

Medina Valley ISD Board of Trustees
Regular Meeting

{{Date }} at 6:30 PM

Office, 8449 FM 471 S, Castroville, TX 78009

Notice is hereby given that on **December 4, 2018** the **Board of Trustees of the Medina Valley Independent School District** will hold a **Regular Board Meeting at 6:30 PM at {{Location: Meeting Location.}}** The subjects to be discussed are listed on the agenda which is attached to and made part of this notice.

Members of the public who desire to address the Board during Public Comments will need to sign up to speak prior to the start of the meeting by providing their name, and the topic they wish to address to the Board on the sign in sheet provided. At Regular Board Meetings the Board of Trustees shall permit public comment on any topic. At all other Board Meetings public comments will be limited to items on the agenda posted with the notice of the meeting. All public comments are limited to 5 minutes.

If it is determined that during the meeting an item on the agenda that can be legally discussed in closed session be removed from the open session and discussed in closed session, the board may elect to discuss such agenda item in closed session in accordance with the Texas Open Meetings Act, Government Code, Chapter 551, Subchapters D and E. Before convening into Closed Meeting the Presiding Officer will announce the time and identify the section or sections of this chapter under which the closed meeting is held. All final votes, actions, or decisions shall be taken in open meeting. The Presiding Officer will announce the date and time for the end of the Closed Meeting before resuming the Open Meeting.

If you have a disability, please advise the school district about special arrangements that may allow you to fully participate in this meeting by calling Medina Valley ISD at 830-931-2243.

For Medina Valley ISD Board of Trustees:

Scott Caloss ED.D., Superintendent of Schools

Medina Valley ISD
Called
December 4, 2018

- I. **First Order of Business**
 - A Establish a Quorum
- II. Hear from Patrons and/or Staff
- III. **Discussion and Possible Action Items**
 - A Audit Report for Financial Year 2017-2018 3
 - B Audit Contract for Financial Year 2018-2019 92
- IV. **Closed Session**
 - A **Consider Personnel Matters (TX Govt.Code Section 551.074).**
 - 1 Appointment, Employment, Evaluation, Reassignment, Duties, Discipline, and Dismissal of a Public Officer or Employee.
 - 2 Discuss and consider possible pursuit of sanctions against a district certified educator for abandonment/untimely resignation of contract pursuant to Policy DFE (Legal) and (Local).
- V. **Action as Appropriate from Closed Session**
No decisions are made by the Board during Closed Session
 - A Consideration and possible approval of 2018-2019 professional contracts.
 - B Discussion and possible action regarding pursuit of sanctions against a district certified educator for abandonment/untimely resignation of contract pursuant to Policy DFE (Legal) and (Local).
- VI. Adjournment

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2018

**MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018**

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CERTIFICATE OF BOARD

Medina Valley Independent School District Medina 163908
Name of School District County Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the _____ of _____, 2018.

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)

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Medina Valley Independent School District
8449 FM 471 South
Castroville, Texas 78009

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Valley Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Medina Valley Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Valley Independent School District as of August 31, 2018, 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.

Change in Accounting Principle

As described in Note K to the financial statements, in 2018, the District adopted new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. Because GASB #75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions for Pensions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of the District Contributions for Other Post-Employment Benefits, on pages 7-13 and 54-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medina Valley Independent School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulation of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the Medina Valley Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medina Valley Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medina Valley Independent School District's internal control over financial reporting and compliance.

Coleman Horton & Company, LLP

Uvalde, Texas
November 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of Medina Valley Independent School District (the District) is presented in six sections, management's discussion and analysis (this part), basic financial statements, required supplementary information, combining and other statements, T.E.A. required schedules, and federal section. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending August 31, 2018. Please read it in conjunction with the District's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- * The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- * The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
 - * The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - * *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates on a cost reimbursement basis, such as self insurance.
 - * *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets, deferred inflows, and liabilities, and deferred inflows is one way to measure the District's financial health or *position*.

- * Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- * To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base and student enrollment.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- * Some funds are required by State law and by bond covenants.
- * The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- * *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.
- * *Proprietary funds*-Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - * We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities-such as the District's Self Insurance Fund.
- * *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust agreement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Financial Highlights

- * The District’s combined net position was \$6,749,715 at August 31, 2018, an increase of \$5,103,087 from current year operations and a decrease of \$25,043,860 from the implementation of GASB 75.
- * During the year, the District’s revenue was \$46,751,924 as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
a) Taxes	\$ 24,159,680	\$ 21,575,035	\$ 2,584,645
b) State Aid	15,665,631	21,775,691	(6,110,060)
c) Federal Aid	4,392,925	4,206,565	186,360
d) Investment Earnings	885,730	760,261	125,469
e) Other	1,647,958	1,590,529	57,429
Total	<u>\$ 46,751,924</u>	<u>\$ 49,908,081</u>	<u>\$ (3,156,157)</u>

- * During the year, the District’s expenses were \$41,648,837 as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
a) Instruction and instructional related	\$ 18,001,687	\$ 24,867,195	\$ (6,865,508)
b) Instruction leadership/school leadership	1,930,030	2,623,975	(693,945)
c) Guidance, social work, health, transportation	3,116,828	4,118,479	(1,001,651)
d) Food services	2,845,545	2,877,130	(31,585)
e) Extracurricular activities	1,132,973	1,408,023	(275,050)
f) General administration	1,346,458	1,702,365	(355,907)
g) Plant maintenance and security	7,570,051	5,063,850	2,506,201
h) Data processing services	1,368,631	925,206	443,425
i) Community services	280,694	296,572	(15,878)
j) Debt service	4,055,940	4,025,100	30,840
Total Expenses	<u>\$ 41,648,837</u>	<u>\$ 47,907,895</u>	<u>\$ (6,259,058)</u>

- * The general fund reported a fund balance this year of \$17,909,376, an increase of \$3,090,987 from the prior year.
- * The debt service fund reported a fund balance of \$2,538,579, an increase of \$221,172.
- * The capital projects fund had a year end fund balance of \$13,186,904.
- * The capital projects fund transferred \$10,370 to the general fund during the year.
- * The District's combined net position was \$6,749,715 at August 31, 2018, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 43,142,587	\$ 70,709,741	\$ (27,567,154)
Capital and non-current assets	127,599,513	102,564,662	25,034,851
Total Assets	\$ 170,742,100	\$ 173,274,403	\$ (2,532,303)
Deferred resource outflow	\$ 3,514,463	\$ 4,282,061	\$ (767,598)
Current liabilities	\$ 7,064,773	\$ 6,846,780	\$ 217,993
Long term liabilities	153,205,326	143,463,692	9,741,634
Total Liabilities	\$ 160,270,099	\$ 150,310,472	\$ 9,959,627
Deferred resource inflow	\$ 7,236,749	\$ 555,504	\$ 6,681,245
Net position:			
Net investment in capital assets	\$ 10,265,659	\$ 13,338,915	\$ (3,073,256)
Restricted	3,594,294	3,257,206	337,088
Unrestricted	(7,110,238)	10,094,367	(17,204,605)
Total Net Position	\$ 6,749,715	\$ 26,690,488	\$ (19,940,773)

- * Property tax rates were unchanged for the year. The tax base increased during the past year by \$161,543,558. The increase in the tax levy was \$2,324,935.
- * State program revenues decreased for the year by \$6,110,060.
- * Federal program revenues increased by \$186,360.
- * Investment earnings increased by \$125,469.

Capital Assets and Debt Administration

Capital Assets

Net capital assets for the District at the end of the fiscal year August 31, 2018 amounted to \$127,599,513. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and vehicles as reflected below:

District's Capital Assets

	Governmental Activities		
	Current Year	Prior Year	Change
Land	\$ 4,507,968	\$ 4,501,474	\$ 6,494
Buildings and improvements	149,319,192	95,209,541	54,109,651
Equipment	12,363,639	10,385,177	1,978,462
Construction in progress	1,387,363	28,382,141	(26,994,778)
Totals at historical cost	167,578,162	138,478,333	29,099,829
Total accumulated depreciation	(39,978,649)	(35,913,671)	(4,064,978)
Net capital assets	<u>\$ 127,599,513</u>	<u>\$ 102,564,662</u>	<u>\$ 25,034,851</u>

Long-term Liabilities

For the year ended August 31, 2018, the District made scheduled debt principal payments of \$2,048,649.

