

**MEMPHIS INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**AUGUST 31, 2024**

MEMPHIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2024

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CERTIFICATE OF BOARD

Memphis Independent School District  
Name of School District

Hall  
County

096904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)   X   approved            disapproved for the year ended August 31, 2024 at a meeting of the Board of Trustees of such school district on the 19th of December, 2024.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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



Denise Foster C.P.A.  
Tracy Lambert C.P.A.  
April Foard C.P.A.

330 Main, P.O. Box 7  
Childress, Texas 79201 940-937-8681

## **Independent Auditor's Report**

Board of Trustees  
Memphis Independent School District  
PO Box 460  
Memphis, Texas 79278

### **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 Memphis 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 the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining und information of the Memphis 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 statement, 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 my 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, and the Required Supplementary Information, as listed in the table of contents, 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information (as listed in the table of contents) and schedule of expenditures of federal awards (SEFA) as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, 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 Schedule of Required Responses to Selected School FIRST Indicators but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected 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 my report dated December 19, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Foster, Lambert & Foard LLC". The signature is written in a cursive, flowing style.

Foster, Lambert & Foard, LLC  
December 19, 2024





## MANAGEMENT'S DISCUSSION AND ANALYSIS MEMPHIS INDEPENDENT SCHOOL DISTRICT

As management of the Memphis Independent School District, we offer readers of Memphis Independent School District's annual financial report this narrative overview and analysis of the District's financial performance during the fiscal year ended August 31, 2024. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceed its liabilities at the close of the most recent fiscal year by \$5,890,223 (net position). Of this amount, \$(1,797,179) (unrestricted) may be used to meet the District's obligations.
- During the year, the District's total net position increased by \$364,593. The District's expenses which totaled \$8,887,300 were less than the District's program revenues of \$1,646,726 and general revenues of \$7,605,167.
- The total cost of the District's programs increased by \$467,731, or 5.56%, from the prior year mostly due to pension and OPEB adjustments.
- The District's total revenues decreased by \$53,937, or .58%. This decrease is due to decreased ESSER funds.
- The governmental funds reported a fund balance this year of \$2,476,352, which is decrease of \$2,078,232 in comparison with the prior year amount.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,476,352 or 23.95% of the total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

#### Government-wide Statements

All of the District's services are reported in the government-wide financial statements, including instruction, student support services, student transportation, general administration, school leadership, and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers 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 the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 District's financial position is improving or deteriorating.

The *statement of activities* details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expense are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes and earned but unused vacation leave)

#### Fund Financial Statements

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. 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 District to

control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

All of the funds of the District can be divided into two categories: governmental and fiduciary 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 short-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 the District's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of 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 District's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintained multiple governmental funds in fiscal year 2021-22. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund which is considered to be major funds. Financial data for the other governmental funds are combined into a single, aggregated presentation.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside of the District. 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 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 the District's fiduciary activities are reported in a separate statement of fiduciary net position.

### Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

### 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. Immediately following the *required supplementary information* is the *other supplementary information* which includes TEA required schedules.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's combined net position was \$5,890,223 at August 31, 2024. (See Table 1)

**Table 1 - Net Position**

	<u>2023</u>	<u>2024</u>
Assets:		
Current and other assets	\$ 5,040,662	\$ 2,826,235
Capital assets, net	<u>6,385,872</u>	<u>8,980,818</u>
Total assets	<u>11,426,534</u>	<u>11,807,053</u>
Deferred outflows of resources	<u>1,444,165</u>	<u>1,522,740</u>
Liabilities:		
Long-term debt	4,296,325	4,899,574
Current liabilities, less current debt	<u>462,570</u>	<u>331,136</u>
Total liabilities	<u>4,758,895</u>	<u>5,230,710</u>
Deferred inflows of resources	<u>2,586,174</u>	<u>2,208,860</u>
Net position:		
Invested in capital assets net of related debt	5,350,749	7,687,402
Unrestricted	<u>174,881</u>	<u>(1,797,179)</u>
Total net position	<u>\$ 5,525,630</u>	<u>\$ 5,890,223</u>

Investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is \$7,687,402. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital 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 capital assets themselves cannot be used liquidate these liabilities.

**Change in net position.** The District's total revenues, both program and general, were \$9,251,893. A significant portion, 19%, of the District's revenues comes from property taxes. 53% comes from unrestricted grants and contributions, including state aid formula grants, 18% comes from operating grants and contributions. Exhibited below in Table 2 are the District's revenues for the years ended August 31, 2023 and 2024 for the District's governmental activities.

**Table 2 – District's Revenues**

	<u>2023</u>	<u>Percent</u>	<u>2024</u>	<u>Percent</u>
Charges for services	\$ 23,344	.5%	\$ 17,529	.5%
Operating grants and contributions	2,245,722	24%	1,629,197	18%
Property taxes	2,017,175	22%	1,764,198	19%
Grants and contributions not restricted	4,549,835	49%	4,878,331	53%
Investment earnings	229,213	1.5%	193,099	1.5%
Miscellaneous	240,541	3%	769,539	8%
Total Revenues	<u>\$ 9,305,830</u>	<u>100%</u>	<u>\$9,251,893</u>	<u>100%</u>

Exhibited below in Table 3 are the District's expenses for the year ended August 31, 2023 and 2024 for the District's governmental activities. The total cost of all programs and services was \$8,887,300. Instructional and related costs totaled 52% of these costs while student support was 18% and nonstudent support was 15%,

**Table 3 – District’s Expenses**

	<u>2023</u>	<u>Percent</u>	<u>2024</u>	<u>Percent</u>
Instructional and related	\$ 4,224,385	50%	\$4,594,846	51%
Leadership	576,939	7%	597,103	7%
Student support	1,613,168	19%	1,580,546	18%
Administrative support	483,902	6%	508,738	6%
Nonstudent support	1,294,288	15%	1,351,725	15%
Other	226,887	3%	254,342	3%
Total Expenses	<u>\$ 8,419,569</u>	<u>100%</u>	<u>\$8,887,300</u>	<u>100%</u>

**Governmental Activities**

Table 4 presents the various revenue categories and gross costs of each of the District’s functional areas for both the prior and current years. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

**Table 4 - Changes in Net Position**

	<u>2023</u>	<u>2024</u>	<u>\$ Change</u>
Revenues			
Program revenues			
Charges for services	\$ 23,344	\$ 17,529	\$ (5,815)
Operating grants and contributions	2,245,722	1,629,197	(616,525)
General revenues			
Property taxes	2,017,175	1,764,198	(252,977)
Grants and contributions not restricted	4,549,835	4,878,331	328,496
Investment earnings	229,213	193,099	(36,114)
Miscellaneous	240,541	769,539	528,998
Total revenues	<u>9,305,830</u>	<u>9,251,893</u>	<u>(53,937)</u>
Expenses			
Instruction	4,090,165	4,466,583	376,418
Instructional resources and media services	78,616	81,953	3,337
Curriculum and instructional staff development	55,604	46,310	(9,294)
Instructional leadership	94,552	111,745	17,193
School leadership	482,387	485,358	2,971
Guidance, Counseling and evaluation services	273,099	231,862	(41,237)
Health services	74,791	81,403	6,612
Student transportation	289,652	314,971	25,319
Food services	464,837	472,890	8,053
Extracurricular activities	510,789	479,420	(31,369)
General administration	483,902	508,738	24,836
Plant maintenance and operations	947,512	1,008,432	60,920
Security and monitoring services	40,989	80,580	39,591
Data processing services	305,787	262,713	(43,074)
Debt service – interest on long term debt	35,237	61,112	25,875
Debt service – bond issuance cost	20,000	5,751	(14,249)
Payments related to shared service arrangements	99,473	108,885	9,412
Other governmental charges	72,177	78,594	6,417
Total expenses	<u>8,419,569</u>	<u>8,887,300</u>	<u>467,731</u>
Increase (decrease) in net position	<u>\$ 886,261</u>	<u>\$ 364,593</u>	<u>\$ (521,668)</u>

- Instructional expenses increased \$376,418 due to pension and OPEB adjustments.
- Grants and contributions not restricted decreased by \$328,496 due to decreased ESSER funding.

