
2024	\$ 90,714
2025	51,226
2026	7,595
2027	163,470
2028	25,394
Thereafter	-

NOTE 11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

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

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

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
 Muenster ISD FY23 Employer Contributions		\$ 32,426
Muenster ISD FY23 Member Contributions		\$ 25,256
Muenster ISD FY23 NECE On-behalf Contributions		\$ 45,283

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

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

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

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

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

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

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65
Ad hoc post-employment benefit changes	None

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District’s proportionate share of the Net OPEB Liability:	\$1,203,087	\$1,020,361	\$872,330

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage less than or one-percentage point greater than the health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District’s proportionate share of the Net OPEB Liability:	\$840,782	\$1,020,361	\$1,253,162

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OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2023, the District reported a liability of \$1,020,361 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$ 1,020,361
State's proportionate share that is associated with the District	<u>\$ 1,244,680</u>
Total	<u>\$ 2,265,041</u>

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

At August 31, 2022 the employer's proportion of the collective Net OPEB Liability was 0.004261446%, a decrease of 0.03% compared to the August 31, 2021 proportionate share of 0.004260349%.

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

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

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

The amount of OPEB expense recognized by the District in the reporting period was \$(167,384).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 56,728	\$ 850,052
Changes in actuarial assumptions	155,421	708,886
Difference between projected and actual investment earnings	3,039	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	51,151	32,077
Contributions paid to TRS subsequent to the measurement date	27,480	-
Total	\$293,819	\$1,591,015

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

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Year ended June 30:	OPEB Expense Amount
2024	\$ (248,624)
2025	(248,613)
2026	(205,343)
2027	(146,762)
2028	(159,281)
Thereafter	(316,053)

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

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 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2023, the contribution made on behalf of the District was \$19,533.

NOTE 13. HEALTH CARE

During the year ended June 30, 2023, employees of Muenster Independent School District were covered by a health insurance plan (the Plan). The District contributed \$380 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan (TRS Active-Care).

NOTE 14. WORKERS COMPENSATION

The District participates in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$20,957 for the 22-23 fiscal year. Additionally, the District incurred fixed costs of \$11,970 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$23,607 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal periods 2023 and 2022 are represented below:

Fiscal Period	Beginning Claims Liability	Claims and Changes in Estimates	Claims Payments	Ending Claims Liability
2023	\$37,432	\$ (9,135)	\$ 4,690	\$23,607
2022	16,803	26,471	5,842	37,432

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 15. 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, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments as of June 30, 2023, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Local Governments</u>	<u>Total</u>
General	\$200,878	\$ -	\$ -	\$200,878
Special Revenue	-	149,469	-	149,469
Total	<u>\$200,878</u>	<u>\$149,469</u>	<u>\$ -</u>	<u>\$350,347</u>

NOTE 16. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 17. INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund receivables and payables at June 30, 2023 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2023.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 51,722
Debt Service Fund	51,722	-
Total Major Governmental Funds	<u>51,722</u>	<u>51,722</u>
Total	<u>\$ 51,722</u>	<u>\$ 51,722</u>

**MUENSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property taxes	\$ 5,236,803	\$ -	\$ 1,597,011	\$ -	\$ 6,833,814
Food sales	-	155,325	-	-	155,325
Investment income	115,824	131	32,863	9,432	158,250
Penalties, interest and other tax related income	17,425	-	5,352	-	22,777
Co-curricular student activities	29,485	23,153	-	-	52,638
Other	156,865	-	-	-	156,865
Total	<u>\$ 5,556,402</u>	<u>\$ 178,609</u>	<u>\$ 1,635,226</u>	<u>\$ 9,432</u>	<u>\$ 7,379,669</u>

**NOTE 19. AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR
SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES**