District's Long Term Liabilities

	Governmental Activities		
	Current Year	Prior Year	Change
Bonds payable	\$ 116,317,147	\$ 118,365,796	\$ (2,048,649)
Leave	148,333	178,497	(30,164)
Sub-total	116,465,480	118,544,293	(2,078,813)
Accreted interest on capital appreciation bonds	564,944	964,517	(399,573)
Premium on bond issuance	13,638,667	14,319,924	(681,257)
Total Long-Term Liabilities	<u>\$ 130,669,091</u>	<u>\$ 133,828,734</u>	<u>\$ (3,159,643)</u>

Budgetary Highlights

Over the course of the year, the administration recommended and the Board approved several revisions to the 2017-2018 budgeted revenue and appropriations. These amendments fall into the following categories:

- Amendments to the Capital Project fund in order to address expenditures associated with:
 - ✓ the purchase of a District wide video surveillance system,
 - ✓ the purchase of a new portable building for Luckey Ranch,
 - ✓ the upgrade of the District's technology infrastructure,
 - ✓ the renovation of Medina Valley Middle School and Castroville Elementary.
- Amendments to the Food Service Fund in order to address expenditures associated with kitchen improvements on multiple campuses, including serving lines and ovens.
- Amendments that reflect additional revenue and/or appropriations to the General Fund to account for:
 - ✓ the purchase of software for Human Resources Department,
 - ✓ additional staff needed for special education services,
 - ✓ other unexpected miscellaneous occurrences.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered many factors when setting the fiscal year 2018-2019 budget and corresponding tax rates. The most significant of these factors was the opening of two new schools simultaneously, one being six months ahead of schedule and under budget. Competition for quality staff, student enrollment growth and property valuations were also key elements considered. In order to adequately address the district's continued increase in enrollment, the district added eighty-one (81) new positions, twenty-four of which were new teaching positions. Employee pay increases had a significant impact on the 2018-19 expenditure budget. Appropriations included an additional \$850,000 over the previous year for salary/wage & benefit increases, which includes an increase in the teacher hiring schedule; a \$1,600 increase for all current 10-month teachers; a 3.0% increase for all other professional employees, and a 3.0% midpoint increase for all hourly employees. As a result, appropriations in the 2018-19 budget were approved in the amount of \$54,311,262. Accordingly, the District has approved budgeted revenues in the amount of \$51,915,583 resulting in a budget deficit of \$2,395,679. Additionally:

- For 2018-19, the district's general fund maintenance and operations tax rate will remain the same at \$1.04 and the district's debt service tax rate will remain the same at \$0.3992.
- The district's total tax rate will remain at \$1.4392.
- The district's net taxable value used for 2018-19 budget preparation increased \$244 million or 15.72% from the previous year.
- The expected increase in general fund tax revenues is \$2.26 million due to the increase in property values.
- The district's general fund budget included a projected enrollment increase of approximately 352 students or 6.9% over the previous year's enrollment.

A 78% passing rate of a May 2016 bond election provided the district with an additional \$78,000,000 in bond money for (1) a new 400-student addition at the current high school, (2) a new elementary school in the Luckey Ranch Subdivision, (3) a new middle school adjacent to the current Potranco Elementary School, and (4) acquisition of additional land for future school sites. The 18-classroom high school addition was completed on time and under budget and was placed into use in the 2017-18 school year. The new 1,100-student Loma Alta Middle School and the new 800-student Luckey Ranch Elementary School were both completed on time and under budget and were placed into use in the current 2018-19 school year. As a result of savings from these projects, the Board has authorized a \$10-million capital renovation project for the existing Middle School and Castroville Elementary to be completed for the 2019-20 school year. The district has also purchased an additional 18-acre site in the Ladera subdivision for a future elementary school.

Due to bond market conditions at the time, the additional increase for taxpayers of the district was \$.05 per \$100 of evaluation instead of the anticipated \$.13 increase. The 2018-19 combined payments for principal and interest on outstanding bonded indebtedness is \$6,992,675. It is estimated that the state will contribute \$692,229 or 9.9% of this amount through the TEA's Instructional Facilities and Existing Debt Allotment Programs. The District is responsible for the remaining \$6,300,446 or 90.1%. The district's long-term bonds are rated "AAA" by Standard & Poor's ("S&P") by virtue of the guarantee provided by the Permanent School Fund of the State of Texas. Additionally, the District's underlying credit rating most recently affirmed by Standard & Poor is "AA-", with a stable outlook on the District's general obligation debt. According to S&P, this favorable underlying rating reflects the district's good-to-strong income and wealth, access to the deep and diverse San Antonio metropolitan statistical area, and historically very strong finances. Finally, the District's Board of Trustees has committed \$3,000,000 of the General Fund balance for future construction as the District anticipates the need for additional capital projects.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 Business Office at 8449 FM 471 South, Castroville, TX 78009.

BASIC FINANCIAL STATEMENTS

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 39,275,076
1220 Property Taxes Receivable (Delinquent)	1,335,045
1230 Allowance for Uncollectible Taxes	(160,205)
1240 Due from Other Governments	2,614,156
1290 Other Receivables, net	44,501
1300 Inventories	34,014
Capital Assets:	
1510 Land	4,507,968
1520 Buildings, Net	116,953,785
1530 Furniture and Equipment, Net	4,750,397
1580 Construction in Progress	1,387,363
1000 Total Assets	170,742,100
DEFERRED OUTFLOWS OF RESOURCES	
1703 Deferred Resource Outflow #3	248,188
1705 Deferred Outflow Related to TRS Pension	3,266,275
1700 Total Deferred Outflows of Resources	3,514,463
LIABILITIES	
2110 Accounts Payable	5,227,555
2150 Payroll Deductions & Withholdings	22,726
2160 Accrued Wages Payable	1,486,677
2200 Accrued Expenses	305,557
2300 Unearned Revenue	22,258
Noncurrent Liabilities	
2501 Due Within One Year	1,262,548
2502 Due in More Than One Year	129,406,543
2540 Net Pension Liability (District's Share)	8,253,973
2545 Net OPEB Liability (District's Share)	14,282,262
2000 Total Liabilities	160,270,099
DEFERRED INFLOWS OF RESOURCES	
2603 Deferred Resource Inflow Related to TRS OPEB	5,974,297
2605 Deferred Inflow Related to TRS Pension	1,262,452
2600 Total Deferred Inflows of Resources	7,236,749
NET POSITION	
3200 Net Investment in Capital Assets	10,265,659
3820 Restricted for Federal and State Programs	1,055,715
3850 Restricted for Debt Service	2,538,579
3900 Unrestricted	(7,110,238)
3000 Total Net Position	\$ 6,749,715

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 17,295,186	\$ 72,004	\$ 2,060,776	\$ (15,162,406)
12 Instructional Resources and Media Services	197,501	-	-	(197,501)
13 Curriculum and Staff Development	509,000	-	221,707	(287,293)
21 Instructional Leadership	623,413	-	46,576	(576,837)
23 School Leadership	1,306,617	-	-	(1,306,617)
31 Guidance, Counseling and Evaluation Services	729,174	-	32,700	(696,474)
32 Social Work Services	172,134	-	63,011	(109,123)
33 Health Services	299,356	-	-	(299,356)
34 Student (Pupil) Transportation	1,916,164	-	-	(1,916,164)
35 Food Services	2,845,545	1,092,941	1,839,227	86,623
36 Extracurricular Activities	1,132,973	119,330	-	(1,013,643)
41 General Administration	1,346,458	-	-	(1,346,458)
51 Facilities Maintenance and Operations	6,588,090	41,802	12,850	(6,533,438)
52 Security and Monitoring Services	981,961	-	-	(981,961)
53 Data Processing Services	1,368,631	-	-	(1,368,631)
61 Community Services	280,694	-	248,602	(32,092)
72 Debt Service - Interest on Long Term Debt	4,053,090	-	-	(4,053,090)
73 Debt Service - Bond Issuance Cost and Fees	2,850	-	-	(2,850)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 41,648,837</u>	<u>\$ 1,326,077</u>	<u>\$ 4,525,449</u>	<u>(35,797,311)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	17,448,308
DT	Property Taxes, Levied for Debt Service	6,711,372
SF	State Aid - Formula Grants	21,222,969
GC	Grants and Contributions not Restricted	(5,689,862)
IE	Investment Earnings	885,730
MI	Miscellaneous Local and Intermediate Revenue	321,881
TR	Total General Revenues	<u>40,900,398</u>
CN	Change in Net Position	5,103,087
NB	Net Position - Beginning	26,690,488
PA	Prior Period Adjustment	(25,043,860)
NE	Net Position--Ending	<u>\$ 6,749,715</u>