Table 5 presents the net cost of the District’s governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state aid, and other miscellaneous general revenues.

**Table 5 – Net Cost of Selected District Functions**

	<u>2023</u>	<u>Percent</u>	<u>2024</u>	<u>Percent</u>
Instructional and related	\$ 2,932,550	47%	\$3,619,729	50%
Leadership	551,135	9%	565,178	8%
Student support	910,802	15%	1,077,540	15%
Administrative support	472,175	8%	487,347	7%
Nonstudent support	1,231,181	20%	1,311,349	18%
Other	52,660	1%	179,431	2%
Total Expenses	<u>\$ 6,150,503</u>	<u>100%</u>	<u>\$7,240,574</u>	<u>100%</u>

### Financial Analysis of the District’s Funds

As previously stated, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

### Governmental Funds

The focus of the District’s governmental funds is to provide information on short-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 the fiscal year.

As of August 31, 2024, the District’s governmental funds reported a combined ending fund balance of \$2,476,352, a decrease of \$2,078,232 from the previous year. Table 6 illustrates the fund balances of the governmental funds.

**Table 6 – Governmental Funds – Fund Balances**

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Restricted for:			
Federal/state grants	\$ -	\$ -	\$ -
Committed	-	-	-
Unassigned	2,476,352	-	2,476,352
Total Fund Balances	<u>\$ 2,476,352</u>	<u>\$ -</u>	<u>\$ 2,476,352</u>

### General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$2,476,352 of which \$2,476,352 was unassigned. The total fund balance represents 23.95% of the total General Fund expenditures for the year ended August 31, 2024.

General Fund revenues totaled \$8,115,074, an increase of \$391,616 or 5.07% from the preceding year. Some of the individual revenue categories had significant fluctuations as follows:

- State program revenues increased \$347,959 or 7.07% mostly due to increased funding.

General Fund expenditures totaled \$10,339,774, an increase of \$2,779,874 or 36.77% from the preceding year. The functional categories that changed the most were as follows:

- Instructional increased \$442,264 due to pay raises and the teacher incentive allotment.
- Facilities acquisition and construction increased \$2,151,623 due to field house construction.

**Other Governmental Funds**

Other governmental funds consist of the remaining special revenue funds. The total ending fund balance for these combined is zero.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. Including these adjustments, actual expenditures were \$1,217,972 below final budget amounts. All variances were the result of controlling expenses through the school year.

On the other hand, revenues were \$2,852 above the final budgeted amount, with state revenues \$51,746 more than the District budget due to increased state aid funding.

As noted, the original budget was amended throughout the year. Most budget line items in the original budget were not materially different than in the final adopted budget. The most notable exceptions were in instruction, extracurricular activities and facilities acquisition.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2024, the District had invested in a broad range of capital assets totaling \$8,980,818, including land, equipment, buildings and vehicles. (See Table A-3). This amount represents a net increase (including additions and deductions) of \$620,310 or 10.76% less than last year.

**Table 7 - Capital Assets, Net**

	<u>2023</u>	<u>2024</u>
Land	\$ 115,031	\$ 115,031
Buildings and improvements, net	5,715,204	8,230,375
Furniture and equipment, net	<u>555,637</u>	<u>635,412</u>
Totals	<u>\$ 6,385,872</u>	<u>\$ 8,980,818</u>

**Long-term Debt**

At year-end, the District had debt on its capital lease payable and bonds payable as shown in Table A-4. More detailed information about the District’s debt is presented in the notes to the financial statements.

**Table 8 – Long-Term Debt**

	<u>2023</u>	<u>2024</u>
Notes payable	<u>\$ 1,000,000</u>	<u>\$ 1,246,871</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following indicators were taken into account when adopting the 2024-25 budget for the General Fund.

- Appraised value used for the 2024-25 budget preparation is up \$6.36 million from \$221.5 million in the prior year, an increase of 2.87%.
- The District's 2024 refined average daily attendance is expected to decrease from 2024.

The District has added no major new programs or initiatives to the 2025 budget and it is expected to be about the same as last year with the items above noted.

Revenues in the General Fund's 2024-25 budget are \$6,477,213, which is a decrease from the final 2023-24 budget of \$8,112,222. The 2024-25 budget is decreased due to decreased state funds.

Expenditures in most budget categories are similar to the previous year, with the total expenditure budget for 2024-25 decreasing 42.90% from the final 2023-24 expenditure budget. The most significant changes are in the areas of instruction (780,304 decrease), capital outlay (3,418,040 decrease), extracurricular (291,234 decrease) and facilities maintenance (180,918 decrease).

If these estimates are realized, the District's General Fund's unassigned fund balance will be decrease approximately \$170,000 by August 31, 2025.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office or Superintendent's office at Memphis Independent School District, P.O. Box 460, Memphis, Texas 79245.





## **BASIC FINANCIAL STATEMENTS**



MEMPHIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2024

EXHIBIT A-1

Data Control Codes	Primary Government <hr/> Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,112,767
1210 Property Taxes - Current	5,951
1220 Property Taxes - Delinquent	97,938
1230 Allowance for Uncollectible Taxes	(32,646)
1240 Due from Other Governments	623,594
1300 Inventories	18,631
Capital Assets:	
1510 Land	115,031
1520 Buildings, Net	8,230,375
1530 Furniture and Equipment, Net	635,412
1000 Total Assets	<hr/> 11,807,053
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	1,103,102
1706 Deferred Outflow Related to TRS OPEB	419,638
1700 Total Deferred Outflows of Resources	<hr/> 1,522,740
<b>LIABILITIES</b>	
2110 Accounts Payable	10,672
2140 Interest Payable	46,545
2160 Accrued Wages Payable	248,176
2190 Due to Student Groups	18,346
2200 Accrued Expenses	7,397
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	61,409
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	1,185,462
2540 Net Pension Liability (District's Share)	2,501,963
2545 Net OPEB Liability (District's Share)	1,150,740
2000 Total Liabilities	<hr/> 5,230,710
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	178,059
2606 Deferred Inflow Related to TRS OPEB	2,030,801
2600 Total Deferred Inflows of Resources	<hr/> 2,208,860
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	7,687,402
3900 Unrestricted	(1,797,179)
3000 Total Net Position	<hr/> <hr/> \$ 5,890,223