On December 12, 2007, the Muenster Independent School District Board of Trustees entered into an agreement with Wolf Ridge Wind, LLC, pursuant to Chapter 313 of the Texas Tax Code, for a limitation on the appraised value of property for school district maintenance and operations taxes. The limitation on the local ad valorem property values did not commence until the valuations were made on January 1, 2010. The 2008 and 2009 tax years constituted the qualifying time period as defined in the Texas Tax Code paragraph 313.021(4). For the years 2010 through 2017 the appraised value of the qualified property for the District's maintenance and operations ad valorem tax shall not exceed the lesser of the Wolf Ridge Wind, LLC's qualified investment of \$10,000,000. For each of the tax years 2010 through 2020, the District shall be entitled to receive as payments in-lieu of taxation an amount equal to forty percent (40%) of the net tax benefits received by the Wolf Ridge Wind, LLC, for the tax year, plus the sum of all payments otherwise due from Wolf Ridge Wind, LLC to the District that exceed the amount of maintenance and operations ad valorem taxes that Wolf Ridge, LLC would have paid to the District if the parties had not entered into this agreement.

There were no calculated payments from Wolf Ridge, LLC received by the District for the year ended June 30, 2023. As such, there were no Article III Indemnity payments or Article IV 40% payments in-lieu of taxes.

On April 9, 2014, Muenster Independent School District Board of Trustees entered into an agreement with Muenster Wind Farm, LLC (now Tyler Bluff Wind, LLC), pursuant to Chapter 313 of the Texas Tax Code, for a limitation on the appraised value of property for school district maintenance and operations taxes. The limitation on the local ad valorem property values did not commence until the valuations were made on January 1, 2017. April 9, 2014 thru December 31, 2016 tax years constituted the qualifying time period as defined in the Texas Tax Code paragraph 313.021(4). For the years 2017 through 2024 the appraised value of the qualified property for the District's maintenance and operations ad valorem tax shall not exceed the lesser of the Muenster Wind Farm, LLC's qualified investment or \$20,000,000. For each of the tax years 2017 through 2027, the District shall be entitled to receive as payments in-lieu of taxation an amount equal to forty percent (40%) of the net tax benefits received by the Muenster Wind Farm, LLC, for the tax year, plus the sum of all payments otherwise due from Muenster Wind Farm, LLC to the District that exceed the amount of maintenance and operations ad valorem taxes that Muenster Wind Farm, LLC would have paid to the District if the parties had not entered into this agreement.

The amount of this calculated payment from Tyler Bluff, LLC received by the District for the year ended June 30, 2023 was \$50,000. This payment consisted of no Article III Indemnity payments and \$50,000 payments for Article IV 40% payment in-lieu of taxes.

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(A) Project Value 2022	(B) Project's Value Limitation Amount 2022	(C) Amount of Applicant's M&O Taxes Paid 2022	(D) Amount of Applicant's M&O Taxes Reduced 2022	(E) Company Revenue Loss Payment to School District 2022	(F) Company Supplemental Payment to School District 2022	(G) Net Benefit (Loss) to the School District 2022 (E+F)
\$81,664,697	\$20,000,000	\$170,920	\$570,152	\$0	\$50,000	\$50,000

On December 18, 2019, Muenster Independent School District Board of Trustees entered into an agreement with Wildcat Creek Wind Farm, LLC, pursuant to Chapter 313 of the Texas Tax Code, for a limitation on the appraised value of property for school district maintenance and operations taxes. The limitation on the local ad valorem property values did not commence until the valuations were made on January 1, 2021. January 1, 2021 thru December 31, 2030 tax years constituted the qualifying time period as defined in the Texas Tax Code paragraph 313.021(4). For the years 2021 through 2030 the appraised value of the qualified property for the District's maintenance and operations ad valorem tax shall not exceed the lesser of the Wildcat Creek Wind Farm, LLC's qualified investment or \$30,000,000. For each of the tax years 2021 through 2030, the District shall be entitled to receive as payments in-lieu of taxation an amount equal to forty percent (40%) of the net tax benefits received by the Wildcat Creek Wind Farm, LLC, for the tax year, plus the sum of all payments otherwise due from Wildcat Creek Wind Farm, LLC to the District that exceed the amount of maintenance and operations ad valorem taxes that Wildcat Creek Wind Farm, LLC would have paid to the District if the parties had not entered into this agreement.