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 17,413,436	\$ 2,397,145	\$ 17,686,967
1220 Property Taxes - Delinquent	1,012,428	322,617	-
1230 Allowance for Uncollectible Taxes (Credit)	(121,491)	(38,714)	-
1240 Receivables from Other Governments	2,105,356	106,644	77,818
1260 Due from Other Funds	30,018	-	8,176
1290 Other Receivables	38,112	-	-
1300 Inventories	34,014	-	-
1000 Total Assets	<u>\$ 20,511,873</u>	<u>\$ 2,787,692</u>	<u>\$ 17,772,961</u>
LIABILITIES			
2110 Accounts Payable	\$ 331,054	\$ -	\$ 4,586,057
2150 Payroll Deductions and Withholdings Payable	22,726	-	-
2160 Accrued Wages Payable	1,486,677	-	-
2170 Due to Other Funds	-	8,176	-
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>1,840,457</u>	<u>8,176</u>	<u>4,586,057</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	762,040	240,937	-
2600 Total Deferred Inflows of Resources	<u>762,040</u>	<u>240,937</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	34,014	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	13,186,904
3480 Retirement of Long-Term Debt	-	2,538,579	-
Committed Fund Balance:			
3510 Construction	3,000,000	-	-
3545 Campus Activity	-	-	-
3600 Unassigned Fund Balance	14,875,362	-	-
3000 Total Fund Balances	<u>17,909,376</u>	<u>2,538,579</u>	<u>13,186,904</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,511,873</u>	<u>\$ 2,787,692</u>	<u>\$ 17,772,961</u>

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

Other Funds	Total Governmental Funds
\$ 1,026,835	\$ 38,524,383
-	1,335,045
-	(160,205)
324,338	2,614,156
-	38,194
6,389	44,501
-	34,014
<u>\$ 1,357,562</u>	<u>\$ 42,430,088</u>
\$ 211,064	\$ 5,128,175
-	22,726
-	1,486,677
30,018	38,194
22,258	22,258
<u>263,340</u>	<u>6,698,030</u>
-	1,002,977
<u>-</u>	<u>1,002,977</u>
-	34,014
1,055,715	1,055,715
-	13,186,904
-	2,538,579
-	3,000,000
38,507	38,507
-	14,875,362
<u>1,094,222</u>	<u>34,729,081</u>
<u>\$ 1,357,562</u>	<u>\$ 42,430,088</u>

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	34,729,081
1 The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		651,313
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$138,478,333 and the accumulated depreciation was \$(35,913,671). In addition, long-term liabilities, including bonds payable of \$(118,365,796), are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(15,801,134)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays of \$29,303,439 and debt principal payments of \$2,048,649 is to increase net position.		31,352,088
4 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,268,588)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$(8,253,973), a deferred resource inflow related to TRS in the amount of \$(1,262,452), and a deferred resource outflow related to TRS in the amount of \$3,266,275. The net effect of this recognition is to decrease net position.		(6,250,150)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$(14,282,262), a deferred resource inflow related to OPEB in the amount of \$(5,974,297), and a deferred resource outflow related to OPEB in the amount of \$248,188. The net effect of this recognition is to decrease net position.		(20,008,371)
7 Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable taxes receivable of \$1,002,977 as revenue, and recognizing the liabilities associated with maturing long-term debt interest of \$(305,557). Also, recognizing accreted interest on capital appreciation bonds of \$(564,944), bond issuance premium of \$(13,638,667), and accumulated leave of \$(148,333). The net effect of these reclassifications and recognitions is to decrease net position.		(13,654,524)
19 Net Position of Governmental Activities	\$	6,749,715

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 18,185,899	\$ 6,828,329	\$ 524,456
5800 State Program Revenues	22,633,207	509,293	-
5900 Federal Program Revenues	240,737	-	-
5020 Total Revenues	<u>41,059,843</u>	<u>7,337,622</u>	<u>524,456</u>
EXPENDITURES:			
Current:			
0011 Instruction	21,503,967	-	5,800
0012 Instructional Resources and Media Services	301,452	-	-
0013 Curriculum and Instructional Staff Development	338,159	-	-
0021 Instructional Leadership	759,238	-	-
0023 School Leadership	1,891,479	-	-
0031 Guidance, Counseling and Evaluation Services	1,081,573	-	-
0032 Social Work Services	215,324	-	-
0033 Health Services	438,179	-	-
0034 Student (Pupil) Transportation	2,404,226	-	-
0035 Food Services	26,819	-	-
0036 Extracurricular Activities	1,243,898	-	-
0041 General Administration	1,547,729	-	18,000
0051 Facilities Maintenance and Operations	4,486,127	-	258,251
0052 Security and Monitoring Services	681,381	-	412,746
0053 Data Processing Services	1,046,883	-	688,631
0061 Community Services	38,303	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	2,048,649	-
0072 Interest on Long Term Debt	-	5,064,951	-
0073 Bond Issuance Cost and Fees	-	2,850	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	30,368,244
6030 Total Expenditures	<u>38,004,737</u>	<u>7,116,450</u>	<u>31,751,672</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,055,106</u>	<u>221,172</u>	<u>(31,227,216)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	25,511	-	-
7915 Transfers In	10,370	-	2,879,251
8911 Transfers Out (Use)	-	-	(2,889,621)
7080 Total Other Financing Sources (Uses)	<u>35,881</u>	<u>-</u>	<u>(10,370)</u>
1200 Net Change in Fund Balances	3,090,987	221,172	(31,237,586)
0100 Fund Balance - September 1 (Beginning)	<u>14,818,389</u>	<u>2,317,407</u>	<u>44,424,490</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 17,909,376</u>	<u>\$ 2,538,579</u>	<u>\$ 13,186,904</u>

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

	Other Funds	Total Governmental Funds
\$	1,121,190	\$ 26,659,874
	368,561	23,511,061
	4,152,188	4,392,925
	5,641,939	54,563,860
	2,056,076	23,565,843
	-	301,452
	221,707	559,866
	46,576	805,814
	-	1,891,479
	32,700	1,114,273
	63,011	278,335
	-	438,179
	-	2,404,226
	2,817,951	2,844,770
	31,949	1,275,847
	-	1,565,729
	12,850	4,757,228
	-	1,094,127
	-	1,735,514
	248,602	286,905
	-	2,048,649
	-	5,064,951
	-	2,850
	-	30,368,244
	5,531,422	82,404,281
	110,517	(27,840,421)
	-	25,511
	-	2,889,621
	-	(2,889,621)
	-	25,511
	110,517	(27,814,910)
	983,705	62,543,991
\$	1,094,222	\$ 34,729,081

