

Agenda of Board Workshop/Regular Meeting

The Board of Trustees Mineral Wells Independent School District

A Board Workshop/Regular Meeting of the Board of Trustees of Mineral Wells Independent School District will be held Wednesday, January 22, 2025, beginning at 12:00 PM in the District Services Complex | Board Room.

The subjects to be discussed or considered or upon which any formal action may be taken are listed below. Items do not have to be taken in the same order as shown on this meeting notice. Unless removed from the consent agenda, items identified within the consent agenda will be acted on at one time.

1. **Call to Order/Establish Quorum**
2. **Closed Session - Texas Government Code 551.074, Texas Government Code 551.076, Texas Government Code 551.082 and Texas Government Code 551.072**
 - A. Texas Government Code 551.074
 - 1) Employment/Appointment/Reassignment/Evaluation/Compensation/Duties of Personnel
 - 2) Renewal/Nonrenewal/Assignment/Reassignment/Probationary Status/Return to Probationary Status/Continuing Status of District Personnel
 - B. Texas Government Code 551.076
 - 1) Security - Personnel, Devices, Audits
 - C. Texas Government Code 551.082
 - 1) Student Discipline
3. **Public Comment**
4. **Discuss, Consider, and Take Any Necessary Action Regarding the 2023-2024 Audit Report, Snow Garrett Williams, Certified Public Accountants** **3**
Presenter: Paul Hearn, Chief Financial Officer
5. **Discuss, Consider, and Take Any Necessary Action Regarding Selection of Audit Firm for 2024-2025** **89**
Presenter: Paul Hearn, Chief Financial Officer
6. **Discuss, Consider, and Take Any Necessary Action Regarding the Superintendent Contract**
Presenter: David Tarver, Superintendent
7. **Discuss, Consider, and Take Any Necessary Action Regarding the Tax Increment Reinvestment Zone #1 Bill for the 2024-2025 MWISD Budget Year**

Presenter: David Tarver, Superintendent

8. **Action Item:** Vote on Closed Session Items

9. **Action Item:** Adjournment

MINERAL WELLS
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2024

Mineral Wells Independent School District
Annual Financial Report
For The Year Ended August 31, 2024

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	A-1
Statement of Activities.....	13	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	16	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	19	C-3
Statement of Net Position - Internal Service Fund.....	20	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	21	D-2
Statement of Cash Flows - Proprietary Funds.....	22	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	23	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	24	E-2
Notes to the Financial Statements	25	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	50	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas.....	52	G-2
Schedule of The District's Pension Contributions-Teacher Retirement System Of Texas	53	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - Teacher Retirement System of Texas.....	54	G-4
Schedule of the District's OPEB Contributions - Teacher Retirement System of Texas..	55	G-5
Notes to Required Supplementary Information.....	56	

Mineral Wells Independent School District
 Annual Financial Report
 For The Year Ended August 31, 2024

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	57	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency.....		
National School Breakfast and Lunch Program.....	59	J-2
Debt Service Funds.....	60	J-3
Use of Funds Report - Select State Allotment Program	61	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	64	
Schedule of Findings and Questioned Costs	67	
Corrective Action Plan.....	68	
Schedule of Expenditures of Federal Awards	69	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	71	
Schedule of Required Responses to Selected School First Indicators.....	72	K-2

Introductory Section

CERTIFICATE OF BOARD

Mineral Wells Independent School District
Name of School District


Palo Pinto
County

182-903
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 August 31, 2024, at a meeting of the board of trustees of such school district on the 22nd day of January, 2025.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Mineral Wells Independent School District
906 S.W. 5th Avenue
Mineral Wells, Texas 76067

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mineral Wells Independent School District ("the District"), as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Mineral Wells Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mineral Wells Independent School District as of August 31, 2024, 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 Financial Statements section of our report. We are required to be independent of Mineral Wells 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.

Emphasis of Matter

As described in Note A to the financial statements, in Fiscal Year 2025, Mineral Wells Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections*. Our opinion is not modified with respect to this matter.

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 Mineral Wells 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of the District's pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of the District's OPEB contributions 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 Mineral Wells Independent School District's basic financial statements. The accompanying financial information listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles; and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2025 on our consideration of Mineral Wells Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mineral Wells 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 Mineral Wells Independent School District's internal control over financial reporting and compliance.



Snow Garrett Williams
January 21, 2025

Management's Discussion and Analysis (Unaudited)

As management of 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 August 31, 2024. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent period by \$6,069,756 (*net position*). Of this amount, negative \$11,899,797 is *unrestricted net position*.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$12,990,569. Approximately 84% of this total amount, \$10,852,893, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,852,893, or 28% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no component units for which it is financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

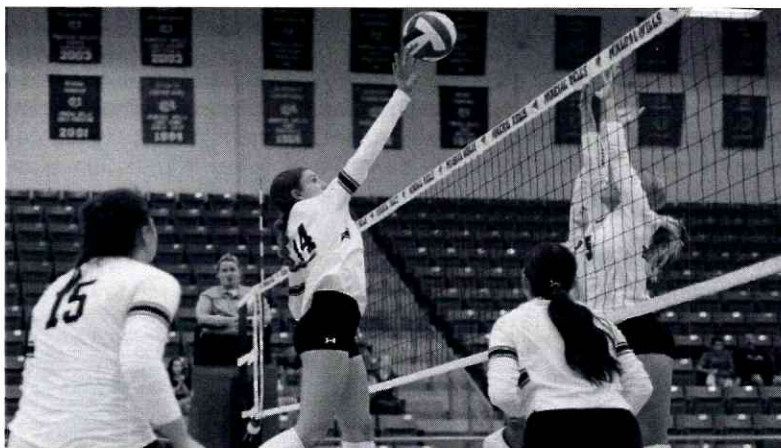
- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-19 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District has no *business-type activities* or *enterprise funds* that operate similar to a private business. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for the dental benefits plan. The basic proprietary fund financial statements can be found on pages 20-22 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate financial statements that can be found on pages 23-24.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-49 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 50-56 of this report.



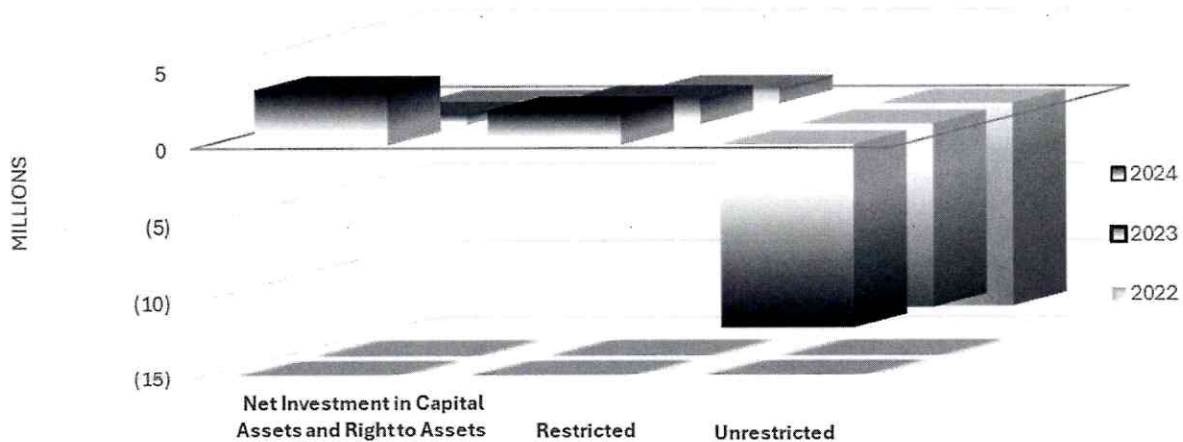
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental type liabilities exceeded assets by \$6,069,756 as of August 31, 2024.