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2024

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	1	Program Revenues		6
		3	4	
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Expenses			
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,466,583	\$ 150	\$ 941,396	\$ (3,525,037)
12 Instructional Resources and Media Services	81,953	-	4,388	(77,565)
13 Curriculum and Instructional Staff Development	46,310	-	29,183	(17,127)
21 Instructional Leadership	111,745	-	5,224	(106,521)
23 School Leadership	485,358	-	26,701	(458,657)
31 Guidance, Counseling, and Evaluation Services	231,862	-	113,902	(117,960)
33 Health Services	81,403	-	11,769	(69,634)
34 Student (Pupil) Transportation	314,971	-	14,741	(300,230)
35 Food Services	472,890	4,116	331,368	(137,406)
36 Extracurricular Activities	479,420	13,263	13,847	(452,310)
41 General Administration	508,738	-	21,391	(487,347)
51 Facilities Maintenance and Operations	1,008,432	-	20,165	(988,267)
52 Security and Monitoring Services	80,580	-	12,500	(68,080)
53 Data Processing Services	262,713	-	7,711	(255,002)
72 Debt Service - Interest on Long-Term Debt	61,112	-	-	(61,112)
73 Debt Service - Bond Issuance Cost and Fees	5,751	-	-	(5,751)
81 Capital Outlay	-	-	74,911	74,911
93 Payments Related to Shared Services Arrangements	108,885	-	-	(108,885)
99 Other Intergovernmental Charges	78,594	-	-	(78,594)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 8,887,300	\$ 17,529	\$ 1,629,197	(7,240,574)
Data	General Revenues:			
Control	Taxes:			
Codes				
MT	Property Taxes, Levied for General Purposes			1,764,198
GC	Grants and Contributions not Restricted			4,878,331
IE	Investment Earnings			193,099
MI	Miscellaneous Local and Intermediate Revenue			769,539
TR	Total General Revenues			7,605,167
CN	Change in Net Position			364,593
NB	Net Position - Beginning			5,525,630
NE	Net Position - Ending			\$ 5,890,223

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2024

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 2,107,109	\$ 5,658	\$ 2,112,767
1210 Property Taxes - Current	5,951	-	5,951
1220 Property Taxes - Delinquent	97,938	-	97,938
1230 Allowance for Uncollectible Taxes	(32,646)	-	(32,646)
1240 Due from Other Governments	509,851	113,743	623,594
1260 Due from Other Funds	78,969	-	78,969
1300 Inventories	18,631	-	18,631
1000 Total Assets	<u>\$ 2,785,803</u>	<u>\$ 119,401</u>	<u>\$ 2,905,204</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 10,494	\$ 178	\$ 10,672
2160 Accrued Wages Payable	223,490	24,686	248,176
2170 Due to Other Funds	-	78,969	78,969
2190 Due to Student Groups	5,646	12,700	18,346
2200 Accrued Expenditures	4,529	2,868	7,397
2000 Total Liabilities	<u>244,159</u>	<u>119,401</u>	<u>363,560</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	65,292	-	65,292
2600 Total Deferred Inflows of Resources	<u>65,292</u>	<u>-</u>	<u>65,292</u>
<b>FUND BALANCES</b>			
3600 Unassigned Fund Balance	2,476,352	-	2,476,352
3000 Total Fund Balances	<u>2,476,352</u>	<u>-</u>	<u>2,476,352</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,785,803</u>	<u>\$ 119,401</u>	<u>\$ 2,905,204</u>

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

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,476,352</b>
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. Capital assets at year-end consist of:	8,980,818
Gross capital assets	\$ 15,177,382
Related accumulated depreciation	<u>6,196,564</u>
2 Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	(1,246,871)
Time warrents	\$ 953,549
Government Capital Note	<u>293,322</u>
3 The District's net pension liability and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System pension and OPEB plans are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:	(4,338,823)
Net pension liability	\$ 2,501,963
Deferred outflows-pension related items	(1,103,102)
Deferred inflows-pension related items	178,059
Net OPEB liability	1,150,740
Deferred outflows-OPEB related items	(419,638)
Deferred inflows-OPEB related items	<u>2,030,801</u>
4 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.	(46,545)
5 Property taxes receivable are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	65,292
<b>29 Net Position of Governmental Activities</b>	<u><u>\$ 5,890,223</u></u>

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

MEMPHIS 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	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 2,706,717	\$ 30,987	\$ 2,737,704
5800 State Program Revenues	5,267,747	71,981	5,339,728
5900 Federal Program Revenues	140,610	1,051,653	1,192,263
5020 Total Revenues	8,115,074	1,154,621	9,269,695
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	3,953,349	578,284	4,531,633
0012 Instructional Resources and Media Services	80,958	-	80,958
0013 Curriculum and Instructional Staff Development	17,127	29,183	46,310
0021 Instructional Leadership	113,812	-	113,812
0023 School Leadership	493,365	-	493,365
0031 Guidance, Counseling, and Evaluation Services	130,521	107,650	238,171
0033 Health Services	75,370	7,000	82,370
0034 Student (Pupil) Transportation	311,572	-	311,572
0035 Food Services	5,053	465,258	470,311
0036 Extracurricular Activities	508,849	26,689	535,538
0041 General Administration	514,347	-	514,347
0051 Facilities Maintenance and Operations	928,711	-	928,711
0052 Security and Monitoring Services	73,277	12,500	85,777
0053 Data Processing Services	270,144	-	270,144
Debt Service:			
0071 Principal on Long-Term Liabilities	46,451	-	46,451
0072 Interest on Long-Term Liabilities	49,690	-	49,690
0073 Bond Issuance Cost and Fees	5,751	-	5,751
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,573,948	74,911	2,648,859
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	108,885	-	108,885
0099 Other Intergovernmental Charges	78,594	-	78,594
6030 Total Expenditures	10,339,774	1,301,475	11,641,249
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,224,700)	(146,854)	(2,371,554)
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	146,854	146,854
7949 Other Resources	293,322	-	293,322
8911 Transfers Out (Use)	(146,854)	-	(146,854)
7080 Total Other Financing Sources (Uses)	146,468	146,854	293,322
1200 Net Change in Fund Balances	(2,078,232)	-	(2,078,232)
0100 Fund Balance - September 1 (Beginning)	4,554,584	-	4,554,584
3000 Fund Balance - August 31 (Ending)	\$ 2,476,352	\$ -	\$ 2,476,352

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



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

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (2,078,232)</b>
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:	2,594,946
Capital outlay during the year	\$ 2,851,224
Depreciation expense for the year	<u>256,278</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year long-term debt principal payments are summarized as follows:	46,451
Capital lease payable	\$ 46,451
Because property taxes receivable will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred inflows increased by this amount this year.	6,661
When long-term debt is issued, the proceeds are reported as other sources in the governmental funds. However, they are reported as liabilities in the Statement of Net Position. The total long-term debt issued in the current year was:	(293,322)
Note payable	
Interest is accrued on long-term debt in the government-wide financial statements, whereas interest is reported when due in the governmental fund financial statements. Accrued interest increased by this amount this year.	(11,422)
The District participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.	(213,941)
The District participates in the OPEB plan through TRS. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, OPEB expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year.	313,452
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>364,593</u></b>