MEDINA VALLEY 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, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(27,814,910)
The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The change in net position of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase net position.		90,749
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays of \$29,303,439 and debt principal payments of \$2,048,649 is to increase net position.		31,352,088
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(4,268,588)
The reporting of GASB 68 for the current year resulted in a decrease in the net pension liability of \$1,380,985, an increase in deferred resource inflows of \$(706,948), and a decrease in deferred resource outflows of \$(1,015,786). The result of these items is to decrease net position.		(341,749)
The reporting of GASB 75 for the current year resulted in a decrease in the net OPEB liability of \$10,761,598, an increase in the deferred resource inflows of \$(5,974,297), and an increase in deferred resource outflows of \$248,188. The result of these items is to increase net position.		5,035,489
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$7,983, and recognizing the change in accrued bond interest of \$(68,969). Also, recognizing the decrease in accreted interest on capital appreciation bonds of \$399,573, bond issuance premium decrease of \$681,257, and the decrease in accrued leave of \$30,164. The net effect of these reclassifications and recognitions is to increase net position.		1,050,008
Change in Net Position of Governmental Activities	\$	5,103,087

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 750,693
Total Assets	750,693
LIABILITIES	
Current Liabilities:	
Accounts Payable	99,380
Total Liabilities	99,380
NET POSITION	
Unrestricted Net Position	651,313
Total Net Position	\$ 651,313

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 341,166
Total Operating Revenues	341,166
OPERATING EXPENSES:	
Payroll Costs	164,045
Professional and Contracted Services	86,372
Total Operating Expenses	250,417
Operating Income	90,749
Total Net Position - September 1 (Beginning)	560,564
Total Net Position - August 31 (Ending)	\$ 651,313

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 341,166
Cash Payments for Insurance Claims	(287,499)
Net Cash Provided by Operating Activities	<u>53,667</u>
Net Increase in Cash and Cash Equivalents	53,667
Cash and Cash Equivalents at Beginning of Year	<u>697,026</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 750,693</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 90,749
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>(37,082)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 53,667</u></u>

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 229,701
Other Receivables	5,595
Total Assets	\$ 235,296
LIABILITIES	
Accounts Payable	\$ 28,696
Due to Student Groups	206,600
Total Liabilities	\$ 235,296

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Medina Valley Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No. 76*; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resource 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.

Fair Value. As of August 31, 2018, Medina Valley Independent School District retrospectively/prospectively applied Government Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The Board of Trustees (the “Board”) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Medina Valley Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and the Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All other revenues and expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the “susceptible to accrual” concept that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require the District to refund all or part of the unused amount.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- 1. The General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- 3. Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Non-major Governmental Funds:

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

Proprietary Funds:

- 2. Internal Service Funds** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the Workers' Compensation fund.

Fiduciary Funds:

- 3. Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Account.

E. FUND BALANCE POLICY

The Medina Valley Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or “must be maintained in tact” and therefore will never convert to cash, such as inventories of supplies. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting. The Board has delegated this authority to the Superintendent or Assistant Superintendent for Business and Operations.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged in the same order.

Nonspendable	
Inventories in the general fund	\$ 34,014
Total Nonspendable	<u>34,014</u>
Restricted	
Capital acquisition	13,186,904
Debt service	2,538,579
Federal or State fund grant restrictions	<u>1,055,715</u>
Total Restricted	<u>16,781,198</u>
Committed	
Construction	3,000,000
Campus activity funds	<u>38,507</u>
Total Committed	<u>3,038,507</u>
Unassigned	<u>14,875,362</u>
Total Fund Balances	<u>\$ 34,729,081</u>

F. OTHER ACCOUNTING POLICIES

1. The District reports inventories of supplies at cost including consumable custodial, maintenance, instructional, and office supplies. Inventories of supplies are recorded as expenditures when they are consumed rather than when they are purchased. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded revenue when received. When requisitioned, inventory is relieved and expenditures are charged.
2. Cash and cash equivalents includes cash and high liquid investments such as investment pools.
3. Unearned revenue accounted for on the balance sheet relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the District.
5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
7. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (OPEB), change in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB), and contributions paid to TRS subsequent to the measurement date (pension & OPEB).
8. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports a deferred inflow of resources for differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (pension & OPEB), and changes in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB).

9. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums, discounts, and losses due to refunded bonds are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

10. Upon separation from the District, an employee in good standing who has ten or more years of employment in the District and who has accumulated 15 or more local leave days shall be paid one-third of the employee's daily rate of pay for the accrued and unused local leave days, up to a maximum of \$5,000.
11. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Vehicles	8-15
Equipment	5-15

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, 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.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	August 31,2018	
	Fund Balance	
Appropriated Budget Funds - Food Service Special Revenue Funds	\$	1,055,715
Nonappropriated Budget Funds		<u>38,507</u>
All Special Revenue Funds	\$	<u><u>1,094,222</u></u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

The District had funds on deposit at year-end of \$2,747,040 in excess of FDIC coverage, secured by pledged securities of the depository bank.

As of August 31, 2018, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>			<u>Credit Rating</u>
		<u>Less than 1</u>	<u>1-10</u>	<u>Over 10</u>	
Cash	\$ 3,299,502	\$ 3,299,502	\$ -	\$ -	N/A
Investment Pools					
TexPool	36,201,656	36,201,656	-	-	AAAm
Total Cash and Cash Equivalents	<u>\$ 39,501,158</u>	<u>\$ 39,501,158</u>	<u>\$ -</u>	<u>\$ -</u>	

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an “A”, (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated now lower than “AA-“ or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Medina Valley Independent School District is in substantial compliance with the requirements of the Act and with local policies.

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investment.

The District’s investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of stable fair market value of \$1. The book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share.

Additional policies and contractual provisions governing deposits and investments of Medina Valley Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to those allowed by Government Code 2256. As of August 31, 2018, the District’s investments were limited to investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The District requires counterparties to register the securities in the name of the District’s custodian and hand them over to the District or its designated agent. All of the securities are held by the District’s agent.

Concentration of Credit Risk To limit the risk of loss, the District’s investment portfolio is diversified in terms of investment instruments, maturity schedule, and financial institutions.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District’s investment portfolio has various maturities.

Foreign Currency Risk for Investment The District has no foreign currency investments.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of August 31, 2018, Medina Valley Independent School District has no investments measured at fair value or Net Asset Value (NAV) per Share (or its equivalent).

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 located in the District 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2018 consisted of the following amounts:

Due to General Fund From:	
Special Revenue Funds	\$ 30,018
Total Due to General Fund	<u>\$ 30,018</u>
Due to Capital Projects Fund From:	
Debt Service Fund	\$ 8,176
Total Due to Debt Service Fund	<u>\$ 8,176</u>

Interfund balances are primarily in support of payroll clearing and operating activities.

Transfers to General Fund From:	
Capital Projects	\$ 10,370
Total Transferred to Capital Projects Fund	<u>\$ 10,370</u>

Transfers were in support of capital project and other activities.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2018 were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 1,012,428	\$ 2,105,356	\$ 30,018	\$ 38,112	\$ 3,185,914
Debt Service Fund	322,617	106,644	-	-	429,261
Capital Projects	-	77,818	8,176	-	85,994
Nonmajor Governmental Funds	-	324,338	-	6,389	330,727
Total Governmental Activities	<u>\$ 1,335,045</u>	<u>\$ 2,614,156</u>	<u>\$ 38,194</u>	<u>\$ 44,501</u>	<u>\$ 4,031,896</u>
Amount not scheduled for collection during subsequent year	<u>\$ 160,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,205</u>

Payables at August 31, 2018 were as follows:

	Accounts Payables	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:						
Governmental Fund-						
General Fund	\$ 331,054	\$ 1,509,403	\$ -	\$ -	\$ -	\$ 1,840,457
Debt Service Fund	-	-	8,176	-	-	8,176
Capital Projects Funds	4,586,057	-	-	-	-	4,586,057
Nonmajor Governmental Funds	211,064	-	30,018	-	-	241,082
Total Governmental Activities	<u>\$ 5,128,175</u>	<u>\$ 1,509,403</u>	<u>\$ 38,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,675,772</u>
Proprietary Fund-						
Internal Service Fund	<u>\$ 99,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,380</u>
Amount not scheduled for payment during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2018 was as follows:

	Beginning Balance	Reclassifications and Additions	Reclassifications and Deletions	Ending Balance
Governmental Activities:				
Land	\$ 4,501,474	\$ 6,494	\$ -	\$ 4,507,968
Buildings and improvements	95,209,541	54,109,651	-	149,319,192
Equipment	10,385,177	2,182,072	(203,610)	12,363,639
Construction in progress	28,382,141	27,108,040	(54,102,818)	1,387,363
Total at historical cost	<u>138,478,333</u>	<u>83,406,257</u>	<u>(54,306,428)</u>	<u>167,578,162</u>
Less accumulated depreciation				
Buildings and improvements	(28,719,354)	(3,646,053)	-	(32,365,407)
Equipment	<u>(7,194,317)</u>	<u>(622,535)</u>	203,610	<u>(7,613,242)</u>
Total accumulated depreciation	<u>(35,913,671)</u>	<u>(4,268,588)</u>	203,610	<u>(39,978,649)</u>
Governmental activities capital assets, net	<u>\$ 102,564,662</u>	<u>\$ 79,137,669</u>	<u>\$ (54,102,818)</u>	<u>\$ 127,599,513</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 2,075,194
Instructional resources and media services	28,869
Curriculum and instructional staff development	33,024
Instructional leadership	73,498
School leadership	181,755
Guidance, counseling and evaluation services	103,367
Social work services	20,243
Health services	42,066
Student (pupil) transportation	499,267
Food services	283,582
Cocurricular/Extracurricular activities	126,095
General administration	151,607
Plant maintenance and operations	477,512
Security/Monitoring	66,855
Data processing	101,935
Community services	<u>3,719</u>
Total Depreciation Expense	<u>\$ 4,268,588</u>

G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Statement of Net Position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The bonds mature serially and term through the year 2046, with interest rates of 2.0% to 5.0%.

A summary of changes in bonds payable for the year ended August 31, 2018 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 9/1/2017	Issued	Retired/ Refunded	Amounts Outstanding 8/31/2018	Amounts Due Within One Year
Unlimited Tax School Building Bonds, Series 2007	3.93% - 5.22%	\$ 48,320,450	\$ 596,351	\$ 928,649	\$ -	\$ 928,649	\$ -	\$ -
Unlimited Tax Refunding Bonds Series 2010	2.00% - 3.50%	5,940,000	102,250	2,905,000	-	485,000	2,420,000	120,000
Unlimited Tax Refunding Bonds Series 2014	2.00% - 4.00%	6,937,932	147,000	6,937,932	-	-	6,937,932	-
Unlimited Tax Refunding Bonds Series 2015	2.00% - 4.00%	8,665,000	333,650	8,525,000	-	-	8,525,000	-
Unlimited Tax Refunding Bonds Series 2015A	2.00% - 4.00%	6,800,000	180,925	6,040,000	-	635,000	5,405,000	505,000
Unlimited Tax Refunding Bonds Series 2016	2.00% - 5.00%	22,079,220	881,275	21,949,215	-	-	21,949,215	489,215
Unlimited Tax School Building Bonds, Series 2016	2.00% - 4.00%	71,080,000	2,823,500	71,080,000	-	-	71,080,000	-
Totals			<u>\$ 5,064,951</u>	<u>\$ 118,365,796</u>	<u>\$ -</u>	<u>\$ 2,048,649</u>	<u>\$ 116,317,147</u>	<u>\$ 1,114,215</u>

Debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2019	\$ 1,114,215	\$ 5,878,460	\$ 6,992,675
2020	2,660,000	4,373,263	7,033,263
2021	2,900,000	4,258,425	7,158,425
2022	2,990,000	4,126,625	7,116,625
2023	2,247,246	4,870,203	7,117,449
2024-2028	12,995,686	22,588,202	35,583,888
2029-2033	19,270,000	16,314,825	35,584,825
2034-2038	23,420,000	12,161,000	35,581,000
2039-2043	28,615,000	6,973,900	35,588,900
2044-2046	20,105,000	1,227,100	21,332,100
Total	<u>\$ 116,317,147</u>	<u>\$ 82,772,003</u>	<u>\$ 199,089,150</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

H. CHANGES IN LONG-TERM LIABILITIES

Long-term activities for the year ended August 31, 2018, was as follows:

	Balance 9/1/2017	Additions	Retirement	Balance 8/31/2018	Due Within One Year
Governmental Activities:					
Bonds	\$ 118,365,796	\$ -	\$ 2,048,649	\$ 116,317,147	\$ 1,114,215
Leave	178,497	22,359	52,523	148,333	148,333
Total Governmental Activities	118,544,293	22,359	2,101,172	116,465,480	1,262,548
Accreted interest on capital					
Appreciation Bonds, Series 2007	560,828	35,523	596,351	-	-
Accreted interest on capital					
Appreciation Bonds, Series 2014	403,689	161,255	-	564,944	-
Bond Premium, Refunding Series 2014	2,414,452	-	142,027	2,272,425	-
Bond Premium, Refunding Series 2015	1,041,716	-	17,656	1,024,060	-
Bond Premium, Refunding Series 2015A	476,452	-	42,667	433,785	-
Bond Premium, Refunding Series 2016	3,075,459	-	185,455	2,890,004	-
Bond Premium, Series 2015	7,311,845	-	293,452	7,018,393	-
Totals	<u>\$ 133,828,734</u>	<u>\$ 219,137</u>	<u>\$ 3,378,780</u>	<u>\$ 130,669,091</u>	<u>\$ 1,262,548</u>

On October 15, 2015, the District issued \$6,800,000 of Unlimited Tax Refunding Bonds, Series 2015A. The proceeds of the bonds were used for refunding certain maturities of the 2006 Series Bonds. The Series 2006 maturities of February 15, 2019 through February 15, 2031 totaling \$7,405,000, with an average interest rate of 4.238% were refunded by the 2015A Series Bonds with an average interest rate of 2.064%. The cash flow savings to the District as a result of this refunding was \$1,849,588. The net present value savings is \$1,187,498. The proceeds of the refunding bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain debt service payments on the Series 2006 bonds through 2031. As a result, those portions of the Series 2006 Bonds were considered defeased and the liability for those bonds has been removed from the District's long-term debt accounting group. The defeased Series 2006 bonds are callable on August 15, 2025.

On March 1, 2016, the District issued \$22,079,220 of Unlimited Tax Refunding Bonds, Series 2016. The proceeds of the bonds were used for refunding certain maturities of the 2007 Series Bonds. The Series 2007 maturities of February 15, 2019 through February 15, 2037 totaling \$22,079,220, with an average interest rate of 4.999% were refunded by the 2017 Series Bonds with an average interest rate of 3.097%. The cash flow savings to the District as a result of this refunding was \$8,009,466. The net present value savings is \$4,901,874. The proceeds of the refunding bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain debt service payments on the Series 2007 bonds through 2037. As a result, those portions of the Series 2007 Bonds were considered defeased and the liability for those bonds has been removed from the District's long-term debt accounting group. The defeased Series 2007 bonds are callable on February 15, 2026.

I. ACCUMULATED UNPAID VACATION AND LEAVE BENEFITS

The State of Texas has created a minimum personal leave program consisting of five days per year leave with no limit on accumulation and transferability among districts for every teacher regularly employed in Texas public schools.

Each district's local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Medina Valley Independent School District provides that upon separation from the District, an employee in good standing who has ten or more years of employment in the District and who has accumulated 15 or more local leave days shall be paid one-third of the employee's daily rate of pay for the accrued and unused local leave days, up to a maximum of \$5,000. This liability has been recorded in the General Long-term Debt account group.