The District's Net Position-Governmental Activities

	August 31, 2024	August 31, 2023
Current assets	\$ 17,389,805	\$ 16,072,217
Capital assets and right to use assets	42,830,307	42,575,480
Total assets	<u>60,220,112</u>	<u>58,647,697</u>
Deferred outflows of resources		
Deferred loss on refunding	631,526	664,764
Deferred outflow related to pensions	6,642,082	6,975,812
Deferred outflow related to OPEB	3,901,494	4,731,044
Total deferred outflows of resources	<u>11,175,102</u>	<u>12,371,620</u>
Current liabilities	3,118,532	2,919,701
Long-term liabilities outstanding	63,311,036	65,566,856
total liabilities	<u>66,429,568</u>	<u>68,486,557</u>
Deferred inflows of resources		
Deferred inflow related to pensions	751,103	965,539
Deferred inflow related to OPEB	10,284,299	11,286,875
Total deferred inflows of resources	<u>11,035,402</u>	<u>12,252,414</u>
Net position		
Net investment in capital assets	3,594,609	582,583
Restricted	2,235,432	1,627,807
Unrestricted	(11,899,797)	(11,930,043)
Total net position	<u>\$ (6,069,756)</u>	<u>\$ (9,719,653)</u>

Net Position as of 8/31/24

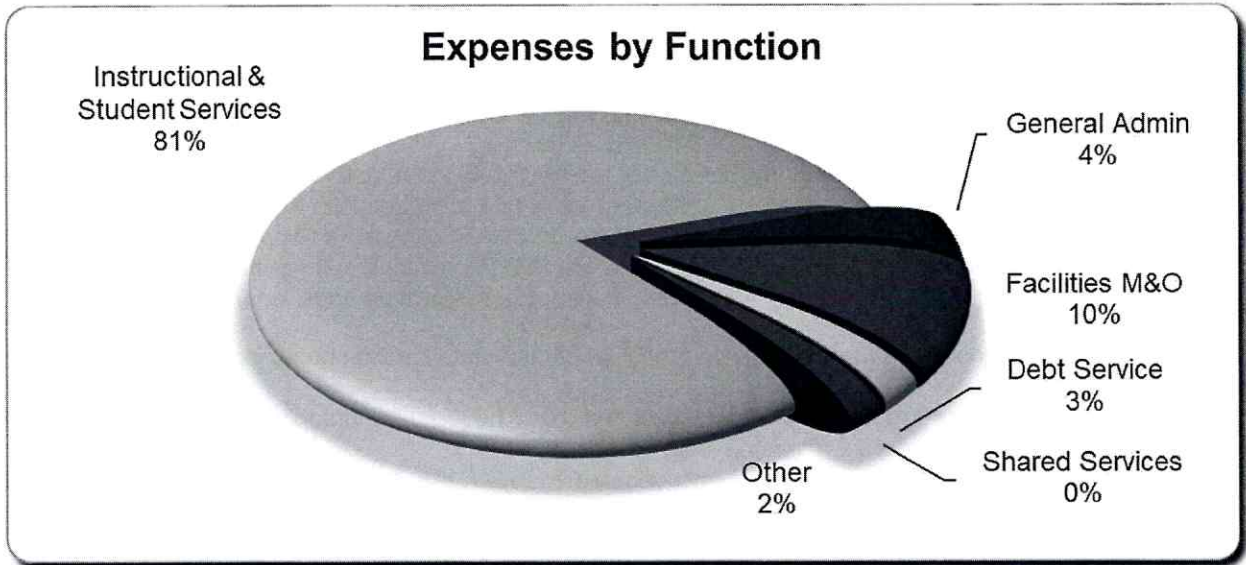


Net investment in capital asset (e.g., land, buildings and improvements, furniture and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding is \$3,594,609. The District uses these capital assets and right to use assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets and right to use assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$2,235,432, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is negative \$11,899,797. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are in excess of currently available resources.

Governmental activities. The District's total net position increased \$3,649,897. The total cost of all *governmental activities* this year was \$46,659,486. The amount that our taxpayers paid for these activities through property taxes was \$ 13,866,812 or 30%.

Changes in the District's Net Position

	Fiscal Year August 31, 2024	Fiscal Year August 31, 2023
Revenues:		
Program revenues		
Charges for services	\$ 276,066	\$ 259,528
Operating grants and contributions	9,035,951	10,456,754
General revenues		
Property taxes	13,866,812	16,218,096
State grants	23,796,695	20,887,467
Other	3,333,859	(1,103,742)
Total revenues	50,309,383	46,718,103
Expenses:		
Instruction	25,317,189	24,179,992
Instructional resources and media services	1,761,725	1,678,667
Curriculum and staff development	436,641	424,967
Instructional leadership	361,639	328,362
School leadership	2,713,174	2,391,056
Guidance, counseling & evaluation services	1,418,800	1,154,580
Health services	389,352	379,658
Student transportation	1,257,176	1,190,865
Food service	2,503,907	2,418,991
Cocurricular/extracurricular activities	1,606,297	1,680,258
General administration	1,953,310	1,869,197
Facilities maintenance and operations	4,840,803	4,395,285
Security and monitoring services	(37,020)	104,768
Data processing	239,391	222,619
Community services	18,077	11,314
Interest on long-term debt	1,079,747	1,009,617
Bond issuance costs and fees	44,013	47,288
Capital outlay	219,159	-
Payments related to shared service arrangements	84,400	102,200
Payments to tax increment fund	451,706	232,801
Total expenses	46,659,486	43,822,485
Increase (decrease) in net position	3,649,897	2,895,618
Beginning net position	(9,719,653)	(12,614,993)
Prior period adjustment	-	(278)
Ending net position	\$ (6,069,756)	\$ (9,719,653)



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$12,990,569, an increase of \$1,154,015. Approximately 84% of this total amount (\$10,852,893) constitutes *unassigned fund balance*. The remainder of fund balance is *nonspendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been designated as (1) *restricted* to pay debt service (\$1,818,211), and (2) federal/state grant restrictions (\$208,098), and *committed* for other of (\$111,367).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,852,893. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. All fund balance in the general fund is unassigned and represents 28% of the total general fund expenditures.

The fund balance of the District's general fund increased \$533,235 during the current fiscal year. Key factors in this increase were:

- Strict monitoring of budgeted expenditures

The debt service fund has a total fund balance of \$1,818,211, all of which is restricted for the retirement of long-term debt. The net increase in fund balance during the period in the debt service fund was \$566,800 primarily due to lower than anticipated bond issuance costs.

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for the internal service fund at August 31, 2024 amounted to \$525,450. The total increase in net position was \$26,834.

General Fund Budgetary Highlights

Over the course of the year, the District recommended, and the Board approved several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Local Revenue was increased by \$2,150,629 mainly due to storm damage insurance proceeds
- State Revenue was decreased by \$1,589,634 mainly due to decrease in foundation fund revenue
- Federal Revenue was increased by \$662,624 due to SHARS revenue coding change
- Other Sources was decreased by \$726,081 due to SHARS revenue coding change
- Expenditures were increased by \$1,189,503 mainly due to storm damage repairs

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by \$1,097,902, primarily related to higher than anticipated state program revenues; and,
- Actual expenditures were lower than budgeted by \$127,298, primarily due to reductions in debt service, capital outlay, and instructional resources offset by increases in instruction services.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2024, amounts to \$ \$42,830,307 (net of accumulated depreciation / amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, infrastructure, and right to use assets.

Major capital asset events during the year included a panic alert system, football stadium lighting, junior high parking lot improvements, and the purchase of two buses.

District's Capital Assets (Net of Depreciation/Amortization)

	August 31, 2024	August 31, 2023
Land	\$ 433,899	\$ 433,899
Construction in progress	2,228,059	-
Buildings and improvements	36,041,993	38,022,840
Furniture and equipment	3,899,397	3,773,740
Infrastructure	1,700	4,251
Right to use assets	225,259	340,750
Total	<u>\$ 42,830,307</u>	<u>\$ 42,575,480</u>

Additional information on the District's capital assets can be found in Note D on page 33 of this report.



The District's bonds are rated "Aaa" by virtue of the guarantee of the Permanent School Fund of the State of Texas. The uninsured tax supported debt of the District is rated "A1" by Moody's.

Long-term debt. As of August 31, 2024, the District had total general obligation bonded debt outstanding of \$38,883,658, a decrease of \$2,535,097 over the prior year. Premiums on bonds decreased \$131,572, resulting in an ending balance of \$755,349. Accumulated accretion on CABs had an ending balance of \$1,837,252, a decrease of \$219,610 from the prior year. Principle paid on the District's note outstanding was \$9,393, resulting in an ending balance of \$0. Lease liabilities had an ending balance of \$217,667, a decrease of \$104,146. SBITA liability had an ending balance of \$10,550, a decrease of \$10,230 from the prior year.

The net pension liability for fiscal year 2024 had an ending balance of \$15,303,863, an increase of \$1,768,826 from the prior year. And finally, the net OPEB liability for fiscal year 2024 had an ending balance of \$6,302,697, derived from GASB 75 and a decrease of \$1,014,598 from the prior year.

Additional information on the District's long-term debt can be found in Note F on pages 34-35 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District's student attendance rate remains stable from last year.
- The District's enrollment increased by less than 1% in 2023-2024. Enrollment for the 2024-2025 school year is expected to increase.
- The District's taxable valuation has increased by 9% for 2024-2025. The increase in valuation is due to overall growth.
- The District has appropriated revenues and expenditures in the 2024-2025 budgets of \$36,792,899 and \$36,826,691, respectively in its general fund.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office, Mineral Wells I.S.D., 906 S.W. 5th Avenue, Mineral Wells, Texas 76067.