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

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

	Private Purpose Trust Fund	Custodial Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 47,291	\$ 57,881
Total Assets	<u>47,291</u>	<u>\$ 57,881</u>
<b>NET POSITION</b>		
Restricted for Capital Projects	47,291	-
Restricted for Campus Activities	<u>-</u>	<u>57,881</u>
Total Net Position	<u>\$ 47,291</u>	<u>\$ 57,881</u>

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

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

	Private Purpose Trust Fund	Custodial Fund
<b>ADDITIONS:</b>		
Received from Student Groups	\$ -	\$ 146,069
Contributions, Gifts and Donations	18,680	-
Total Additions	<u>18,680</u>	<u>146,069</u>
<b>DEDUCTIONS:</b>		
Other Deductions	-	142,592
Total Deductions	<u>-</u>	<u>142,592</u>
Change in Fiduciary Net Position	18,680	3,477
Total Net Position September 1 (Beginning)	<u>28,611</u>	<u>54,404</u>
Total Net Position August 31 (Ending)	<u>\$ 47,291</u>	<u>\$ 57,881</u>

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

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

### A. Summary of Significant Accounting Policies

The basic financial statements of Memphis Independent School District (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" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

Government-wide 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.

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

In addition, the District reports the following fund types:

### Governmental Funds:

**Special Revenue Funds:** The District accounts for activities funded with restricted or committed revenues in special revenue funds. Most federal and some state grant programs are accounted for in these funds, as well as the District's campus activity funds.

### Fiduciary Funds:

**Private-Purpose Trust Funds:** The District accounts for donations for which the donor stipulated that both the principal and income may be used for purposes that benefit parties outside the District.

**Custodial Funds:** The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the Student Activity Fund.

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

### b. Measurement Focus, Basis of Accounting

**Government-wide and Fiduciary Fund Financial Statements:** these financial statements are reported using the economic resources measurement focus. The government-wide financial statements 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 does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

**MEMPHIS INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2024*

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. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund 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.

At August 31, 2024, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 97,938
Allowances for uncollectible taxes	<u>(32,646)</u>
Net property taxes receivable	<u>\$ 65,292</u>

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	10
Equipment	5-10

e. Deferred Outflows and Inflows of Resources

Deferred outflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets.

Deferred inflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets.

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

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, other than delinquent taxes receivable, which are not scheduled for collection within one year of year end. Of the \$97,938 outstanding at August 31, 2024, it is expected that the District will collect approximately \$50,000 during the upcoming year.

g. 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 on the government-wide statement of net assets.

h. Use of Estimates

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

i. Data Control Codes

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

j. Net Position

In the government-wide financial statements, the difference between the District's total assets, deferred outflows of resources and liabilities and deferred inflows of resources represents net position. Net position displays the following three components:

Net Investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position." It represents the amount available for future operations.

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).

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

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

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

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

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

### l. Net Position Flow Assumption

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

### m. Fund 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 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 addition to/deductions from TRS’ fiduciary net position. Benefit payments



# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

(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 Care (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.

## B. Compliance and Accountability

### 1. Finance-Related Legal and Contractual Provisions

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

The District does not have any finance-related findings in the current year.

### 2. Deficit Fund Balance or Fund Net Assets of Individual Funds

The District does not have any funds with a deficit fund balance or deficit fund net assets.

## C. Deposits and Investments

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

### Cash Deposits:

At 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 \$2,216,439 and the bank balance was \$2,449,898. The District's cash deposits at August 31, 2024 and during the year ended 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.

### 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 of portfolio investments, (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.

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

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.

### 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.

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

#### d. Interest Rate Risk

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

#### e. Foreign Currency Risk

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

### Investment Accounting Policy

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

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 115,031	\$ -	\$ -	\$ 115,031
Total capital assets not being depreciated	115,031	-	-	115,031
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,541,476	2,684,711	-	12,226,187
Vehicles	1,391,088	48,150	-	1,439,238
Equipment	1,278,563	118,364	-	1,396,927
Total capital assets being depreciated	12,211,127	2,851,225	-	15,062,352
Less accumulated depreciation for:				
Buildings and improvements	3,826,272	169,540	-	3,995,812
Vehicles	1,022,806	54,017	-	1,076,823
Equipment	1,091,208	32,722	-	1,123,930
Total accumulated depreciation	5,940,286	256,279	-	6,196,565
Total capital assets being depreciated, net	6,270,841	2,594,946	-	8,865,787
Governmental activities capital assets, net	\$ 6,385,872	\$ 2,594,946	\$ -	\$ 8,980,818

Depreciation was charged to functions as follows:

Instruction	\$ 22,002
Instructional Resources and Media Services	1,827
School Leadership	913
Student Transportation	54,497
Food Services	8,769
Extracurricular Activities	29,728
General Administration	263
Plant Maintenance and Operations	138,280
	<u>\$ 256,279</u>

### 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:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	<u>\$ 78,969</u>	Supplement other fund sources

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

#### 2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
General Fund	Other Governmental Funds	<u>\$ 146,854</u>	Fund operating deficits

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

### F. Long-term Obligations

#### 1. Long-Term obligation Activity

Changes in long-term obligations for the year ended August 31, 2024, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Loan	\$ 1,000,000	\$ -	\$ 46,451	\$ 953,549	\$ 48,759
Loan	-	293,322	-	293,322	12,650
Total	<u>\$ 1,000,000</u>	<u>\$ 293,322</u>	<u>\$ 46,451</u>	<u>\$ 1,246,871</u>	<u>\$ 61,409</u>

#### 2. Loan

Time Warrants, Series 2022 in the amount of \$1,000,000 were issued December 16, 2022 with Government Capital Corporation for construction of a new fieldhouse. The warrants are to be paid in annual payments of \$96,141 including both principal and interest for a period of 15 years, with the first payment due December 2023, and the final payment due December 2037. The contract carries an interest rate of 4.969%.

The District obtained a loan of \$293,322 from Government Capital Corporation for the purpose of financing furniture, fixtures and equipment for the fieldhouse on November 30, 2023. The note is to be paid in annual payments of \$30,103 including both principal and interest for a period of 15 years, with the first payment due November 2024, and the final payment due November 2038. The note carries an interest rate of 5.95%.