J. DEFINED BENEFIT PENSION PLAN

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

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

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

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

Contributions Rates		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 FY Employer Contributions		\$ 933,445
District's 2018 FY Member Contributions		\$ 2,227,488
Measurement Year NECE On-Behalf Contributions		\$ 1,289,651

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

* *The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$13,914,567	\$8,253,973	\$3,540,609

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Medina Valley Independent School District reported a liability of \$8,253,973 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Medina Valley Independent School District. The amount recognized by Medina Valley Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Medina Valley Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 8,253,973
State's proportionate share that is associated with the District	<u>12,608,345</u>
Total	<u>\$ 20,862,318</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was .0258141441% which was an increase of 0.0003170888% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, Medina Valley Independent School District recognized pension expense of \$961,714 and revenue of \$961,714 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2018, Medina Valley Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 120,759	\$ 445,126
Changes in actuarial assumptions	375,982	215,241
Net difference between projected and actual investment earnings	-	601,532
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,836,089	553
Contributions paid to TRS subsequent to the measurement date	933,445	-
Total	\$ 3,266,275	\$ 1,262,452

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

Year ended August 31:	Pension Expense Amount
2019	\$ 176,589
2020	703,462
2021	136,109
2022	(23,656)
2023	73,689
Thereafter	4,185

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Plan Premium Rates
Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

*or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contributions Rates

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding Remitted by Employers	1.00%	1.25%
District's 2018 FY Employer Contributions		\$ 245,953
District's 2018 FY Member Contributions		\$ 188,035
Measurement Year NECE On-Behalf Contributions		\$ 247,750

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 \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

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

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

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% - 9.50%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	\$16,856,615	\$14,282,262	\$12,213,063

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$11,891,410	\$14,282,262	\$17,419,361

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, Medina Valley Independent School District reported a liability of \$14,282,262 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Medina Valley Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 14,282,262
State's proportionate share that is associated with the District	20,722,653
Total	<u>\$ 35,004,915</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .0328431685% which was the same proportion measured as of August 31, 2016.

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:

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

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended August 31, 2018, Medina Valley Independent School District recognized OPEB expense of \$(6,934,351) and revenue of \$(6,934,351) for support provided by the State.

At August 31, 2018, Medina Valley Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ -	\$ 298,153
Changes in actuarial assumptions	-	5,676,144
Net difference between projected and actual investment earnings	2,170	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	65	-
Contributions paid to TRS subsequent to the measurement date	245,953	-
Total	\$ 248,188	\$ 5,974,297

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

Year ended August 31:	OPEB Expense Amount
2019	\$ (788,020)
2020	(788,020)
2021	(788,020)
2022	(788,020)
2023	(788,563)
Thereafter	(2,031,419)

L. MEDICARE PART D - ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf of Medina Valley Independent School District for fiscal years 2016, 2017, and 2018 were \$97,307, \$78,572, and \$83,459.

M. LITIGATION

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate that the Medina Valley Independent School District has pending or threatened litigation as of August 31, 2018. No provision has been made in these financial statements regarding these matters.

N. GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for certain federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended August 31, 2018, from federal sources as follows:

<u>Program or Source</u>	<u>Amount</u>
ROTC	\$ 56,897
Medicaid Claiming	<u>183,840</u>
Total:	<u>\$ 240,737</u>

O. WORKERS COMPENSATION PROGRAM

During the year ended August 31, 2018, employees of the Medina Valley Independent School District were covered by a self-funded workers' compensation program. All administrative cost were paid to a third party administrator acting on behalf of the District. The contract between the Medina Valley Independent School District and the Administrator is renewable September 1, 2018 and terms of coverage and cost are included in the contractual provisions.

The District, through a self-funded program was protected with a specific retention limit of \$1,000,000 and an aggregate limit of \$5,000,000 per statute through Texas Educational Insurance Association and Midwest Employers Casualty Company, commercial insurers licensed or eligible to do business in Texas in accordance with the Texas Insurance Code.

Estimates of claims payable and of claims incurred, but not reported at year end are reflected as accounts payable of the Proprietary Fund.

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

	<u>Year Ended</u> <u>August 31, 2018</u>	<u>Year Ended</u> <u>August 31, 2017</u>
Unpaid claims, beginning of the year	\$ 136,462	\$ 91,321
Incurred claims (including IBNR'S)	163,942	174,533
Claim payments	<u>(201,024)</u>	<u>(129,392)</u>
Unpaid claims, end of fiscal year	<u>\$ 99,380</u>	<u>\$ 136,462</u>

P. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State Entitlements	\$ -	\$ 21,476	\$ -	\$ 21,476
Other	-	782	-	782
Total Unearned Revenue	<u>\$ -</u>	<u>\$ 22,258</u>	<u>\$ -</u>	<u>\$ 22,258</u>

Q. RECEIVABLES FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Other	Total
General	\$ 2,105,356	\$ -	\$ -	\$ 2,105,356
Debt Service	106,644	-	-	106,644
Capital Projects	-	-	77,818	77,818
Special Revenue	40,366	283,972	-	324,338
Total	<u>\$ 2,252,366</u>	<u>\$ 283,972</u>	<u>\$ 77,818</u>	<u>\$ 2,614,156</u>

R. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Total
Property Taxes	\$ 17,460,250	\$ 6,691,447	\$ -	\$ -	\$ 24,151,697
Penalties, Interest and Other					
Tax-related Income	195,240	71,102	-	-	266,342
Investment Income	294,613	65,780	524,456	881	885,730
Food Sales	-	-	-	1,093,759	1,093,759
Co-curricular Student Activities	119,331	-	-	25,870	145,201
Other	116,465	-	-	680	117,145
Total	<u>\$ 18,185,899</u>	<u>\$ 6,828,329</u>	<u>\$ 524,456</u>	<u>\$ 1,121,190</u>	<u>\$ 26,659,874</u>

S. COMMITMENTS

At year end, the District had construction and related contracts in place for \$6,841,244. This amount will be expended in the 2018-2019 school year.

T. PRIOR PERIOD ADJUSTMENT

(Exhibit B-1)

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Reporting for OPEB. With GASB 75, the District must assume their proportionate share of the OPEB Liability of the Teachers Retirement System of Texas TRS Care Plan. Adoption of GASB 75 required a prior adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is \$(25,043,860). The restated beginning net position is \$1,646,628.

REQUIRED SUPPLEMENTARY INFORMATION

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

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	\$ 17,737,293	\$ 17,743,393	\$ 18,185,899	\$ 442,506
5800	State Program Revenues	19,845,210	21,255,448	22,633,207	1,377,759
5900	Federal Program Revenues	250,000	250,000	240,737	(9,263)
5020	Total Revenues	37,832,503	39,248,841	41,059,843	1,811,002
EXPENDITURES:					
Current:					
0011	Instruction	21,243,292	22,400,628	21,503,967	896,661
0012	Instructional Resources and Media Services	290,357	307,920	301,452	6,468
0013	Curriculum and Instructional Staff Development	398,572	408,558	338,159	70,399
0021	Instructional Leadership	699,576	764,425	759,238	5,187
0023	School Leadership	1,847,961	1,933,248	1,891,479	41,769
0031	Guidance, Counseling and Evaluation Services	1,302,376	1,267,744	1,081,573	186,171
0032	Social Work Services	211,941	226,097	215,324	10,773
0033	Health Services	419,367	442,512	438,179	4,333
0034	Student (Pupil) Transportation	2,473,912	2,530,116	2,404,226	125,890
0035	Food Services	-	26,819	26,819	-
0036	Extracurricular Activities	1,323,702	1,352,395	1,243,898	108,497
0041	General Administration	1,486,094	1,581,242	1,547,729	33,513
0051	Facilities Maintenance and Operations	4,490,418	4,640,954	4,486,127	154,827
0052	Security and Monitoring Services	681,385	698,395	681,381	17,014
0053	Data Processing Services	1,065,060	1,098,964	1,046,883	52,081
0061	Community Services	38,490	42,837	38,303	4,534
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	5,000	5,000	-	5,000
6030	Total Expenditures	37,977,503	39,727,854	38,004,737	1,723,117
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(145,000)	(479,013)	3,055,106	3,534,119
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	25,511	25,511
7915	Transfers In	-	10,370	10,370	-
7080	Total Other Financing Sources (Uses)	-	10,370	35,881	25,511
1200	Net Change in Fund Balances	(145,000)	(468,643)	3,090,987	3,559,630
0100	Fund Balance - September 1 (Beginning)	14,818,389	14,818,389	14,818,389	-
3000	Fund Balance - August 31 (Ending)	\$ 14,673,389	\$ 14,349,746	\$ 17,909,376	\$ 3,559,630

MEDINA VALLEY 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, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.025814144%	0.0254971%	0.0252151%	0.0159954%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 8,253,973	\$ 9,634,958	\$ 8,913,202	\$ 4,272,592
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	12,608,345	14,616,892	12,770,773	10,574,503
Total	<u>\$ 20,862,318</u>	<u>\$ 24,251,850</u>	<u>\$ 21,683,975</u>	<u>\$ 14,847,095</u>
District's Covered Payroll	\$ 26,672,860	\$ 25,143,936	\$ 22,692,173	\$ 20,540,125
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	30.95%	38.32%	39.28%	20.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 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, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 933,445	\$ 846,037	\$ 810,106	\$ 746,629
Contribution in Relation to the Contractually Required Contribution	(933,445)	(846,037)	(810,106)	(746,629)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 28,928,414	\$ 26,672,860	\$ 25,143,936	\$ 22,692,173
Contributions as a Percentage of Covered Payroll	3.23%	3.17%	3.22%	3.29%

Note: GASB 68, Paragraph 81 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.