Basic Financial Statements

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2024

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 5,174,325
1120	Current Investments	5,683,777
1225	Property Taxes Receivable (Net)	827,870
1240	Due from Other Governments	4,856,388
1290	Other Receivables (Net)	810,372
1300	Inventories	37,073
	Capital Assets:	
1510	Land	433,899
1520	Buildings and Improvements (Net)	36,041,993
1530	Furniture and Equipment (Net)	3,899,397
1550	Right to Use Assets (Net)	225,259
1580	Construction in Progress	2,228,059
1590	Infrastructure (Net)	1,700
1000	Total Assets	<u>60,220,112</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Loss on Refunding	631,526
	Deferred Outflow Related to Pensions	6,642,082
	Deferred Outflow Related to OPEB	3,901,494
1700	Total Deferred Outflows of Resources	<u>11,175,102</u>
LIABILITIES:		
2110	Accounts Payable	695,741
2140	Interest Payable	72,616
2165	Accrued Liabilities	2,201,555
2300	Unearned Revenue	148,620
	Noncurrent Liabilities:	
2501	Due Within One Year	2,100,746
2502	Due in More Than One Year	39,603,730
2540	Net Pension Liability	15,303,863
2545	Net OPEB Liability	6,302,697
2000	Total Liabilities	<u>66,429,568</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions	751,103
	Deferred Inflow Related to OPEB	10,284,299
2600	Total Deferred Inflows of Resources	<u>11,035,402</u>
NET POSITION:		
3200	Net Investment in Capital Assets	3,594,609
	Restricted For:	
3820	Federal and State Programs	208,098
3850	Debt Service	2,027,334
3900	Unrestricted	(11,899,797)
3000	Total Net Position	<u>\$ (6,069,756)</u>

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 25,317,189	\$ 20,923	\$ 3,792,266	\$ (21,504,000)	
12	Instructional Resources and Media Services	1,761,725	3,185	1,061,898	(696,642)	
13	Curriculum and Staff Development	436,641	200	32,116	(404,325)	
21	Instructional Leadership	361,639	158	27,082	(334,399)	
23	School Leadership	2,713,174	4,451	(27,851)	(2,736,574)	
31	Guidance, Counseling, and Evaluation Services	1,418,800	390	638,622	(779,788)	
33	Health Services	389,352	190	(13,948)	(403,110)	
34	Student Transportation	1,257,176	661	(33,738)	(1,290,253)	
35	Food Service	2,503,907	78,618	2,295,306	(129,983)	
36	Cocurricular/Extracurricular Activities	1,606,297	162,758	4,235	(1,439,304)	
41	General Administration	1,953,310	945	6,864	(1,945,501)	
51	Facilities Maintenance and Operations	4,840,803	3,178	217,743	(4,619,882)	
52	Security and Monitoring Services	(37,020)	61	36,915	73,996	
53	Data Processing Services	239,391	116	(6,762)	(246,037)	
61	Community Services	18,077	--	16,701	(1,376)	
72	Interest on Long-term Debt	1,079,747	--	658,284	(421,463)	
73	Bond Issuance Costs and Fees	44,013	--	--	(44,013)	
81	Capital Outlay	219,159	232	245,834	26,907	
93	Payments Related to Shared Services Arrangements	84,400	--	84,384	(16)	
97	Payments to Tax Increment Fund	451,706	--	--	(451,706)	
TG	Total Governmental Activities	<u>46,659,486</u>	<u>276,066</u>	<u>9,035,951</u>	<u>(37,347,469)</u>	
TP	Total Primary Government	<u>\$ 46,659,486</u>	<u>\$ 276,066</u>	<u>\$ 9,035,951</u>	<u>(37,347,469)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				10,104,802	
DT	Property Taxes, Levied for Debt Service				3,762,010	
IE	Investment Earnings				716,861	
SF	State Aid-Formula Grants				23,796,695	
MI	Miscellaneous				2,616,998	
TR	Total General Revenues				<u>40,997,366</u>	
CN	Change in Net Position				3,649,897	
NB	Net Position - Beginning				(9,719,653)	
NE	Net Position - Ending				<u>\$ (6,069,756)</u>	

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2024

Data Control Codes	10 General Fund	State Funded Special Revenue Fund	
ASSETS:			
1110	Cash and Cash Equivalents	\$ 3,691,181	\$ --
1120	Current Investments	3,921,344	--
1225	Taxes Receivable	962,761	--
1230	Allowance for Uncollectible Taxes (Credit)	(344,014)	--
1240	Due from Other Governments	3,276,615	876,224
1260	Due from Other Funds	1,658,956	--
1290	Other Receivables	810,372	--
1300	Inventories	--	--
1000	Total Assets	<u>\$ 13,977,215</u>	<u>\$ 876,224</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 587,378	\$ 24,521
2150	Payroll Deductions and Withholdings	10,870	--
2160	Accrued Wages Payable	1,907,327	--
2170	Due to Other Funds	--	850,870
2300	Unearned Revenue	--	--
2000	Total Liabilities	<u>2,505,575</u>	<u>875,391</u>
DEFERRED INFLOWS OF RESOURCES:			
	Property Taxes	618,747	--
2600	Total Deferred Inflows of Resources	<u>618,747</u>	<u>--</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	833
3480	Retirement of Long-Term Debt	--	--
Committed Fund Balances:			
3545	Other Committed Fund Balance	--	--
3600	Unassigned	10,852,893	--
3000	Total Fund Balances	<u>10,852,893</u>	<u>833</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 13,977,215</u>	<u>\$ 876,224</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 585,336	\$ 895,923	\$ 5,172,440
1,238,425	4	5,159,773
321,684	--	1,284,445
(112,561)	--	(456,575)
5,255	698,294	4,856,388
--	233,214	1,892,170
--	--	810,372
--	37,073	37,073
<u>\$ 2,038,139</u>	<u>\$ 1,864,508</u>	<u>\$ 18,756,086</u>
\$ --	\$ 83,842	\$ 695,741
--	--	10,870
--	283,358	2,190,685
--	1,040,861	1,891,731
10,805	137,815	148,620
<u>10,805</u>	<u>1,545,876</u>	<u>4,937,647</u>
209,123	--	827,870
<u>209,123</u>	<u>--</u>	<u>827,870</u>
--	207,265	208,098
1,818,211	--	1,818,211
--	111,367	111,367
--	--	10,852,893
<u>1,818,211</u>	<u>318,632</u>	<u>12,990,569</u>
<u>\$ 2,038,139</u>	<u>\$ 1,864,508</u>	<u>\$ 18,756,086</u>

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2024

Total fund balances - governmental funds balance sheet	\$ 12,990,569
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	827,870
Capital assets used in governmental activities are not reported in the funds.	42,830,307
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	525,450
Deferred Resource Outflows related to the pension plan are not reported in the funds.	6,642,082
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	3,901,494
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(15,303,863)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(6,302,697)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(751,103)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(10,284,299)
Deferred loss on refunding bonds is not reported in the funds.	631,526
Payables for bond principal which are not due in the current period are not reported in the funds.	(38,883,658)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(217,667)
Payables for bond interest which are not due in the current period are not reported in the funds.	(72,616)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,837,252)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(755,349)
Payables for right-to-use SBITAs which are not due in the current period are not reported in the funds.	<u>(10,550)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ (6,069,756)</u>

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	10	General Fund	State Funded Special Revenue Fund
REVENUES:			
5700	Local and Intermediate Sources	\$ 13,444,410	\$ --
5800	State Program Revenues	25,504,442	972,255
5900	Federal Program Revenues	510,992	--
5020	Total Revenues	<u>39,459,844</u>	<u>972,255</u>
EXPENDITURES:			
Current:			
0011	Instruction	20,893,286	3,887
0012	Instructional Resources and Media Services	1,492,472	710,152
0013	Curriculum and Staff Development	385,951	--
0021	Instructional Leadership	305,191	--
0023	School Leadership	2,549,134	--
0031	Guidance, Counseling, and Evaluation Services	754,863	--
0033	Health Services	368,892	--
0034	Student Transportation	1,283,885	--
0035	Food Service	21,284	--
0036	Cocurricular/Extracurricular Activities	1,503,458	--
0041	General Administration	1,833,065	--
0051	Facilities Maintenance and Operations	6,169,286	--
0052	Security and Monitoring Services	116,379	38,224
0053	Data Processing Services	226,379	--
0061	Community Services	--	--
0071	Principal on Long-term Debt	123,769	--
0072	Interest on Long-term Debt	5,007	--
0073	Bond Issuance Costs and Fees	--	--
0081	Capital Outlay	451,803	219,159
0093	Payments to Shared Service Arrangements	--	--
0097	Payments to Tax Increment Fund	451,706	--
6030	Total Expenditures	<u>38,935,810</u>	<u>971,422</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>524,034</u>	<u>833</u>
Other Financing Sources and (Uses):			
7912	Sale of Real or Personal Property	9,201	--
7080	Total Other Financing Sources and (Uses)	<u>9,201</u>	<u>--</u>
1200	Net Change in Fund Balances	533,235	833
0100	Fund Balances - Beginning	10,319,658	--
	Change within the financial reporting entity (nonmajor to major fund)	--	--
	Fund Balances - Beginning as Restated	<u>10,319,658</u>	<u>--</u>
3000	Fund Balances - Ending	<u>\$ 10,852,893</u>	<u>\$ 833</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 3,882,006	\$ 185,686	\$ 17,512,102
658,284	446,714	27,581,695
--	5,666,296	6,177,288
<u>4,540,290</u>	<u>6,298,696</u>	<u>51,271,085</u>
--	2,953,092	23,850,265
--	298,901	2,501,525
--	21,449	407,400
--	36,037	341,228
--	5,487	2,554,621
--	550,104	1,304,967
--	--	368,892
--	--	1,283,885
--	2,279,326	2,300,610
--	--	1,503,458
--	--	1,833,065
--	--	6,169,286
--	--	154,603
--	--	226,379
--	16,753	16,753
2,535,097	--	2,658,866
1,427,618	--	1,432,627
10,775	--	10,775
--	--	670,962
--	84,400	84,400
--	--	451,706
<u>3,973,490</u>	<u>6,245,549</u>	<u>50,126,271</u>
<u>566,800</u>	<u>53,147</u>	<u>1,144,814</u>
--	--	9,201
--	--	9,201
<u>566,800</u>	<u>53,147</u>	<u>1,154,015</u>
--	1,516,896	11,836,554
1,251,411	(1,251,411)	--
<u>1,251,411</u>	<u>265,485</u>	<u>11,836,554</u>
<u>\$ 1,818,211</u>	<u>\$ 318,632</u>	<u>\$ 12,990,569</u>