The amount of this calculated payment from Wildcat Creek Wind Farm, LLC received by the District for the year ended June 30, 2023 was \$189,266. This payment amount is shown below.

(A) Project Value 2022	(B) Project's Value Limitation Amount 2022	(C) Amount of Applicant's M&O Taxes Paid 2022	(D) Amount of Applicant's M&O Taxes Reduced 2022	(E) Company Revenue Loss Payment to School District 2022	(F) Company Supplemental Payment to School District 2022	(G) Net Benefit (Loss) to the School District 2022 (E + F)
\$66,461,538	\$30,000,000	\$256,380	\$337,123	\$90,694	\$98,572	\$189,266

The applications, the agreements, and state reporting requirement documentation can be viewed relative to the above agreements at the Texas Comptroller's website :

<https://www.comptroller.texas.gov/economy/local/ch313/agreements-docs.php>

If either entity fails to comply with terms of the agreement, Muenster Independent School District shall be entitled to recapture all of the ad valorem tax revenue lost as a result of this agreement together with penalty and interest.

Other commitments of the entities and Muenster Independent School District are disclosed in the documentation at Muenster Independent School District or the Texas Comptroller 's website.

MUNSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State Revenue	\$ -	\$ -	\$ 9,401	\$ 9,401
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,401</u>	<u>\$ 9,401</u>

NOTE 21. JOINT VENTURES-SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education services with the Cooke County Special Education Cooperative along with six other districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Valle View ISD, nor does the District have a net equity interest in the fiscal agent.

The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Muenster Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District contributed \$356,481 of local and state funds to the cooperative for the year ended June 30, 2023.

NOTE 22. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the TEA. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in five functional categories in the General Fund for the year ended June 30, 2023.

NOTE 23. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, GASB issued Statement No. 96 – Subscription-Based Information Technology Arrangements (“SBITA”). This statement increases the usefulness of governments’ financial statements by requiring recognition of certain right-to-use subscription assets and corresponding subscription liabilities for SBITAs that were previously recognized as outflows of resources based on the payment provisions of the contract. The statement is effective for fiscal years beginning after June 15, 2022.

Per review of the information technology arrangements identified by the District as potential SBITAs, the arrangements were determined to either not meet the definition of a SBITA, or were immaterial to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,784,509	\$ 5,591,098	\$ 5,556,402	\$ (34,696)
5800	State Program Revenues	1,857,850	1,857,850	1,887,251	29,401
5020	Total Revenues	6,642,359	7,448,948	7,443,653	(5,295)
EXPENDITURES:					
Current:					
0011	Instruction	3,433,795	3,231,085	3,188,645	42,440
0012	Instructional Resources and Media Services	128,740	128,740	126,192	2,548
0013	Curriculum and Instructional Staff Development	8,600	8,600	6,208	2,392
0023	School Leadership	262,425	262,425	268,466	(6,041)
0031	Guidance, Counseling, and Evaluation Services	163,360	163,360	94,731	68,629
0033	Health Services	90,410	90,410	89,629	781
0034	Student (Pupil) Transportation	213,675	218,675	228,009	(9,334)
0035	Food Services	6,800	6,800	9,463	(2,663)
0036	Extracurricular Activities	441,640	443,640	460,500	(16,860)
0041	General Administration	512,815	510,015	538,840	(28,825)
0051	Facilities Maintenance and Operations	782,820	891,820	824,929	66,891
0053	Data Processing Services	258,225	255,425	250,503	4,922
Debt Service:					
0071	Principal on Long-Term Liabilities	-	19,250	17,321	1,929
0072	Interest on Long-Term Liabilities	-	1,250	895	355
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	61,722	18,633	43,089
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	15,000	15,000	-	15,000
0093	Payments to Fiscal Agent/Member Districts of SSA	390,000	390,000	356,481	33,519
6030	Total Expenditures	6,708,305	6,698,217	6,479,445	218,772
1200	Net Change in Fund Balances	(65,946)	750,731	964,208	213,477
0100	Fund Balance - July 1 (Beginning)	3,881,436	3,881,436	3,881,436	-
3000	Fund Balance - June 30 (Ending)	\$ 3,815,490	\$ 4,632,167	\$ 4,845,644	\$ 213,477