Debt service requirements on the loans at August 31, 2024, are as follows:

Year Ending August 31,	Principal	Interest	Total
2025	\$ 61,408	\$ 64,835	\$ 126,243
2026	64,584	61,659	126,243
2027	67,925	58,318	126,243
2028	71,439	54,804	126,243
2029	75,137	51,106	126,243
2030-34	438,247	192,968	631,215
2035-38	<u>468,131</u>	<u>66,944</u>	<u>535,075</u>
Total	<u>\$ 1,246,871</u>	<u>\$ 550,634</u>	<u>\$ 1,797,505</u>

### G. 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, the District purchased commercial insurance to cover federal liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

### H. Pension Plan

#### 1. Plan Description

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

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

#### 2. Pension Plan Fiduciary Net Position

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

#### 3. Benefits Provided

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

Texas Government Code section 821.006 prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this 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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

	Contribution Rates	
	<u>2023</u>	<u>2024</u>
Member	8.00%	8.25%
Non-Employer Contributing Entity (NECE – State)	8.00%	8.25%
Employers	8.00%	8.25%
District's Member Contributions	\$ 400,419	\$ 436,132
Non-Employer Contributing Entity (NECE – State)	\$ 276,753	\$ 281,747
District's Employer Contributions	\$ 187,227	\$ 214,246

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

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

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

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

- All public schools, charter schools, and regional education service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, 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.

**MEMPHIS INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2024*

5. Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation rolled 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	Market Value
Single Discount Rate	7.00%
Long-term Expected Rate of Return*	7.00%
Municipal Bond Rate as of August 2023	4.13%, 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".
Inflation	2.30%
Salary Increases	2.95% to 8.95%
Ad hoc Post Employment Benefit Changes	None
Benefit Changes during the year	None

The actuarial methods and assumptions used in the determinations of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 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 pension 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 season. 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.

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

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

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

Asset Class (4)	Target Allocation % (1)	Long-term Expected Geometric Real rate of Return (2)	Expected Contribution to Long-term Portfolio Returns
<b>Global Equity</b>			
U.S.	18.0%	4.0%	1.0%
Non-U.S. Developed	13.0%	4.5%	0.9%
Emerging Markets	9.0%	4.8%	0.7%
Private Equity	14.0%	7.0%	1.5%
<b>Stable Value</b>			
Government Bonds	16.0%	2.5%	0.5%
Absolute Return	0.0%	3.6%	0.0%
Stable Value Hedge Funds	5.0%	4.1%	0.2%
<b>Real Return</b>			
Real Estate	15.0%	4.9%	1.1%
Energy & Natural Resources	6.0%	4.8%	0.4%
Commodities	0.0%	4.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	8.0%	4.5%	0.4%
<b>Leverage</b>			
Cash	2.0%	3.7%	0.0%
Asset Allocation Leverage	<u>-6.0%</u>	<u>4.4%</u>	-0.1%
Inflation Expectation			2.3%
Volatility Drag (3)			<u>-0.9%</u>
<b>Total</b>	<u>100%</u>		<u>8.00%</u>

- (1) Target allocations are based on the FY 2023 policy model.
- (2) Capital Market Assumptions come from Aon Hewitt (as of 8/31/2023).
- (3) The volatility drag results from the conversion between arithmetic and geometric mean returns.
- (4) Absolute Return includes Credit Sensitive Investments.

### 7. Discount Rate Sensitivity Analysis

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net Pension liability	\$ 3,740,574	\$ 2,501,963	\$ 1,472,058



# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

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

At August 31, 2024, the District reported a liability of \$2,501,963 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,501,963
State's proportionate share of the net pension liability associated with the District	<u>3,765,059</u>
Total	<u>\$ 6,267,022</u>

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 District's proportion of the collective net pension liability was .0036423798%, which was an increase of .0002437104% 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. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

For the year ended August 31, 2024, the District recognized pension expense of \$996,678 and revenue of \$568,491 for support provided by the State.

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 pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual economic experience	\$ 89,146	\$ 30,296
Changes in actuarial assumptions	236,637	57,910
Difference between projected and actual investment earnings	364,096	-
Changes in proportion and differences between the District's Contributions and the proportionate share of contributions	198,977	89,853
District contributions paid to TRS subsequent to the measurement date	<u>214,246</u>	<u>-</u>
Total	<u>\$ 1,103,102</u>	<u>\$ 178,059</u>

The \$214,246 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

Year Ended <u>August 31</u>	Pension Expense <u>Amount</u>	Balance of Deferred Outflows <u>(Deferred Inflows)</u>
2025	\$ 136,924	\$ 573,873
2026	\$ 91,577	482,296
2027	\$ 335,173	147,123
2028	\$ 124,714	22,409
2029	\$ 22,408	1
Thereafter	\$ 1	-

### I. Defined Other Post-Employment Benefit Plans

#### 1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The 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 a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at [http://www.trs.texas.gov/Pages/about\\_publications.aspx](http://www.trs.texas.gov/Pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512)542-6592.

#### 3. Benefits Provided

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

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

The premium rates are reflected in the following table.

<u>TRS-Care Monthly Premium Rates</u>		
	<u>Medicare</u>	<u>Non-Medicare</u>
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

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

### 4. Contributions

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	<u>2023</u>	<u>2024</u>
Member	.65%	.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	.75%	.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Employer contributions	\$ 45,091	\$ 46,832
Member contributions	\$ 32,534	\$ 34,363
Measurement year NECE on-behalf contributions	\$ 53,502	\$ 54,409

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87<sup>th</sup> 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 valuations performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023:

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

**MEMPHIS INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2024*

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 the 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
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	7.75% for Medicare retirees and 7.00% for non-Medicare retirees. The initial prescription drug trend was 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.
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. There was a decrease of 1.96% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the nonemployer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease	Current Discount Rate	1% Increase
	3.13%	4.13%	5.13%
District's proportionate share of the net OPEB liability	\$ 1,355,333	\$ 1,150,740	\$ 983,788

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

**MEMPHIS INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2024*

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the current healthcare cost trend rate	\$ 947,577	\$ 1,150,740	\$ 1,412,111

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

At August 31, 2024, the District reported a liability of \$1,150,740 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for the State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 1,150,740
State's proportionate share that is associated with the District	<u>1,388,545</u>
Total	<u>\$ 2,539,285</u>

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 the OPEB 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 District's proportion of the collective net OPEB liability was 0.0051979611%, which was a decrease of .0001420876% from its proportion as of August 31, 2022.

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 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.

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:

# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

	Deferred <u>Outflows</u>	Deferred <u>Inflows</u>
Differences between expected and actual actuarial experience	\$ 52,062	\$ 968,130
Changes in actuarial assumptions	157,068	704,629
Difference between projected and actual investment earnings	497	-
Changes in proportion and differences between the District's Contributions and the proportionate share of contributions	163,179	358,042
District contributions paid to TRS subsequent to the measurement date	<u>46,832</u>	<u>-</u>
Total	<u>\$ 419,638</u>	<u>\$ 2,030,801</u>

\$46,832 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the plan year ending August 31, 2024. The remaining net amounts of the District's balances of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended <u>August 31</u>	OPEB Expense <u>Amount</u>	Balance of Deferred Outflows <u>(Deferred Inflows)</u>
2023	\$ (362,399)	\$ (1,295,596)
2024	\$ (309,619)	(985,977)
2025	\$ (238,164)	(747,813)
2026	\$ (247,544)	(500,269)
2027	\$ (224,845)	(275,424)
Thereafter	\$ (275,424)	-

For the year ended August 31, 2024, the District recognized OPEB expense of \$(563,462) and revenue of \$(296,842) for support provided by the State.

### 9. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payment have been recognized as equal revenues and expenditures by the District in the amount of \$25,890, \$26,129, and \$19,901 for the years ended August 31, 2024, 2023, and 2022 respectively.