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2024

Net change in fund balances - total governmental funds	\$ 1,154,015
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(63,788)
Capital outlays are not reported as expenses in the SOA.	3,918,394
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,655,956)
The gain or loss on the sale of capital assets is not reported in the funds.	1,589
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(9,201)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows.	
These pension contributions made after the measurement date of the plan increased ending net position.	1,143,356
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to net pension liability.	(1,150,336)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is a decrease in net position.	(1,881,140)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows.	
These OPEB contributions made after the measurement date of the plan increased net position.	237,095
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(248,115)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is an increase in net position.	1,198,644
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,535,097
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	104,146
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	9,393
(Increase) decrease in accrued interest on bonds from beginning of period to end of period.	1,696
The accretion of interest on capital appreciation bonds is not reported in the funds.	219,610
Deferred gain on refunding bonds is amortized in the SOA but not in the funds.	(33,238)
Premiums on bonds are amortized in the SOA but not in the funds.	131,572
Repayment of SBITA principal is an expenditure in the funds but is not an expense in the SOA.	10,230
The net revenue of internal service funds is reported with governmental activities.	<u>26,834</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,649,897</u>

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 INTERNAL SERVICE FUND
 AUGUST 31, 2024

Data Control Codes	Nonmajor Internal Service Fund	Insurance Fund
ASSETS:		
Current Assets:		
1110 Cash and Cash Equivalents	\$ 1,885	
1120 Investments	524,004	
Total Current Assets	525,889	
1000 Total Assets	525,889	
 LIABILITIES:		
Current Liabilities:		
2170 Due to Other Funds		439
Total Current Liabilities		439
2000 Total Liabilities		439
 NET POSITION:		
3900 Unrestricted		525,450
3000 Total Net Position	\$ 525,450	

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	Local and Intermediate Sources	\$ 26,834
5020	Total Revenues	<u>26,834</u>
1300	Change in Net Position	26,834
0100	Total Net Position - Beginning	498,616
3300	Total Net Position - Ending	<u>\$ 525,450</u>

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Receipts	
Interest Earned	\$ 26,834
Other Operating Cash Receipts	361
Net Cash Provided by Operating Activities	<u>27,195</u>
Net Increase in Cash and Cash Equivalents	27,195
Cash and Cash Equivalents at Beginning of Year	498,694
Cash and Cash Equivalents at End of Year	<u>\$ 525,889</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 26,834
Change in Assets and Liabilities:	
Increase in Interfund Payables	361
Total Adjustments	<u>361</u>
Net Cash Provided by Operating Activities	<u>\$ 27,195</u>

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2024

Data Control Codes		Custodial Funds
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 500,619
1000	Total Assets	<u>500,619</u>
	LIABILITIES:	
2000	Total Liabilities	<u>--</u>
	NET POSITION:	
3800	Restricted for Student Scholarships and Other Purposes	500,619
3000	Total Net Position	<u>\$ 500,619</u>

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2024

	Custodial Funds
ADDITIONS:	
Revenue from Student Activities	\$ 489,267
Gifts and Contributions	33,210
Investment Earnings	22,028
Total Additions	<u>544,505</u>
DEDUCTIONS:	
Payments for Student Activities	433,429
Scholarships Awarded	36,850
Total Deductions	<u>470,279</u>
Change in Net Position	74,226
Net Position-Beginning of the Year	<u>426,393</u>
Net Position-End of the Year	<u>\$ 500,619</u>

The accompanying notes are an integral part of this statement.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

State Funded Special Revenue: This fund is used to account for funds provided through the state department of education program.

Debt Service Fund: This Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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

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

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

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

b. **Property Taxes**

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

c. Inventories and Prepaid Items

Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items are recorded at their acquisition value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Significant accounting policies for right to use assets are located at Note G for leases and Note H for Subscription-Based IT Arrangements (SBITAS).

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	10 years
Buildings & Improvements	7-30 years
Vehicles	5-10 years
Equipment	5-10 years
Right-to-Use Assets Leases	2-5 years
Right-to-Use Assets SBITA	2 years

e. Deferred Outflows and Inflows of Resources

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

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

f. Receivable and Payable Balances

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

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

g. Compensated Absences

Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump sum payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

h. Interfund Activity

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

i. Use of Estimates

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

j. Data Control Codes

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

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees, which is a Board resolution. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. At August 31, 2024, the District had other committed fund balance of \$111,367 in a special revenue fund for campus activity.

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

The District has established a minimum unassigned fund balance policy of 25% of the subsequent year's budgeted general operating expenditures. The District was in compliance with this policy at August 31, 2024.

I. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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.

6. Implementation of New Standards

In the current fiscal year, the district implemented the following new standard. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 100, Accounting Changes and Error Corrections

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assuming accountability.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is effected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions:

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

<u>Violation</u>	<u>Action Taken</u>
Food Service Fund total actual expenditures exceeded final budgeted amounts.	The district will closely review the approved budgeted amounts adopted by the School Board and propose amendments for unexpected resources needed during the year to prevent future overspending.

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2024, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,674,944 and the bank balance was \$6,721,299. The District's cash deposits at August 31, 2024 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The District's investments at August 31, 2024 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star - LGIP	Wtd Avg Maturity 89 days	\$ 5,683,777
Total Investments		\$ <u>5,683,777</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2024, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Lone Star LGIP	AAAm
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b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District reports its local government investment pools (Pools) at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, the Pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The Pools do not impose any liquidity fees or redemption gates.

Public Funds Investment Pools

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

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both members and non-members. Lone Star is rated AAAM by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Government Overnight Fund of Lone Star. Lone Star has three different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. The Government Overnight and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

D. Capital Assets

Capital asset activity for the year ended August 31, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated / amortized:				
Land	\$ 433,899	\$ -	\$ -	\$ 433,899
Construction in progress	-	2,228,059	-	2,228,059
Total capital assets not being depreciated / amortized	<u>433,899</u>	<u>2,228,059</u>	<u>-</u>	<u>2,661,958</u>
Capital assets being depreciated / amortized:				
Buildings and improvements	91,043,173	915,532	13,310	91,945,395
Equipment	7,563,116	641,693	-	8,204,809
Vehicles	3,143,950	133,110	163,920	3,113,140
Infrastructure	25,510	-	-	25,510
Right to use assets - leased equipment	393,296	-	-	393,296
Right to use assets - SIBTAs	30,701	-	-	30,701
Total capital assets being depreciated / amortized	<u>102,199,746</u>	<u>1,690,335</u>	<u>177,230</u>	<u>103,712,851</u>
Less accumulated depreciation / amortization for:				
Buildings and improvements	(53,020,333)	(2,896,380)	(13,310)	(55,903,402)
Equipment	(4,262,697)	(483,082)	-	(4,745,779)
Vehicles	(2,670,629)	(158,452)	(156,308)	(2,672,773)
Infrastructure	(21,259)	(2,551)	-	(23,810)
Right to use assets - leased equipment	(73,013)	(105,257)	-	(178,270)
Right to use assets - SIBTAs	(10,234)	(10,234)	-	(20,468)
Total accumulated depreciation / amortization	<u>(60,058,165)</u>	<u>(3,655,956)</u>	<u>(169,618)</u>	<u>(63,544,502)</u>
Total capital assets being depreciated / amortized, net	<u>42,141,582</u>	<u>(1,965,621)</u>	<u>7,612</u>	<u>40,168,349</u>
Governmental activities capital assets, net	<u>\$ 42,575,481</u>	<u>\$ 262,438</u>	<u>\$ 7,612</u>	<u>\$ 42,830,307</u>