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

MEDINA VALLEY 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, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.032843168%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 14,282,262
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	20,722,653
Total	\$ 35,004,915
District's Covered Payroll	\$ 26,672,860
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	53.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 245,953
Contribution in Relation to the Contractually Required Contribution	(245,953)
	\$ -0-
Contribution Deficiency (Excess)	-0-
District's Covered Payroll	\$ 28,928,414
Contributions as a Percentage of Covered Payroll	0.85%

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.

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

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

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

COMBINING STATEMENTS

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
ASSETS				
1110 Cash and Cash Equivalents	\$ (20,049)	\$ (38,380)	\$ -	\$ (90,498)
1240 Receivables from Other Governments	25,256	38,380	-	91,710
1290 Other Receivables	-	-	-	-
1000 Total Assets	<u>\$ 5,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,212</u>
LIABILITIES				
2110 Accounts Payable	\$ 5,207	\$ -	\$ -	\$ 1,212
2170 Due to Other Funds	-	-	-	-
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>5,207</u>	<u>-</u>	<u>-</u>	<u>1,212</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Campus Activity	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,212</u>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	237 ESEA Title IV Safe & Drug Free Schools	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Special Revenue Funds
\$ (1,558)	\$ (3,614)	\$ (2,225)	\$ 1,181,899	\$ -	\$ (29,835)	\$ (365)	\$ (44,016)
1,558	3,614	2,225	45,814	-	30,734	665	44,016
-	-	-	5,089	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,232,802</u>	<u>\$ -</u>	<u>\$ 899</u>	<u>\$ 300</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 147,069	\$ -	\$ 899	\$ 300	\$ -
-	-	-	30,018	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>177,087</u>	<u>-</u>	<u>899</u>	<u>300</u>	<u>-</u>
-	-	-	1,055,715	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,055,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,232,802</u>	<u>\$ -</u>	<u>\$ 899</u>	<u>\$ 300</u>	<u>\$ -</u>

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Textbook Fund	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ (28,172)	\$ 375	\$ 62,060
1240	Receivables from Other Governments	-	40,366	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 12,194</u>	<u>\$ 375</u>	<u>\$ 62,060</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 12,194	\$ -	\$ 40,988
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenues	-	-	375	21,072
2000	Total Liabilities	<u>-</u>	<u>12,194</u>	<u>375</u>	<u>62,060</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Campus Activity	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 12,194</u>	<u>\$ 375</u>	<u>\$ 62,060</u>

426 TX Educator Excellence Award Grant	427 Literacy Achievement Academies	461 Campus Activity Funds	495 Non Food Pantry	Total Nonmajor Governmental Funds
\$ 29	\$ -	\$ 40,402	\$ 782	\$ 1,026,835
-	-	-	-	324,338
-	-	1,300	-	6,389
<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 41,702</u>	<u>\$ 782</u>	<u>\$ 1,357,562</u>
\$ -	\$ -	\$ 3,195	\$ -	\$ 211,064
-	-	-	-	30,018
29	-	-	782	22,258
<u>29</u>	<u>-</u>	<u>3,195</u>	<u>782</u>	<u>263,340</u>
-	-	-	-	1,055,715
-	-	38,507	-	38,507
-	-	38,507	-	1,094,222
<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 41,702</u>	<u>\$ 782</u>	<u>\$ 1,357,562</u>

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	174,450	567,253	-	837,505
5020 Total Revenues	174,450	567,253	-	837,505
EXPENDITURES:				
Current:				
0011 Instruction	161,600	297,735	-	762,069
0013 Curriculum and Instructional Staff Development	-	142,749	-	-
0021 Instructional Leadership	-	-	-	46,217
0031 Guidance, Counseling and Evaluation Services	-	-	-	29,219
0032 Social Work Services	-	60,448	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	12,850	-	-	-
0061 Community Services	-	66,321	-	-
6030 Total Expenditures	174,450	567,253	-	837,505
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	237 ESEA Title IV Safe & Drug Free Schools	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Special Revenue Funds
\$ -	\$ -	\$ -	\$ 1,094,640	\$ -	\$ -	\$ -	\$ -
-	-	-	14,236	-	-	-	-
19,419	539,401	11,887	1,824,991	30,786	74,465	22,198	49,833
19,419	539,401	11,887	2,933,867	30,786	74,465	22,198	49,833
19,419	535,920	9,324	-	28,509	-	21,023	49,833
-	-	-	-	1,918	74,465	1,175	-
-	-	-	-	359	-	-	-
-	3,481	-	-	-	-	-	-
-	-	2,563	-	-	-	-	-
-	-	-	2,817,951	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,419	539,401	11,887	2,817,951	30,786	74,465	22,198	49,833
-	-	-	115,916	-	-	-	-
-	-	-	939,799	-	-	-	-
\$ -	\$ -	\$ -	\$ 1,055,715	\$ -	\$ -	\$ -	\$ -

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Textbook Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	1,525	182,281	-	169,119
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,525</u>	<u>182,281</u>	<u>-</u>	<u>169,119</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,525	-	-	169,119
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	182,281	-	-
6030 Total Expenditures	<u>1,525</u>	<u>182,281</u>	<u>-</u>	<u>169,119</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

426 TX Educator Excellence Award Grant	427 Literacy Achievement Academies	461 Campus Activity Funds	495 Non Food Pantry	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 25,870	\$ 680	\$ 1,121,190
-	1,400	-	-	368,561
-	-	-	-	4,152,188
-	1,400	25,870	680	5,641,939
-	-	-	-	2,056,076
-	1,400	-	-	221,707
-	-	-	-	46,576
-	-	-	-	32,700
-	-	-	-	63,011
-	-	-	-	2,817,951
-	-	31,269	680	31,949
-	-	-	-	12,850
-	-	-	-	248,602
-	1,400	31,269	680	5,531,422
-	-	(5,399)	-	110,517
-	-	43,906	-	983,705
\$ -	\$ -	\$ 38,507	\$ -	\$ 1,094,222

T.E.A. REQUIRED SCHEDULES

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.090000	0.290000	933,491,304
2011	1.040000	0.350000	954,789,280
2012	1.040000	0.360000	982,860,775
2013	1.040000	0.380000	1,037,773,521
2014	1.040000	0.380000	1,149,612,816
2015	1.040000	0.348200	1,240,688,373
2016	1.040000	0.348200	1,361,944,460
2017	1.040000	0.399200	1,509,279,947
2018 (School year under audit)	1.040000	0.399200	1,670,823,505
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 215,450	\$ -	\$ 4,771	\$ 746	\$ 2,383	\$ 212,316
25,389	-	1,035	275	1	24,080
30,754	-	513	172	-	30,069
42,054	-	4,954	1,706	-	35,394
43,450	-	5,595	2,044	(35)	35,776
60,627	-	8,111	2,962	2,775	52,329
97,250	-	21,878	7,312	3,188	71,248
215,395	-	43,011	14,390	1,102	159,096
563,958	-	160,933	61,746	(114,381)	226,898
-	24,046,492	17,159,439	6,583,423	184,209	487,839
<u>\$ 1,294,327</u>	<u>\$ 24,046,492</u>	<u>\$ 17,410,240</u>	<u>\$ 6,674,776</u>	<u>\$ 79,242</u>	<u>\$ 1,335,045</u>