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2023

	FY 2023 <u>Plan Year 2022</u>	FY 2022 <u>Plan Year 2021</u>	FY 2021 <u>Plan Year 2020</u>
District's Proportion of the Net Pension Liability (Asset)	0.002379268%	0.002323042%	0.002284667%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,412,510	\$ 591,597	\$ 1,223,621
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,019,947	1,359,155	2,873,695
Total	<u>\$ 4,432,457</u>	<u>\$ 1,950,752</u>	<u>\$ 4,097,316</u>
District's Covered Payroll	\$ 3,628,315	\$ 3,454,810	\$ 3,373,249
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	38.93%	17.12%	36.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.002493428%	0.002364796%	0.0021949%	0.002353102%	0.0023332%	0.0010851%
\$ 1,296,162	\$ 1,301,641	\$ 701,811	\$ 889,202	\$ 824,755	\$ 289,845
2,525,466	2,709,588	1,642,465	2,069,912	1,953,674	1,959,401
<u>\$ 3,821,628</u>	<u>\$ 4,011,229</u>	<u>\$ 2,344,276</u>	<u>\$ 2,959,114</u>	<u>\$ 2,778,429</u>	<u>\$ 2,249,246</u>
\$ 2,995,895	\$ 2,875,236	\$ 2,753,434	\$ 2,845,789	\$ 2,732,518	\$ 3,105,514
43.26%	45.27%	25.49%	31.25%	30.18%	9.34%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 124,461	\$ 111,596	\$ 97,858
Contribution in Relation to the Contractually Required Contribution	(124,461)	(111,596)	(97,858)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,885,484	\$ 3,592,842	\$ 3,442,004
Contributions as a Percentage of Covered Payroll	3.20%	3.11%	2.86%

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

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

2020	2019	2018	2017	2016	2015
\$ 92,827	\$ 87,549	\$ 78,332	\$ 72,391	\$ 74,421	\$ 61,415
(92,827)	(87,739)	(78,332)	(72,391)	(74,421)	(61,415)
\$ -	\$ (190)	\$ -	\$ -	\$ -	\$ -
\$ 3,325,045	\$ 2,964,004	\$ 2,865,384	\$ 2,760,925	\$ 2,836,300	\$ 2,766,689
2.79%	2.95%	2.73%	2.62%	2.62%	2.22%

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.004261446%	0.004260349%	0.004268292%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,020,361	\$ 1,643,407	\$ 1,622,570
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,244,680	2,201,799	2,180,346
Total	<u>\$ 2,265,041</u>	<u>\$ 3,845,206</u>	<u>\$ 3,802,916</u>
District's Covered Payroll	\$ 3,628,315	\$ 3,454,810	\$ 3,373,249
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	28.12%	47.57%	48.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

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

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

FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.004148096%		0.004161007%		0.004247154%	
\$	1,961,685	\$	2,077,629	\$	1,846,928
	2,606,641		2,554,266		2,247,537
\$	4,568,326	\$	4,631,895	\$	4,094,465
\$	2,995,895	\$	2,875,236	\$	2,753,434
	65.48%		72.26%		67.08%
	2.66%		1.57%		0.91%