Depreciation / amortization was charged to functions as follows:

Instruction	\$ 1,865,020
Instructional resources and media services	208,826
Curriculum and staff development	32,203
Instructional leadership	26,972
School leadership	201,929
Guidance, counseling, and evaluation service	103,112
Health services	29,159
Student transportation	133,061
Food services	181,851
Extracurricular activities	118,840
General administration	144,894
Plant maintenance and operations	561,328
Security and monitoring services	29,544
Data processing services	17,894
Community services	1,324
	<u>\$ 3,655,956</u>

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2024, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	State Funded Special Revenues	\$ 622,190
General Fund	Nonmajor Governmental Funds	1,036,327
Nonmajor Governmental Funds	State Funded Special Revenues	228,680
Nonmajor Governmental Funds	Nonmajor Governmental Funds	4,534
General Fund	Internal Service Fund	439
	Total	<u>\$ 1,892,170</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date the interfund payments are actually settled. All interfund receivables and payables will be liquidated within the next fiscal year. In the government-wide financial statements, all interfund transactions for receivables and payables have been eliminated.

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, 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.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2024, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 41,418,755	\$ -	\$ 2,535,097	\$ 38,883,658	\$ 1,995,367
Premium on Bonds	886,921	-	131,572	755,349	-
Accumulated Accretion on CABs	2,056,862	-	219,610	1,837,252	-
Notes from Direct Borrowings	9,393	-	9,393	-	-
Lease Liability	321,813	-	104,146	217,667	94,829
SBITA Liability	20,780	-	10,230	10,550	10,550
Net Pension Liability*	13,535,037	1,768,826	-	15,303,863	-
Net OPEB Liability*	7,317,295	-	1,014,598	6,302,697	-
Total governmental activities	<u>\$ 65,566,856</u>	<u>\$ 1,768,826</u>	<u>\$ 4,024,646</u>	<u>\$ 63,311,036</u>	<u>\$ 2,100,746</u>

* Other long-term liabilities

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

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

<u>General Obligation Bonds</u>	<u>Interest Rate</u>	<u>Maturity</u>	Amount of Original Issue	Amount Outstanding 8/31/2024
2014 Unlimited Tax Refunding Bonds	2.0%-4.0%	2/15/2036	\$ 9,884,918	\$ 5,645,000
2015A Unlimited Tax Refunding Bonds	3.0%-4.0%	2/15/2028	7,175,000	3,160,000
2015B Unlimited Tax Refunding Bonds	2.0%-4.0%	2/15/2036	4,320,000	2,610,000
2018 Unlimited Tax Refunding Bonds	3.0%-4.0%	2/15/2028	7,645,000	3,340,000
2021 Unlimited Tax Refunding Bonds	1.762% - 2.042%	2/15/2044	24,060,000	24,128,658
				<u>\$ 38,883,658</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2024, are as follows:

Year Ending August 31	Governmental Activities		Total
	Bonds		
	Principal	Interest	
2025	\$ 1,995,367	\$ 1,360,208	\$ 3,365,084
2026	2,061,735	1,301,713	3,363,448
2027	1,994,223	1,235,925	3,230,148
2028	2,335,081	1,161,392	3,496,473
2029	552,252	1,588,930	2,141,182
2030-2034	8,655,000	3,406,448	12,061,448
2035-2039	9,510,000	2,197,485	11,707,485
2040-2044	11,780,000	815,441	12,595,441
Totals	<u>\$ 38,883,658</u>	<u>\$ 13,067,542</u>	<u>\$ 51,960,709</u>

The District did not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of August 31, 2024.

G. Leases

The District is a lessee for noncancelable leases of equipment and vehicles. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement of the lease term, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for the lease.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, payments for penalties of terminating the lease, lease incentives

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

There were no variable payments or residual value guarantees or penalties not included in the measurement of the lease. The District did not have any commitments under lease not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2024.

The District had the following leases during the year:

Lease Description	Interest Rate	Maturity Date	Amount of Original Issue	Monthly Payment
Enterprise 2022 Ford F-150	1.50%	11/15/2026	\$ 42,003	\$ 902
Enterprise 2023 Ram 1500	1.50%	7/30/2027	32,975	708
Enterprise 2022 Toyota Tacoma	1.50%	3/15/2026	30,621	749
Enterprise 2022 Ford Maverick	1.55%	7/15/2026	19,642	440
Enterprise 2022 Ford Maverick	1.55%	7/15/2026	19,745	442
Enterprise 2022 Ford Maverick	1.55%	7/15/2026	19,642	440
Enterprise 2022 Ford F-250	1.50%	5/15/2026	36,270	848
Enterprise 2023 Chevy Silverado 1500	1.50%	2/1/2025	18,379	778
Enterprise 2023 Chevy Silverado 1500	1.50%	2/1/2025	18,379	778
Enterprise 2023 Chevy Silverado 1500	1.50%	2/1/2028	45,119	781
Enterprise 2023 Chevy Silverado 1500	1.50%	8/1/2027	47,848	1,028
Enterprise 2023 Ram 2500	1.75%	6/5/2027	52,742	1,138
			\$ 383,365	\$ 9,032

Future lease payment maturity schedule is as follows:

Year Ending August 31	Principal	Interest	Total
2025	\$ 94,829	\$ 2,668	\$ 97,497
2026	77,885	1,305	79,190
2027	41,063	357	41,420
2028	3,890	15	3,905
Totals	\$ 217,667	\$ 4,345	\$ 222,012

H. Subscription Based IT Arrangements

The District is a contractee for noncancelable Subscriptions Based IT Arrangements (SBITAs). The District recognizes a SBITA liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a SBITA, the District measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments. The SBITA asset is initially measured at the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the commencement of the SBITA term, plus capitalizable initial implementation costs as described in GASB 96 paragraph 29b. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the SBITA term or its useful life.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The District uses its estimated incremental borrowing rate as the discount rate for SBIT A.
- The SBITA term includes the noncancelable SBITA period of the lease.
- SBITA payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, payments for penalties of terminating the SBITA, SBITA incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its SBIT As and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

There were no variable payments or residual value guarantees or penalties not included in the measurement of the SBITAs. The District did not have any commitments under SBITAs not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2024.

The District's SBITA with Linewize with an initial value of \$30,701. The subscription is payable in annual installments of \$10,879 at an interest rate of 3.12% and matures on October 1, 2024.

Future SBITA payment maturity schedule is as follows:

Year Ending August 31	Principal	Interest	Total
2025	\$ 10,550	\$ 329	\$ 10,879
Totals	\$ 10,550	\$ 329	\$ 10,879

I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024, Mineral Wells Independent School District carried insurance through various plans described below. 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.

Workers Compensation

The District established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association (the Association) until fiscal year 2014. The District is now in the Public Workers' Compensation Program (PWCP). The District continues to pay into the educational Texas Insurance Association for claims incurred in plan years 2003-2004 through 2010-2011. Both the Association and PWCP are public entity risk pools currently operating as common risk management and insurance programs for member colleges and school districts. The main purpose of the Association and PCWP is to partially self-insure certain workers' compensation risks up to an agreed upon retention limit. The plan for workers' compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third-party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plans includes \$712,124 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred, but not reported at August 31, 2024, are reflected as accounts and claims payable of the Funds. The plans are funded to discharge liabilities of the fund as they become due.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Changes in the balances of claim liabilities during the past year are as follows:

	Year ended 8/31/2024	Year ended 8/31/2023
Unpaid claims, beginning of year	\$ 360,414	\$ 340,268
Incurred claims	702,233	684,351
Claim payments	(676,450)	(664,205)
Unpaid claims, end of year	<u>\$ 386,197</u>	<u>\$ 360,414</u>

Property Casualty Program

During fiscal year 2024, Mineral Wells ISD met its statutory property casualty obligations through participation in the Property Casualty Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All Districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and service to its members.

The Fund and its members are protected against higher than expected claims costs through reinsurance contracts for claims in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to help determine the reserve adequacy. As of August 31, 2023, the Fund carries a total of \$11,834,488 in current loss reserves, including \$4,051,691 for claims incurred but not yet reported. Losses and reserves are based on estimates, and could be more or less than originally estimated.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year. The Fund's audited financial statements are available for inspection at the Fund's administrative offices.

J. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

4. Contributions

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

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 2019 through 2025.