### J. Commitments and Contingencies

#### 1. Contingencies

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

## MEMPHIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

#### 2. Litigation

We know of no pending litigation as of the audit date.

#### 3. Operating Leases

The District has various commitments under operating leases at August 31, 2024. The amount of the related expenditures and commitments are considered immaterial to the financial statements.

#### K. Shared Services Arrangements

The District participates in a shared service arrangement (SSA) for special education services with the following school districts:

Benjamin ISD  
Chillicothe ISD  
Crowell ISD  
Memphis ISD  
Quanah 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, Quanah 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.

#### L. Health Care Coverage

The District contributed \$225 per month per employee to a health insurance plan covered by a licensed insurer. This paid partial coverage for the employee. At their option the employee may, through payroll deduction, make additional contributions to cover dependent coverage.

**REQUIRED SUPPLEMENTARY  
INFORMATION**





MEMPHIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,145,456	\$ 2,756,221	\$ 2,706,717	\$ (49,504)
5800 State Program Revenues	4,914,050	5,216,001	5,267,747	51,746
5900 Federal Program Revenues	250,000	140,000	140,610	610
5020 Total Revenues	7,309,506	8,112,222	8,115,074	2,852
EXPENDITURES:				
Current:				
0011 Instruction	3,367,325	3,998,969	3,953,349	45,620
0012 Instructional Resources and Media Services	79,436	84,463	80,958	3,505
0013 Curriculum and Instructional Staff Development	12,500	23,000	17,127	5,873
0021 Instructional Leadership	111,806	118,415	113,812	4,603
0023 School Leadership	512,163	517,034	493,365	23,669
0031 Guidance, Counseling, and Evaluation Services	135,956	137,174	130,521	6,653
0033 Health Services	76,051	78,935	75,370	3,565
0034 Student (Pupil) Transportation	330,715	332,700	311,572	21,128
0035 Food Services	-	7,480	5,053	2,427
0036 Extracurricular Activities	409,870	621,979	508,849	113,130
0041 General Administration	491,420	538,247	514,347	23,900
0051 Facilities Maintenance and Operations	795,006	970,690	928,711	41,979
0052 Security and Monitoring Services	18,900	83,900	73,277	10,623
0053 Data Processing Services	293,115	289,827	270,144	19,683
Debt Service:				
0071 Principal on Long-Term Liabilities	46,951	48,951	46,451	2,500
0072 Interest on Long-Term Liabilities	49,690	49,690	49,690	-
0073 Bond Issuance Cost and Fees	-	5,752	5,751	1
Capital Outlay:				
0081 Facilities Acquisition and Construction	947,022	3,425,540	2,573,948	851,592
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	135,000	135,000	108,885	26,115
0099 Other Intergovernmental Charges	90,000	90,000	78,594	11,406
6030 Total Expenditures	7,902,926	11,557,746	10,339,774	1,217,972
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(593,420)	(3,445,524)	(2,224,700)	1,220,824
OTHER FINANCING SOURCES (USES):				
7949 Other Resources	743,420	293,323	293,322	(1)
8911 Transfers Out (Use)	(150,000)	(150,000)	(146,854)	3,146
7080 Total Other Financing Sources (Uses)	593,420	143,323	146,468	3,145
1200 Net Change in Fund Balances	-	(3,302,201)	(2,078,232)	1,223,969
0100 Fund Balance - September 1 (Beginning)	4,554,584	4,554,584	4,554,584	-
3000 Fund Balance - August 31 (Ending)	\$ 4,554,584	\$ 1,252,383	\$ 2,476,352	\$ 1,223,969

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Pension Liability (Asset)	0.00364238%	0.003398669%	0.003112542%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,501,963	\$ 2,017,703	\$ 792,654
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,765,059	3,521,021	1,616,324
Total	<u>\$ 6,267,022</u>	<u>\$ 5,538,724</u>	<u>\$ 2,408,978</u>
District's Covered Payroll	\$ 5,005,272	\$ 4,744,712	\$ 4,500,820
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	49.99%	42.53%	17.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.15%	75.62%	88.79%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.003101555%	0.00356522%	0.003274155%	0.003741697%	0.003744713%	0.0040023%	0.026012%
\$ 1,661,129	\$ 1,853,313	\$ 1,802,174	\$ 1,196,393	\$ 1,415,071	\$ 1,414,760	\$ 694,816
3,379,358	3,005,403	3,311,582	1,854,233	2,342,819	2,177,157	1,891,798
<u>\$ 5,040,487</u>	<u>\$ 4,858,716</u>	<u>\$ 5,113,756</u>	<u>\$ 3,050,626</u>	<u>\$ 3,757,890</u>	<u>\$ 3,591,917</u>	<u>\$ 2,586,614</u>
\$ 4,384,243	\$ 4,049,537	\$ 3,775,139	\$ 3,737,129	\$ 3,752,013	\$ 3,573,611	\$ 3,445,704
37.89%	45.77%	47.74%	32.01%	37.71%	39.59%	20.16%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually Required Contribution	\$ 214,246	\$ 187,227	\$ 158,592
Contribution in Relation to the Contractually Required Contribution	(214,246)	(187,227)	(158,592)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 5,286,443	\$ 5,005,272	\$ 4,744,712
Contributions as a Percentage of Covered Payroll	4.05%	3.74%	3.34%

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

2021	2020	2019	2018	2017	2016	2015
\$ 132,827	\$ 127,971	\$ 124,334	\$ 109,786	\$ 123,130	\$ 118,979	\$ 118,510
(132,827)	(127,971)	(124,334)	(109,786)	(123,130)	(118,979)	(118,510)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,500,820	\$ 4,384,243	\$ 4,019,537	\$ 3,775,139	\$ 3,752,013	\$ 3,573,611	\$ 3,445,704
2.95%	2.92%	3.09%	2.91%	3.28%	3.33%	3.44%

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.005197961%	0.005340049%	0.005077141%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,150,740	\$ 1,278,622	\$ 1,958,480
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,388,545	1,559,717	2,623,927
Total	<u>\$ 2,539,285</u>	<u>\$ 2,838,339</u>	<u>\$ 4,582,407</u>
District's Covered Payroll	\$ 5,005,272	\$ 4,744,712	\$ 4,500,820
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	49.99%	26.95%	43.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	73.15%	11.52%	6.18%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2024 are for the measurement date of August 31, 2023. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.005166236%		0.005763656%		0.005616526%		0.00581149%	
\$	1,963,919	\$	2,725,701	\$	2,804,383	\$	2,527,199
2,639,037		3,621,850		3,115,330		2,791,147	
\$	4,602,956	\$	6,347,551	\$	5,919,713	\$	5,318,346
\$	4,384,243	\$	4,042,537	\$	3,775,139	\$	3,737,129
44.79%		67.43%		74.29%		67.62%	
4.99%		2.66%		1.57%		0.91%	



MEMPHIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 46,832	\$ 45,091	\$ 43,860
Contribution in Relation to the Contractually Required Contribution	(46,832)	(45,091)	(43,860)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,286,443	\$ 5,005,272	\$ 4,744,712
Contributions as a Percentage of Covered Payroll	0.89%	0.90%	0.92%

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

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

2021		2020		2019		2018	
\$	39,664	\$	39,267	\$	40,916	\$	38,728
	(39,664)		(39,267)		(40,913)		(38,728)
\$	-	\$	-	\$	3	\$	-
\$	4,500,820	\$	4,384,243	\$	4,042,537	\$	3,775,139
	0.88%		0.90%		1.01%		1.03%



# MEMPHIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED AUGUST 31, 2024

### A. Budget

#### 1. Basis of Budgeting

The Memphis Independent School District's (District) budget for the General Fund is prepared and presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### 2. Budget Process

##### a. Budgeting

Annual budgets are legally adopted for the General Fund and Food Service Fund. The annual budget is presented in the accompanying schedule for the General Fund. The following procedures are used in establishing the budgetary data reflected in that schedule:

- Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget after then days' public notice of the meeting has been given.
- Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled by the budget officer at the revenue object and expenditure function level.