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 32,427	\$ 35,635	\$ 33,023
Contribution in Relation to the Contractually Required Contribution	(32,427)	(35,635)	(33,023)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,885,484	\$ 3,592,842	\$ 3,422,004
Contributions as a Percentage of Covered Payroll	0.83%	0.99%	0.97%

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

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

2020		2019		2018	
\$	32,028	\$	29,222	\$	27,651
	(32,028)		(29,222)		(27,651)
\$	-	\$	-	\$	-
\$	3,325,045	\$	2,964,004	\$	2,865,384
	0.96%		0.99%		0.97%

MUENSTER INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

- The discount rate changed from 7.25 percent as of August 31, 2021 to 7.00 percent as of August 31, 2022. This change increased the total pension liability.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

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

COMBINING SCHEDULES

MUNSTER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
ASSETS				
1110	Cash and Cash Equivalents	\$ (33,602)	\$ 104,181	\$ (20,362)
1240	Due from Other Governments	33,602	-	20,362
1000	Total Assets	<u>\$ -</u>	<u>\$ 104,181</u>	<u>\$ -</u>
LIABILITIES				
2160	Accrued Wages Payable	\$ -	\$ 16,806	\$ -
2000	Total Liabilities	<u>-</u>	<u>16,806</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	87,375	-
3470	Capital Acquisition and Contractual Obligation	-	-	-
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>87,375</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 104,181</u>	<u>\$ -</u>

270 ESEA V, B,2 Rural & Low Income	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Title IV Part A Student Supp.	410 State Instructional Materials	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ (20,899)	\$ (64,606)	\$ (10,000)	\$ -	\$ 45,629	\$ 341
-	-	20,899	64,606	10,000	-	-	149,469
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,629</u>	<u>\$ 149,810</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,806
-	-	-	-	-	-	-	16,806
-	-	-	-	-	-	-	87,375
-	-	-	-	-	-	-	-
-	-	-	-	-	-	45,629	45,629
-	-	-	-	-	-	45,629	133,004
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,629</u>	<u>\$ 149,810</u>

MUNSTER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data Control Codes		616 Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ 280,925	\$ 281,266
1240	Due from Other Governments	-	149,469
1000	Total Assets	<u>\$ 280,925</u>	<u>\$ 430,735</u>
LIABILITIES			
2160	Accrued Wages Payable	\$ -	\$ 16,806
2000	Total Liabilities	<u>-</u>	<u>16,806</u>
FUND BALANCES			
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	87,375
3470	Capital Acquisition and Contractual Obligation	280,925	280,925
Assigned Fund Balance:			
3590	Other Assigned Fund Balance	-	45,629
3000	Total Fund Balances	<u>280,925</u>	<u>413,929</u>
4000	Total Liabilities and Fund Balances	<u>\$ 280,925</u>	<u>\$ 430,735</u>

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MUNSTER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ 155,325	\$ -
5800	State Program Revenues	-	1,425	-
5900	Federal Program Revenues	33,602	119,673	20,362
5020	Total Revenues	33,602	276,423	20,362
EXPENDITURES:				
Current:				
0011	Instruction	33,602	-	20,362
0031	Guidance, Counseling, and Evaluation Services	-	-	-
0035	Food Services	-	277,560	-
0036	Extracurricular Activities	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	33,602	277,560	20,362
1200	Net Change in Fund Balance	-	(1,137)	-
0100	Fund Balance - July 1 (Beginning)	-	88,512	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ 87,375	\$ -