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

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2024</u>
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
District's 2024 Employer Contributions	\$	1,143,356
District's 2024 Member Contributions	\$	2,077,160
2023 NECE On-Behalf Contributions (State)	\$	1,132,205

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8% of the member's salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
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 2023	4.13% *
Last year ending August 31 in Projection Period	2122
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions, please see the actuarial valuation report dated November 12, 2022.

6. Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. 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 9.50% of payroll in fiscal year 2024 increasing to 9.56% in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2024

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 expected rate of return on pension plan investments is 7.00%. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2023 are summarized below:

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.00%	1.00%
Non-U.S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
Real Return			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources and Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity	8.00%	4.50%	0.40%
Asset Allocation Leverage			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	-6.00%	4.40%	-0.10%
Inflation Expectation			2.30%
Volatility Drag ****			-0.90%
Expected Return	<u>100.00%</u>		<u>8.00%</u>
<p>* Absolute Return includes Credit Sensitive Investments. ** Target allocations are based on the FY2023 policy model. *** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2023). **** The volatility drag results from the conversion between arithmetic and geometric mean returns.</p>			

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

7. Discount Rate Sensitivity Analysis

The following table presents the net pension liability of the plan using a discount rate of 7.00%, and what the net position liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 22,880,122	\$ 15,303,863	\$ 9,004,199

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

At August 31, 2024, the District reported a liability of \$15,303,863 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 15,303,863
State's proportionate share that is associated with District	15,129,947
Total	\$ 30,433,810

The net pension liability was measured as of August 31, 2022, and rolled forward to August 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023 the employer's proportion of the collective net pension liability was 0.022279%, which was a decrease of 0.000519% from its proportion measured as of August 31, 2022.

9. 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.

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

For the year ended August 31, 2024, the District recognized pension expense of \$5,315,967 and revenue of \$2,284,491 representing pension expense incurred by the State on behalf of the District.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

At August 31, 2024, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 545,282	\$ 185,313
Changes in Actuarial Assumptions	1,447,446	354,223
Difference Between Projected and Actual Investment Earnings	2,227,083	-
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	1,278,915	211,567
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability	1,143,356	-
Total	\$ 6,642,082	\$ 751,103

The deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended August 31, 2025. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended August 31	Pension Expense Amount
2025	\$ 1,130,002
2026	825,385
2027	2,095,137
2028	668,494
2029	28,606
Thereafter	(1)

K. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

3. Benefits Provided

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

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

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

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

4. Contributions

Contribution rates for the TRS-Care plan are established in State Statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS board does not have the authority to set or amend contribution rates.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2023	2024
Member	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%
District's 2024 Employer Contributions		\$ 237,095
District's 2024 Member Contributions		\$ 163,655
2023 NECE On-Behalf Contributions (State)		\$ 298,004

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the total OPEB liability to August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021. 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, 2022 TRS pension actuarial valuation that was rolled forward August 31, 2023:

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

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

6. Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability. This was an increase of .22% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (4.13%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's proportionate share of the net OPEB liability:	\$ 7,423,265	\$ 6,302,697	\$ 5,388,288

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

At August 31, 2024, the District reported a liability of \$6,302,697 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	\$ 6,302,697
State's proportionate share that is associated with District	7,605,173
Total	\$ 13,907,870

The net OPEB liability was measured as of August 31, 2022 and rolled forward to August 31, 2023; and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023 the District's proportion of the collective net OPEB liability was 0.028470%, which was an decrease of 0.002090% from its proportion measured as of August 31, 2022.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in the Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in the Healthcare Trend Rate
District's proportionate share of the net OPEB liability:	\$ 5,189,956	\$ 6,302,697	\$ 7,734,243

9. 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 (TOL) since the prior measurement period:

- The single discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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 (\$2,576,354), and revenue of (\$1,625,825) representing OPEB expense incurred by the State on behalf of the District.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

At August 31, 2024, 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 Actuarial Experience	\$ 285,149	\$ 5,302,526
Changes in Actuarial Assumptions	860,272	3,859,309
Difference Between Projected and Actual Investment Earnings	2,723	-
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	2,516,255	1,122,464
Contributions paid to TRS subsequent to the measurement date of the Net OPEB Liability	237,095	-
Total	\$ 3,901,494	\$ 10,284,299

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 fiscal year ended August 31, 2025. The net amount of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended August 31	OPEB Expense Amount
2025	\$ (1,476,276)
2026	(1,187,202)
2027	(795,841)
2028	(908,567)
2029	(790,539)
Thereafter	(1,461,475)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2024, the subsidy payment received by TRS-Care on behalf of the District was \$143,392.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

L. Employee Health Care Coverage

During the year ended August 31, 2024, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$303 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Plan are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

M. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2024.

N. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for audiology services with the following school districts:

Member Districts

Central Texas SSA	Springtown ISD
Greater Erath County SSA	Stephenville ISD
Hood Somervell County Co-Op	Weatherford ISD
Palo Pinto County Co-Op	Parker County Co-Op
Granbury ISD	

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 capital assets purchased by the fiscal agent, Peaster 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 the District. The fiscal agent manager is responsible for all financial activities of the SSA.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. Deferred Resources

The Governmental funds unavailable revenue at August 31, 2024 consisted of the following:

	Nonmajor Governmental Funds
State Funding Overpayment	\$ 10,805
Federal/State Grants	137,815
Total	\$ <u>148,620</u>

P. Subsequent Events

The District evaluated subsequent events through January 21, 2025, the date the financial statements were available to be issued and no subsequent events were noted.

Required Supplementary Information

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT G-1
Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 11,196,869	\$ 13,347,498	\$ 13,444,410	\$ 96,912
5800	State Program Revenues	25,941,454	24,351,820	25,504,442	1,152,622
5900	Federal Program Revenues	735,282	662,624	510,992	(151,632)
5020	Total Revenues	<u>37,873,605</u>	<u>38,361,942</u>	<u>39,459,844</u>	<u>1,097,902</u>
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	23,613,717	20,499,899	20,893,286	(393,387)
0012	Instructional Resources and Media Services	--	1,528,260	1,492,472	35,788
0013	Curriculum and Instructional Staff Development	404,016	396,066	385,951	10,115
	Total Instruction and Instr. Related Services	<u>24,017,733</u>	<u>22,424,225</u>	<u>22,771,709</u>	<u>(347,484)</u>
Instructional and School Leadership:					
0021	Instructional Leadership	244,998	314,555	305,191	9,364
0023	School Leadership	2,236,284	2,578,903	2,549,134	29,769
	Total Instructional and School Leadership	<u>2,481,282</u>	<u>2,893,458</u>	<u>2,854,325</u>	<u>39,133</u>
Student Support Services:					
0031	Guidance, Counseling and Evaluation Services	575,407	763,675	754,863	8,812
0033	Health Services	386,780	379,051	368,892	10,159
0034	Student Transportation	1,252,679	1,303,444	1,283,885	19,559
0035	Food Services	22,050	22,284	21,284	1,000
0036	Extracurricular Activities	1,310,433	1,512,030	1,503,458	8,572
	Total Student Support Services	<u>3,547,349</u>	<u>3,980,484</u>	<u>3,932,382</u>	<u>48,102</u>
Administrative Support Services:					
0041	General Administration	1,607,622	1,854,787	1,833,065	21,722
	Total Administrative Support Services	<u>1,607,622</u>	<u>1,854,787</u>	<u>1,833,065</u>	<u>21,722</u>
Support Services:					
0051	Facilities Maintenance and Operations	5,355,036	6,165,156	6,169,286	(4,130)
0052	Security and Monitoring Services	121,829	125,673	116,379	9,294
0053	Data Processing Services	210,241	232,217	226,379	5,838
	Total Support Services	<u>5,687,106</u>	<u>6,523,046</u>	<u>6,512,044</u>	<u>11,002</u>
Debt Service:					
0071	Debt Service	299,712	370,052	123,767	246,285
0072	Interest on Long-Term Debt	--	38,545	5,009	33,536
	Total Debt Service	<u>299,712</u>	<u>408,597</u>	<u>128,776</u>	<u>279,821</u>
Capital Outlay:					
0081	Facilities Acquisition and Construction	--	526,804	451,803	75,001
	Total Capital Outlay	<u>--</u>	<u>526,804</u>	<u>451,803</u>	<u>75,001</u>
Intergovernmental Charges:					
0097	Payments to Tax Increment Fund	232,801	451,707	451,706	1
	Total Intergovernmental Charges	<u>232,801</u>	<u>451,707</u>	<u>451,706</u>	<u>1</u>
6030	Total Expenditures	<u>37,873,605</u>	<u>39,063,108</u>	<u>38,935,810</u>	<u>127,298</u>