The official budget for the General Fund was prepared and adopted through Board resolution before August 31, 2023. The administration performs budget reviews by which budget requirements are re-evaluated and revisions recommended to the Board. The Board may approve amendments to the budget, which are required when a change is made to the functional expenditure categories or revenue object accounts, as defined by the Texas Education Agency. Total expenditures may exceed total appropriations, as amended, by fund as long as those expenditures are certified as being available by the budget officer to the Board. The budget amounts reflected in the accompanying schedule represent final amended budget amounts as approved by the Board.

##### b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to receive that portion of the applicable appropriation, is used in all governmental funds. There are no outstanding encumbrances at year-end as all encumbrances at that date are canceled and re-appropriated in the subsequent fiscal year's budget to provide for their liquidation.

## MEMPHIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED AUGUST 31, 2024

#### B. Defined Benefit Pension Plan

##### 1. Changes of benefit terms

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 January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

##### 2. Changes of assumptions

There was no changes in assumptions.

#### C. OPEB Plan

##### 1. Change of Benefit Terms

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

##### 2. Change of Assumptions

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

- The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023. This changed decreased the total OPEB liability.

## **COMBINING AND OTHER STATEMENTS**

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2024

Data Control Codes		205	211	212	225
			ESEA I, A	ESEA Title I	IDEA - Part B
		Head Start	Improving Basic Program	Part C Migrant	Preschool
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	24,369	17,066	-	1,327
1000	Total Assets	<u>\$ 24,369</u>	<u>\$ 17,066</u>	<u>\$ -</u>	<u>\$ 1,327</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	6,400	5,016	-	1,189
2170	Due to Other Funds	17,225	11,470	-	-
2190	Due to Student Groups	-	-	-	-
2200	Accrued Expenditures	744	580	-	138
2000	Total Liabilities	<u>24,369</u>	<u>17,066</u>	<u>-</u>	<u>1,327</u>
4000	Total Liabilities and Fund Balances	<u>\$ 24,369</u>	<u>\$ 17,066</u>	<u>\$ -</u>	<u>\$ 1,327</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income	280 ESSER III Homelss Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds
\$ (7,042) \$ 16,726	- -	\$ - \$ 4,239	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ 15,183	\$ - \$ 306
<u>\$ 9,684</u>	<u>\$ -</u>	<u>\$ 4,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,183</u>	<u>\$ 306</u>
\$ 178 \$ 8,514	- -	\$ - \$ 3,293	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ 274
-	-	564	-	-	-	15,183	-
-	-	-	-	-	-	-	-
992	-	382	-	-	-	-	32
<u>9,684</u>	<u>-</u>	<u>4,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,183</u>	<u>306</u>
<u>\$ 9,684</u>	<u>\$ -</u>	<u>\$ 4,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,183</u>	<u>\$ 306</u>





MEMPHIS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2024

Data Control Codes		410	461	Total
		State Instructional Materials	Campus Activity Funds	Nonmajor Governmental Funds
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ 12,700	\$ 5,658
1240	Due from Other Governments	34,527	-	113,743
1000	Total Assets	<u>\$ 34,527</u>	<u>\$ 12,700</u>	<u>\$ 119,401</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ -	\$ 178
2160	Accrued Wages Payable	-	-	24,686
2170	Due to Other Funds	34,527	-	78,969
2190	Due to Student Groups	-	12,700	12,700
2200	Accrued Expenditures	-	-	2,868
2000	Total Liabilities	<u>34,527</u>	<u>12,700</u>	<u>119,401</u>
4000	Total Liabilities and Fund Balances	<u>\$ 34,527</u>	<u>\$ 12,700</u>	<u>\$ 119,401</u>

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

Data Control Codes	205	211	212	225
		ESEA I, A	ESEA Title I	IDEA - Part B
	Head Start	Improving Basic Program	Part C Migrant	Preschool
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	207,081	257,189	8,172	13,183
5020 Total Revenues	207,081	257,189	8,172	13,183
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	207,081	128,528	-	13,183
0013 Curriculum and Instructional Staff Development	-	29,183	-	-
0031 Guidance, Counseling, and Evaluation Services	-	99,478	8,172	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	207,081	257,189	8,172	13,183
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income	280 ESSER III Homelss Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds
\$ 4,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,370	-	-	-	-	-	-	-
293,466	1,270	40,353	12,713	7,560	1,194	182,948	26,524
317,134	1,270	40,353	12,713	7,560	1,194	182,948	26,524
-	-	40,353	12,713	7,560	1,194	108,037	7,024
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	7,000
463,988	1,270	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	12,500
-	-	-	-	-	-	74,911	-
463,988	1,270	40,353	12,713	7,560	1,194	182,948	26,524
(146,854)	-	-	-	-	-	-	-
146,854	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	410 State Instructional Materials	461 Campus Activity Funds	Total Nonmajor Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ 26,689	\$ 30,987
5800 State Program Revenues	52,611	-	71,981
5900 Federal Program Revenues	-	-	1,051,653
5020 Total Revenues	52,611	26,689	1,154,621
EXPENDITURES:			
Current:			
0011 Instruction	52,611	-	578,284
0013 Curriculum and Instructional Staff Development	-	-	29,183
0031 Guidance, Counseling, and Evaluation Services	-	-	107,650
0033 Health Services	-	-	7,000
0035 Food Services	-	-	465,258
0036 Extracurricular Activities	-	26,689	26,689
0052 Security and Monitoring Services	-	-	12,500
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	74,911
6030 Total Expenditures	52,611	26,689	1,301,475
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(146,854)
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	146,854
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