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,184,300	\$ 1,184,300	\$ 1,094,640	\$ (89,660)
5800 State Program Revenues	30,000	30,000	14,236	(15,764)
5900 Federal Program Revenues	1,950,000	1,950,000	1,824,991	(125,009)
5020 Total Revenues	<u>3,164,300</u>	<u>3,164,300</u>	<u>2,933,867</u>	<u>(230,433)</u>
EXPENDITURES:				
0035 Food Services	<u>3,164,300</u>	<u>3,549,550</u>	<u>2,817,951</u>	<u>731,599</u>
6030 Total Expenditures	<u>3,164,300</u>	<u>3,549,550</u>	<u>2,817,951</u>	<u>731,599</u>
1200 Net Change in Fund Balances	-	(385,250)	115,916	501,166
0100 Fund Balance - September 1 (Beginning)	<u>939,799</u>	<u>939,799</u>	<u>939,799</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 939,799</u>	<u>\$ 554,549</u>	<u>\$ 1,055,715</u>	<u>\$ 501,166</u>

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

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	\$ 6,682,643	\$ 6,682,643	\$ 6,828,329	\$ 145,686
5800	State Program Revenues	440,958	440,958	509,293	68,335
5020	Total Revenues	7,123,601	7,123,601	7,337,622	214,021
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,048,649	2,048,649	2,048,649	-
0072	Interest on Long Term Debt	5,064,952	5,064,952	5,064,951	1
0073	Bond Issuance Cost and Fees	10,000	10,000	2,850	7,150
6030	Total Expenditures	7,123,601	7,123,601	7,116,450	7,151
1200	Net Change in Fund Balances	-	-	221,172	221,172
0100	Fund Balance - September 1 (Beginning)	2,317,407	403,454	2,317,407	1,913,953
3000	Fund Balance - August 31 (Ending)	\$ 2,317,407	\$ 403,454	\$ 2,538,579	\$ 2,135,125

FEDERAL SECTION

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Certified Public Accountants

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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

To the Board of Trustees
Medina Valley Independent School District
8449 FM 471 South
Castroville, Texas 78009

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 the Medina Valley Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Medina Valley Independent School District's basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medina Valley Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the district failed to expend the minimum 58% of its allotment for career and technology during the year. Additionally, the food service fund has a cash balance in excess of the state recommended amount.

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.

Coleman Houston + Company, LLP

Uvalde, Texas
November 9, 2018

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Medina Valley Independent School District
8449 FM 471 South
Castroville, Texas 78009

Report on Compliance for Each Major Federal Program

We have audited the Medina Valley Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Medina Valley Independent School District's major federal programs for the year ended August 31, 2018. Medina Valley Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Medina Valley Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

Coleman Horton & Company, LLP

Uvalde, Texas
November 9, 2018

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Control deficiency(ies) identified? Yes No

Control deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified? Yes No

Control deficiency(ies) identified that are not considered to be material weakness? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 200.56 of the Uniform Guidance? Yes No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes No

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

B. Financial Statement Findings

-----None noted-----

C. Federal Award Findings and Questioned Costs

-----None noted-----

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

-----Not Applicable-----

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

-----Not Applicable-----

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101163908	\$ 530,462
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101163908	36,791
Total CFDA Number 84.010A			567,253
*IDEA - Part B, Formula	84.027	186600011639086600	837,505
*IDEA - Part B, IEP	84.027	18660077163908	3,614
*IDEA - Part B, Discretionary	84.027	186600121639086677	261,066
*IDEA - Part B, High Cost	84.027	1866001806163908	274,721
Total CFDA Number 84.027			1,376,906
*IDEA - Part B, Preschool	84.173	186610011639086610	19,419
Total Special Education Cluster (IDEA)			1,396,325
Career and Technical - Basic Grant	84.048	18420006163908	30,786
ESEA, Title IV - Safe and Drug-Free Schools	84.186A	18680101163908	11,887
Title III, Part A - English Language Acquisition	84.365A	18671001163908	22,198
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501163908	74,465
ESEA Title IV, Part A	84.424A	18680101163908	49,833
Total Passed Through State Department of Education			2,152,747
TOTAL U.S. DEPARTMENT OF EDUCATION			2,152,747
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	183,840
Total Passed Through Texas Dept of Human Services			183,840
<u>Passed Through State Department of Education</u>			
Head Start	93.600	205457803	174,450
Total Passed Through State Department of Education			174,450
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			358,290
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	392,418
*National School Lunch Program - Cash Assistance	10.555	71301801	1,238,447
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	181,946
Total CFDA Number 10.555			1,420,393
*Summer Feeding Program - Cash Assistance	10.559	N/A	12,180
Total Child Nutrition Cluster			1,824,991
Total Passed Through the State Department of Agriculture			1,824,991
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,824,991
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,336,028

*Clustered Programs.

The above amounts do not include JROTC expenditures of \$56,897, which are included as expenditures in the general fund.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

- The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$-0-.

SCHOOLS FIRST QUESTIONNAIRE

Medina Valley Independent School District

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$564,944
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$8,253,973
SF13	Pension Expense (6147) at fiscal year-end.	

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November 9, 2018

To Board of Trustees
Medina Valley Independent School District
Castroville, Texas 78009

We are pleased to confirm our understanding of the services we are to provide Medina Valley Independent School District for the year ended August 31, 2019. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of Medina Valley Independent School District as of and for the year ended August 31, 2019. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Medina Valley Independent School District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Medina Valley Independent School District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- 3) Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)
- 4) Schedule of District Contributions for Pensions (TRS)
- 5) Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS)
- 6) Schedule of District Contributions for OPEB (TRS)

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

- 1) Schedule of expenditures of federal awards.
- 2) Combining Balance Sheet – Nonmajor Governmental Funds
- 3) Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

- 4) Schedule of Delinquent Taxes Receivable
- 5) Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program
- 6) Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

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

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

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Trustees of Medina Valley Independent School District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

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

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

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

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

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

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of Medina Valley Independent School District's major programs. The purpose of these procedures will be to express an opinion on Medina Valley Independent School District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of Medina Valley Independent School District in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for (1) designing, implementing, and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

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

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review no later than August 31, 2019.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

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

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

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

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

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

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

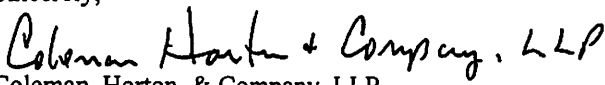
The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the District. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact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

We expect to begin our audit in September 2019 and to issue our reports no later than November 2019. Stephen L. Horton, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, should not exceed \$36,800. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to Medina Valley Independent School District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2016 peer review report accompanies this letter.

Sincerely,


Coleman, Horton, & Company, LLP

RESPONSE:

This letter correctly sets forth the understanding of Medina Valley Independent School District.

Management signature: _____
Title: Superintendent
Date: _____

Governance Signature: _____
Title: School Board President
Date: _____



BUMGARDNERMORRISON

CPAs • Tax • Audit & Accounting

System Review Report

To the Partners of Coleman, Horton & Company, LLP
and the Peer Review Committee of the
Texas Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Coleman, Horton & Company, LLP (the firm) in effect for the year ended May 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*; and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Coleman, Horton & Company, LLP in effect for the year ended May 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Coleman, Horton & Company, LLP has received a peer review rating of *pass*.

Bumgardner, Morrison + Company, LLP

BUMGARDNER, MORRISON & COMPANY, LLP
January 27, 2017

Bumgardner, Morrison & Company, LLP
Certified Public Accountants

Members: American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
AICPA Private Companies Practice Section
AICPA Employee Benefit Plan Audit Quality Center
AICPA Government Audit Quality Center

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