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT G-1
Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(701,166)	524,034	1,225,200
	Other Financing Sources (Uses):				
7912	Sale of Real and Personal Property	--	9,201	9,201	--
7080	Total Other Financing Sources and (Uses)	--	9,201	9,201	--
1200	Net Change in Fund Balance	--	(691,965)	533,235	1,225,200
0100	Fund Balance - Beginning	10,319,658	10,319,658	10,319,658	--
3000	Fund Balance - Ending	\$ 10,319,658	\$ 9,627,693	\$ 10,852,893	\$ 1,225,200

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS

	Measurement Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.023%	0.023%	0.020%	0.020%	0.017%	0.017%	0.017%	0.016%	0.017%	0.010%
District's proportionate share of the net pension liability (asset)	\$ 15,303,863	\$ 13,535,037	\$ 5,053,254	\$ 10,531,754	\$ 9,007,682	\$ 9,354,174	\$ 5,585,217	\$ 5,913,247	\$ 5,928,255	\$ 2,755,947
State's proportionate share of the net pension liability (asset) associated with the District	15,129,947	15,038,457	7,524,202	15,942,646	14,097,197	16,006,189	9,382,851	11,084,020	10,926,698	9,782,201
Total	\$ 30,433,810	\$ 28,573,494	\$ 12,577,456	\$ 26,474,400	\$ 23,104,879	\$ 25,360,363	\$ 14,968,068	\$ 16,997,267	\$ 16,854,953	\$ 12,538,148
District's covered payroll	\$ 24,569,709	\$ 24,892,902	\$ 23,945,600	\$ 23,343,504	\$ 19,391,840	\$ 19,381,992	\$ 18,877,165	\$ 17,270,684	\$ 17,308,099	\$ 17,331,105
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	62.29%	54.37%	21.10%	45.12%	46.45%	48.26%	29.59%	34.24%	34.25%	15.90%
Plan fiduciary net position as a percentage of the total pension liability	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,143,356	\$ 1,150,336	\$ 1,062,455	\$ 845,856	\$ 809,486	\$ 607,427	\$ 584,525	\$ 571,262	\$ 498,174	\$ 496,592
Contributions in relation to the contractually required contribution	(1,143,356)	(1,150,336)	(1,062,455)	(845,856)	(809,486)	(607,427)	(584,525)	(571,262)	(498,174)	(496,592)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 25,183,248	\$ 24,569,709	\$ 24,892,902	\$ 23,945,600	\$ 23,343,504	\$ 19,391,840	\$ 19,381,992	\$ 18,877,165	\$ 17,270,684	\$ 17,308,099
Contributions as a percentage of covered payroll	4.54%	4.68%	4.27%	3.53%	3.47%	3.13%	3.02%	3.03%	2.88%	2.87%

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net OPEB liability	0.03%	0.03%	0.03%	0.03%	0.03%	0.02%	0.02%	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 6,302,697	\$ 7,317,295	\$ 10,605,438	\$ 10,507,147	\$ 11,930,632	\$ 12,165,040	\$ 10,652,728	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	7,605,173	8,925,950	14,208,924	14,119,086	15,853,142	15,989,420	14,191,204	--	--	--
Total	\$ 13,907,870	\$ 16,243,245	\$ 24,814,362	\$ 24,626,233	\$ 27,783,774	\$ 28,154,460	\$ 24,843,932	\$ --	\$ --	\$ --
District's covered payroll	\$ 24,569,709	\$ 24,892,902	\$ 23,945,600	\$ 23,343,504	\$ 19,391,840	\$ 19,381,992	\$ 18,877,165	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	25.65%	29.40%	44.29%	45.01%	61.52%	62.76%	56.43%	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statorily or contractually required District contribution	\$ 237,095	\$ 248,115	\$ 251,478	\$ 214,693	\$ 209,280	\$ 179,173	\$ 168,149	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statorily or contractually required contribution	(237,095)	(248,115)	(251,478)	(214,693)	(209,280)	(179,173)	(168,149)	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 25,183,248	\$ 24,569,709	\$ 24,892,902	\$ 23,945,600	\$ 23,343,504	\$ 19,391,840	\$ 19,381,992	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.94%	1.01%	1.01%	0.90%	0.90%	0.92%	0.87%	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2024

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds, Food Service Funds, and Debt Service Funds). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

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

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

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

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

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

Defined Benefit Pension Plan and Defined Benefit OPEB Plan

Changes of benefit terms

Any changes of benefit terms that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note J).

Any change of benefit terms that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note K).

Changes of assumptions

Changes of assumptions that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note J).

Changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note K).

Other Supplementary Information

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

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2024*

Year Ended August 31	1 Tax Rates		2	3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/23
	Maintenance	Debt Service			
2015 and Prior Years	\$ Various	\$ Various		\$ Various	\$ 199,875
2016	1.0400	.3900		742,713,681	31,852
2017	1.1700	.2600		727,082,517	33,142
2018	1.1700	.2600		761,048,877	47,512
2019	1.1700	.2600		796,015,126	55,906
2020	1.0683	.3304		837,443,807	73,493
2021	1.0427	.3706		928,083,705	110,327
2022	.9688	.3348		1,042,027,002	203,414
2023	.9429	.2848		1,298,012,497	562,382
2024 (School Year Under Audit)	.7575	.2848		1,309,128,480	--
1000 Totals					\$ <u>1,317,903</u>

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

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

Column 20, Current Year's Total Levy is the ending levy due provided by Palo Pinto County Tax Office and Parker County Appraisal District.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

EXHIBIT J-1

20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/24	99 Total Taxes Refunded Under Sect. 26.1115(c)
\$ --	\$ 1,613	\$ 396	\$ (7,418)	\$ 190,448	
--	1,124	421	(662)	29,645	
--	1,609	357	(662)	30,514	
--	2,716	604	(662)	43,530	
--	3,470	771	(1,181)	50,484	
--	7,410	2,292	(1,314)	62,477	
--	15,727	5,590	261	89,271	
--	53,825	18,606	(3,837)	127,146	
--	194,722	58,815	(58,407)	250,438	
13,645,046	9,615,954	3,615,345	(3,255)	410,492	
<u>\$ 13,645,046</u>	<u>\$ 9,898,170</u>	<u>\$ 3,703,197</u>	<u>\$ (77,137)</u>	<u>\$ 1,284,445</u>	
					\$ _____
	<u>\$ 451,706</u>				

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 103,412	\$ 114,123	\$ 10,711
5800 State Program Revenues	33,045	28,216	(4,829)
5900 Federal Program Revenues	2,133,232	2,177,785	44,553
5020 Total Revenues	<u>2,269,689</u>	<u>2,320,124</u>	<u>50,435</u>
EXPENDITURES:			
Current:			
Student Support Services:			
0035 Food Services	2,269,689	2,279,326	(9,637)
Total Student Support Services	<u>2,269,689</u>	<u>2,279,326</u>	<u>(9,637)</u>
6030 Total Expenditures	<u>2,269,689</u>	<u>2,279,326</u>	<u>(9,637)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	40,798	40,798
1200 Net Change in Fund Balance	--	40,798	40,798
0100 Fund Balance - Beginning	166,467	166,467	--
3000 Fund Balance - Ending	<u>\$ 166,467</u>	<u>\$ 207,265</u>	<u>\$ 40,798</u>

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUNDS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 3,865,619	\$ 3,882,006	\$ 16,387
5800 State Program Revenues	659,725	658,284	(1,441)
5020 Total Revenues	<u>4,525,344</u>	<u>4,540,290</u>	<u>14,946</u>
EXPENDITURES:			
Debt Service:			
0071 Debt Service	2,535,098	2,535,098	--
0072 Interest on Long-Term Debt	1,427,617	1,427,617	--
0073 Bond Issuance Costs and Fees	562,629	10,775	551,854
Total Debt Service	<u>4,525,344</u>	<u>3,973,490</u>	<u>551,854</u>
6030 Total Expenditures	<u>4,525,344</u>	<u>3,973,490</u>	<u>551,854</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	566,800	566,800
1100 Expenditures	--	566,800	566,800
1200 Net Change in Fund Balance	--	566,800	566,800
0100 Fund Balance - Beginning	1,251,411	1,251,411	--
3000 Fund Balance - Ending	<u>\$ 1,251,411</u>	<u>\$ 1,818,211</u>	<u>\$ 566,800</u>

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
 AS OF AUGUST 31, 2024

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
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.	\$ 3,961,079
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	\$ 2,359,393
<u>Section B: Bilingual Education Programs</u>		
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.	\$ 302,619
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	\$ 569,957



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Mineral Wells Independent School District
906 S.W. 5th Avenue
Mineral Wells, Texas 76067

Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mineral Wells Independent School District, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Mineral Wells Independent School District's basic financial statements, and have issued our report thereon dated January 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mineral Wells Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 Mineral Wells Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mineral Wells Independent School District's internal control.

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

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mineral Wells Independent School 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Mineral Wells Independent School District in a separate letter dated January 21, 2025.