## **T.E.A. REQUIRED SCHEDULES**

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2024

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2015 and prior years	Various	Various	\$ Various
2016	1.040000	0.00000	158,201,250
2017	1.040000	0.00000	159,680,865
2018	1.040000	0.00000	155,411,513
2019	1.170000	0.00000	162,349,060
2020	1.068300	0.00000	170,766,265
2021	0.976600	0.00000	194,595,842
2022	0.960300	0.00000	204,270,124
2023	0.954300	0.00000	206,228,230
2024 (School year under audit)	0.795800	0.00000	222,663,232
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 9/1/2023	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2024	(99) Taxes Refunded Under Section 26.1115c
\$ 11,906	\$ -	\$ 95	\$ -	\$ (1,082)	\$ 10,729	
772	-	-	-	(13)	759	
580	-	115	-	(13)	452	
1,780	-	525	-	(13)	1,242	
2,176	-	106	-	(394)	1,676	
3,357	-	541	-	(348)	2,468	
11,459	-	1,975	-	(335)	9,149	
14,752	-	8,723	-	(583)	5,446	
41,164	-	16,561	-	(723)	23,880	
-	1,771,954	1,728,912	-	(905)	42,137	
<u>\$ 87,946</u>	<u>\$ 1,771,954</u>	<u>\$ 1,757,553</u>	<u>\$ -</u>	<u>\$ (4,409)</u>	<u>\$ 97,938</u>	

\$ -



MEMPHIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 3,082	\$ 4,298	\$ 1,216
5800 State Program Revenues	18,470	18,470	19,370	900
5900 Federal Program Revenues	236,000	274,578	293,466	18,888
5020 Total Revenues	254,470	296,130	317,134	21,004
EXPENDITURES:				
Current:				
0035 Food Services	404,470	446,130	463,988	(17,858)
6030 Total Expenditures	404,470	446,130	463,988	(17,858)
1100 Excess (Deficiency) of Revenues Over Expenditures	(150,000)	(150,000)	(146,854)	3,146
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	150,000	150,000	146,854	(3,146)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2024

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**Section A: Compensatory Education Programs**

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	484,253
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	371,282

**Section B: Bilingual Education Programs**

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	33,652
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	33,002



**REPORTS ON  
INTERNAL CONTROLS, COMPLIANCE  
AND  
FEDERAL AWARDS**



Denise Foster C.P.A.  
Tracy Lambert C.P.A.

330 Main, P.O. Box 7  
Childress, Texas 79201 940-937-8681

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  
Memphis Independent School District  
PO Box 460  
Memphis, Texas 79245

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Memphis Independent School District (District) as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Memphis Independent School District's basic financial statements and have issued our report thereon dated December 19, 2024.

**Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 may exist that have not been identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Foster. Lambert : Ford LLC". The signature is written in a cursive, flowing style.

Foster & Lambert, L.L.C.  
December 19, 2024

Denise Foster C.P.A.  
Tracy Lambert C.P.A.  
April Foard, C.P.A.

330 Main, P.O. Box 7  
Childress, Texas 79201 940-937-8681

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

Board of Trustees  
Memphis Independent School District  
PO Box 460  
Memphis, Texas 79245

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

In our opinion, Memphis Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Memphis 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 Memphis 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 Memphis 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 Memphis 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Memphis Independent School District's compliance with the requirements of each major federal program as a whole.

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

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

*Foster, Lambert & Foard LLC*

Foster, Lambert & Foard, LLC  
December 19, 2024



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

**I. Summary of the Auditor's Results:**

**Financial Statements:**

- Type of auditor's report issued: **Unmodified.**
- Internal control over financial reporting:
  - Material weakness(es) identified: **None.**
  - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Noncompliance material to financial statements noted: **None.**

**Federal Awards:**

- Internal control over major programs:
  - Material weakness(es) identified: **None.**
  - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Type of auditor's report issued on compliance for major programs: **Unmodified.**
- Audit findings disclosed that are required to be reported under CFR Section 200.516(a): **None.**
- Identification of major programs:
  - 10.553 School Breakfast**
  - 10.555 School Lunch Program**
  - 84.010A ESEA Title I Part A**
- Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- Auditee qualification as a low-risk auditee: **No.**

**II. Financial Statement Findings:**

None.

**III. Federal Award Findings and Questioned Costs:**

None.

MEMPHIS INDEPENDENT SCHOOL DISTRICT  
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2024

There were no prior year findings.

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

There were no current year findings.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	24610101096904	\$ 251,593
ESEA, Title I, Part A - Improving Basic Programs	84.010A	25610101096904	5,596
Total Assistance Listing Number 84.010			257,189
ESEA, Title I, Part C - Migratory Children	84.011	24615001096904	8,172
*IDEA - Part B, Preschool	84.173	2466100110969046610	11,856
*IDEA - Part B, Preschool	84.173	2566100110969046610	1,327
Total Assistance Listing Number 84.173			13,183
Total Special Education Cluster (IDEA)			13,183
ESEA, Title V, Part B,2 - Rural & Low Income Prog.	84.358A	24696001096904	12,713
ESEA, Title II, Part A, Teacher Principal Training	84.367A	24694501096904	36,678
ESEA, Title II, Part A, Teacher Principal Training	84.367A	25694501096904	3,675
Total Assistance Listing Number 84.367			40,353
COVID 19 - ESSER II - School Emergency Relief	84.425D	21521001096904	1,194
COVID 19 - ESSER III - School Emergency Relief	84.425D	21528001096904	182,948
COVID 19 - ARP Education for Homeless Children	84.425W	21533002096904	7,560
Total Assistance Listing Number 84.425			191,702
ESEA, Title IV, Part A, Student Support	84.424A	24680101096904	26,217
ESEA, Title IV, Part A, Student Support	84.424A	25680101096904	306
Total Assistance Listing Number 84.424			26,523
Total Passed Through Texas Education Agency			549,835
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			549,835
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Education Agency</u>			
*Head Start	93.600	07CH0219/39	199,937
*Head Start	93.600	07CH0219/40	7,144
Total Assistance Listing Number 93.600			207,081
Head Start Cluster			207,081
Total Passed Through Texas Education Agency			207,081
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			207,081
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	71402001	121,260
*National School Lunch Program - Cash Assistance	10.555	71302001	155,996
*National School Lunch Prog. - Non-Cash Assistance	10.555	096-904	17,481
Total Assistance Listing Number 10.555			173,477
Total Child Nutrition Cluster			294,737
Total Passed Through the Texas Department of Agriculture			294,737

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			294,737
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,051,653</b>

\*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards



MEMPHIS INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
AUGUST 31, 2024

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Memphis Independent School District and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Grant Management Standards of the State of Texas. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**NOTE 2 – De Minimis Indirect Cost Rate**

Entities that receive federal awards for which an indirect cost rate has never been negotiated may elect to change a de minimis indirect cost rate of ten percent of modified total direct costs. The District did not elect to change the de minimis rate to any of its federal awards during the year ended August 31, 2024.

**NOTE 3 – Reconciliation of Federal Expenditures per the SEFA to the Basic Financial Statements**

Amount of federal revenues per Exhibit C-3	\$ 1,192,263
Less Medicaid reimbursements not considered to be federal awards for inclusion on the Schedule of Expenditures of Federal Awards	<u>(140,610)</u>
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u>\$ 1,051,653</u>

## SCHOOLS FIRST QUESTIONNAIRE

EXHIBIT L-1

MEMPHIS INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2024

---

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 Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If payments were not made or warrant hold not cleared within 30 days of when due, then payments are NOT timely.)	Yes
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, answer is still YES.)	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 and/or substantial doubt about the district's ability to continue as a going concern?	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 district's administration and school board members discuss any changes and/or impact to local, state, and federal funding 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.	