270 ESEA V, B,2 Rural & Low Income	279 ESSER III TCLAS ARP Act	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Title IV Part A Student Supp.	410 State Instructional Materials	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,284	\$ 178,609
-	-	-	-	-	44,818	-	46,243
46,212	8,000	10,365	137,293	10,000	-	-	385,507
46,212	8,000	10,365	137,293	10,000	44,818	23,284	610,359
-	8,000	10,365	89,382	10,000	44,818	2,806	219,335
-	-	-	47,911	-	-	-	47,911
-	-	-	-	-	-	-	277,560
-	-	-	-	-	-	8,002	8,002
46,212	-	-	-	-	-	-	46,212
-	-	-	-	-	-	-	-
46,212	8,000	10,365	137,293	10,000	44,818	10,808	599,020
-	-	-	-	-	-	12,476	11,339
-	-	-	-	-	-	33,153	121,665
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,629	\$ 133,004

MUNSTER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	616 Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 9,432	\$ 188,041
5800 State Program Revenues	-	46,243
5900 Federal Program Revenues	-	385,507
5020 Total Revenues	<u>9,432</u>	<u>619,791</u>
EXPENDITURES:		
Current:		
0011 Instruction	66,828	286,163
0031 Guidance, Counseling, and Evaluation Services	-	47,911
0035 Food Services	-	277,560
0036 Extracurricular Activities	-	8,002
0051 Facilities Maintenance and Operations	-	46,212
Capital Outlay:		
0081 Facilities Acquisition and Construction	<u>52,743</u>	<u>52,743</u>
6030 Total Expenditures	<u>119,571</u>	<u>718,591</u>
1200 Net Change in Fund Balance	(110,139)	(98,800)
0100 Fund Balance - July 1 (Beginning)	<u>391,064</u>	<u>512,729</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 280,925</u>	<u>\$ 413,929</u>

REQUIRED T.E.A. SCHEDULES

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2023

Last 10 Years	(1)	(2)	(3)	
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	
	Maintenance	Debt Service		
2014 and prior years	Various	Various	\$	Various
2015	1.040000	0.300000		358,150,896
2016	1.040000	0.360000		326,127,429
2017	1.040000	0.415400		281,051,532
2018	1.040000	0.355400		350,368,854
2019	1.040000	0.355400		390,246,524
2020	0.970000	0.350000		412,651,515
2021	0.966400	0.360000		411,862,239
2022	0.872000	0.310000		478,240,271
2023 (School year under audit)	0.924600	0.250000		568,634,855
1000 TOTALS				
8000 Total Taxes Refunded Under Section 26.115, Tax Code				

(10) Beginning Balance 7/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2023
\$ 36,618	\$ -	\$ 113	\$ 17	\$ (386)	\$ 36,102
2,708	-	23	7	3	2,681
6,038	-	17	6	(69)	5,946
6,260	-	9	3	(91)	6,157
7,174	-	9	3	(93)	7,069
8,342	-	489	167	(128)	7,558
10,973	-	1,776	641	(547)	8,009
49,246	-	8,628	3,214	(469)	36,935
76,894	-	19,554	6,951	(10,858)	39,531
-	6,653,487	4,768,482	1,785,531	(11,019)	88,455
<u>\$ 204,251</u>	<u>\$ 6,653,487</u>	<u>\$ 4,799,100</u>	<u>\$ 1,796,540</u>	<u>\$ (23,657)</u>	<u>\$ 238,441</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 85,150	\$ 155,045	\$ 155,325	\$ 280
5800	State Program Revenues	1,100	1,425	1,425	-
5900	Federal Program Revenues	76,500	133,165	119,673	(13,492)
5020	Total Revenues	162,750	289,635	276,423	(13,212)
EXPENDITURES:					
Current:					
0035	Food Services	222,390	280,440	277,560	2,880
6030	Total Expenditures	222,390	280,440	277,560	2,880
1200	Net Change in Fund Balances	(59,640)	9,195	(1,137)	(10,332)
0100	Fund Balance - July 1 (Beginning)	88,512	88,512	88,512	-
3000	Fund Balance - June 30 (Ending)	\$ 28,872	\$ 97,707	\$ 87,375	\$ (10,332)