Purpose of this Report

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

Snow Garrett Williams

Snow Garrett Williams
January 21, 2025



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Mineral Wells Independent School District
906 S.W. 5th Avenue
Mineral Wells, Texas 76067

Members of the Board of Trustees :

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mineral Wells Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Mineral Wells Independent School District's major federal program for the year ended August 31, 2024. Mineral Wells Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mineral Wells Independent School District complied, in all material respects, with types of the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mineral Wells Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mineral Wells Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Snow Garrett Williams

Snow Garrett Williams
January 21, 2025

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: May 2024

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
ESEA Title I	84.010A

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2024

No corrective action plan needed.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402401	\$ 469,136
National School Lunch Program	10.555	71302401	1,356,327
Total Passed Through State Department of Education			1,825,463
Passed Through Texas Department of Agriculture:			
Commodity Supplemental Food Program (Non-Cash)	10.555	NT4XL1YGLGC5	149,672
Supply Chain Assistance	10.555	NT4XL1YGLGC5	184,900
Total ALN 10.555			334,572
Total Passed Through Texas Department of Agriculture			334,572
Total U. S. Department of Agriculture			2,160,035
Total Child Nutrition Cluster			2,160,035
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA - Part B, Formula	84.027	246600011829036600	753,428
IDEA - Part B, Formula	84.027	256600011829036600	97,498
Total ALN 84.027			850,926
IDEA - Part B, Preschool	84.173	246610011829036610	15,748
IDEA - Part B, Preschool	84.173	256610011829036610	1,677
Total ALN 84.173			17,425
Total Passed Through State Department of Education			868,351
Total U. S. Department of Education			868,351
Total Special Education (IDEA) Cluster			868,351
OTHER PROGRAMS:			
<u>U.S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
Commodity Storage Reimbursement Grant	10.560	NT4XL1YGLGC5	17,750
Total Passed Through Texas Department of Agriculture			17,750
Total U.S. Department of Agriculture			\$ 17,750

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title IV, Part A, Subpart 1	84.424A	23680101182903	\$ 5,072
Title IV, Part A, Subpart 1	84.424A	24680101182903	101,350
Total ALN 84.424A			<u>106,422</u>
ESEA Title I Part A - Improving Basic Programs	84.010A	25610101182903	103,769
ESEA Title I Part A - Improving Basic Programs	84.010A	24610101182903	1,151,085
Total ALN 84.010A			<u>1,254,854</u>
Career and Technical Education - Basic Grant	84.048A	24420006182903	54,272
ESEA, Title V, Part B, Subpart 2-Rural and Low Income School Program	84.358B	23696001182903	160,312
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	24671001182903	44,015
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	25671001182903	1,855
Total ALN 84.365A			<u>45,870</u>
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	24694501182903	144,692
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	25694501182903	16,240
Total ALN 84.367A			<u>160,932</u>
Summer School LEP	84.369A	69552302	16,076
Elementary and Secondary School Emergency Relief Fund (ESSER II-COVID 19)	84.425D	21521001182903	29,977
Elementary and Secondary School Emergency Relief Fund (ESSER III-COVID 19)	84.425U	21528001182903	791,445
Total ALN 84.425			<u>821,422</u>
Total Passed Through State Department of Education			<u>2,620,160</u>
Total U. S. Department of Education			<u>2,620,160</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>5,666,296</u>

The accompanying notes are an integral part of this schedule.

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2024

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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

Reconciliation

The following table reconciles expenditures per the Schedule of Expenditures of Federal Awards to the federal program revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

Federal Program Revenues	\$	6,177,288
Less SHARS		510,992
Total Expenditures of Federal Awards	\$	<u>5,666,296</u>

MINERAL WELLS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2024

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 1,837,252



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

January 21, 2025

Mineral Wells Independent School District
906 S.W. 5th Avenue
Mineral Wells, TX 76067

In connection with our audit of the financial statements of Mineral Wells Independent School District for the year ended August 31, 2024, we have made a review of the accounting procedures and internal controls. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for management's consideration, suggestions for changes in procedures, which, in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments in this letter are based upon observations made in the course of such a review. The review was not designed for the purpose of expressing an opinion on internal controls, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our audit of the above-mentioned financial statements, and they did not modify the opinion expressed in our report on those financial statements. However, we offer for your review the comments and recommendations as noted on the following pages.

We have discussed the following comments in detail with the appropriate staff of the District to ensure understanding of the comments and implementation of recommendations. If you have any questions regarding these or any other matters, please feel free to contact us.

This letter is intended solely for the information and use of the Board of Trustees, management, and others within the District and is not intended to be used and should not be used by anyone other than these specified parties.

Finally, we take this opportunity to thank you and your staff for your courtesy and cooperation during our audit. Thank you for your business.

Snow Garrett Williams

Snow Garrett Williams
Certified Public Accountants

Fund Balance

As reflected in Exhibit C-2, the General Fund incurred an increase in fund balance in the amount of \$533,235 resulting in an ending fund balance of 10,852,893. The Board should continue to closely monitor its budget, and if possible, increase future fund balances. Also, the Board should continue to review construction, equipment expenditures, and other improvements and determine the amount of additional reserves, if any, that should be assigned or committed for future needs.

Budget Variances

In comparing budgeted amounts to actual amounts, we noted the District's actual expenditures exceeded final amended budgeted expenditures in the Food Service Fund. We recommend the District closely monitor its budget to avoid future variances.

OBJECTIVE OF INTERNAL CONTROL

The objective of internal control is to provide reasonable, but not absolute, assurance that the District's assets will be safeguarded against loss from unauthorized use or disposition, and that the reliability of financial records for preparing financial statements and maintaining accountability for assets will be preserved. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, mistakes of judgment, carelessness, or other personal factors may occur. Control procedures whose effectiveness depends upon segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

February 6, 2025

Mineral Wells Independent School District
906 S. W. 5th Avenue
Mineral Wells, Texas 76067

Dear Board of Trustees and Management:

We are pleased to confirm our understanding of the services we are to provide Mineral Wells Independent School District for the year ended August 31, 2025.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, the business-type activities, if any, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of Mineral Wells Independent School District as of and for the year ended August 31, 2025. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Mineral Wells Independent School District's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Budgetary Comparison Schedules.
3. Schedule of the District's Proportionate Share of the Net Pension Liability- Teacher Retirement System of Texas.
4. Schedule of the District's Pension Contributions- Teacher Retirement System of Texas.
5. Schedule of the District's Proportionate Share of the Net OPEB Liability - Teacher Retirement System of Texas.
6. Schedule of the District's OPEB Contributions - Teacher Retirement System of Texas.

We have also been engaged to report on supplementary information other than RSI that accompanies Mineral Wells Independent School District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

1. Schedule of Expenditures of Federal Awards.
2. Schedule of Delinquent Taxes Receivable.
3. Budgetary Comparison Schedule for National School Breakfast and Lunch Program and Debt Service Fund as Required by the Texas Education Agency.
4. Use of Funds Report- Select State Allotment Program.
5. Schedule of Required Responses to Selected School First Indicators.

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Introductory Section.

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with the provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories if significant, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Improper revenue recognition due to fraud.
2. Management override of controls.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will

take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures-Internal Control

We will obtain an understanding of the District and its environment, including the system of internal control sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. 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, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Mineral Wells Independent School District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Mineral Wells Independent School District's major programs. For federal programs that are included in the most recent version of the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on Mineral Wells Independent School District's

compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for the 12 months after the financial statements date or shortly thereafter. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of Mineral Wells Independent School District in conformity with accounting principles generally accepted in the United States and the Uniform Guidance based on information provided by you all of which are considered nonaudit services. In addition, we will provide the following nonaudit services: assist with entries to convert accounting records from modified accrual to full accrual, prepare the data collection form, prepare reports required by TEA Data Feed Standards, and prepare capital asset cost/depreciation/amortization schedules. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, related notes, and additional nonaudit services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statements, schedule of expenditures of federal awards, and related notes, the additional nonaudit services listed in this section, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes, the additional nonaudit services listed in this section, and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Snow Garrett Williams and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a grantor or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Snow Garrett Williams personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the cognizant agencies, oversight agencies for audit, or pass-through entities. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Lindsey Kennimer is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be based on the actual time spent at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon notification of termination, even if we have not completed your report(s). You will be obligated to compensate us for all out-of-pocket costs through the date of termination. We will keep you informed of any problems that we encounter that may require significant additional time, and the potential fee implications.

Reporting

We will issue a written report upon completion of our Single Audit. Our report will be addressed to the Board of Trustees of Mineral Wells Independent School District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of 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, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We appreciate the opportunity to be of service to Mineral Wells Independent School District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Snow Garrett Williams

Snow Garrett Williams

Response:

This letter correctly sets forth the understanding of Mineral Wells Independent School District.

Management Signature: *[Signature]*

Title: Superintendent

Date: 1/22/25

Governance Signature: *[Signature]*

Title: Board President

Date: 1/22/25