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,252,713	\$ 1,602,288	\$ 1,635,226	\$ 32,938
5800 State Program Revenues	-	-	44,159	44,159
5020 Total Revenues	1,252,713	1,602,288	1,679,385	77,097
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	920,000	920,000	920,000	-
0072 Interest on Long-Term Liabilities	580,094	580,094	580,094	-
0073 Bond Issuance Cost and Fees	1,000	1,000	1,000	-
6030 Total Expenditures	1,501,094	1,501,094	1,501,094	-
1200 Net Change in Fund Balances	(248,381)	101,194	178,291	77,097
0100 Fund Balance - July 1 (Beginning)	1,858,821	1,858,821	1,858,821	-
3000 Fund Balance - June 30 (Ending)	\$ 1,610,440	\$ 1,960,015	\$ 2,037,112	\$ 77,097

MUNSTER INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$175,945
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$127,564

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$3,475
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$1,196

COMPLIANCE AND INTERNAL
CONTROLS SECTION

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

To the Board of Trustees
Muenster Independent School District
Muenster, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Muenster Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Muenster Independent School District's basic financial statements, and have issued our report dated November 3, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-1 and 2023-2.

Muenster Independent School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Muenster Independent School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Muenster Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

November 3, 2023

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of the Auditor's Results:

- The type of report issued on the financial statements of the Munster Independent School District was an unmodified opinion.
- With respect to internal control over financial reporting we identified no material weaknesses and we reported no significant deficiencies.
- We noted no noncompliance material to the financial statements.
- With respect to internal control over major federal programs we identified no material weaknesses and we reported no significant deficiencies.
- We disclosed no audit findings which the auditor is required to report in accordance with 2 CFR 200.516(a).

- **Financial statements Findings:**

Finding 2023-1

Criteria

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Condition

The District's expenditures exceeded the final amended budget for the year in five functional categories as per Exhibit G-1.

Effect

The District's expenditures exceeded the final amended budgets in five functional categories as stated above without board approval.

Cause

The District went over budget in five functional categories primarily due to year-end adjustments.

Recommendation

The budget should be amended as required in advance of funds spent for all functional level categories each year including potential year-end adjustments.

Finding 2023-2

Criteria

The Texas Public Funds Investment Act (the Act) requires the District's depository bank to pledge securities or letters of credit to the District to fully secure any bank balances that exceed the FDIC deposit insurance coverage on District bank balances. When certain types of securities are pledged, the Act requires that the value of the pledged collateral must equal 110% of uninsured deposits.

Condition

During the year ended June 30, 2023, there were 12 days on which the amount of collateral pledged by the depository bank was less than the District's uninsured deposits.

Questioned Costs

None

MUNSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of the Auditor's Results: (Continued)

Finding 2023-2-continued

Cause

The District monitors the level of deposits and pledge securities on a regular basis. Several large deposits were received from TEA and other sources. This caused the deposit balance to increase above normal levels.

Effect

Pledged collateral was less than the amount required by the Act on 12 days during the fiscal year.

Recommendation

The District needs to develop procedures so the bank increases pledged collateral when needed to cover large deposits.

Federal Award Findings and Questioned Costs

There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2023.

MUENSTER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

FINDING/NONCOMPLIANCE

2022-1

Expenditures in Excess of Budget

Observation – The District expenditures exceeded the final budget in several functional categories for the year.

The District again exceeded the final amended budget. The District will continue to monitor expenditures and anticipate year-end adjustments in order to ensure that expenditures do not exceed the board-approved budget.

MUNSTER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023

<u>Finding Number</u>	<u>Contact Person</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date Corrected</u>
2022-1	Scott Bicknell Superintendent	The District will continue to monitor the budget closely and approve required amendments, anticipating year-end adjustments in advance of funds being spent.	2023-2024 Fiscal Year
2023-2	Scott Bicknell Superintendent	The District will develop procedures to communicate with its depository bank when additional collateral is needed to cover District deposits.	December 1, 2023