

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2019

**MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019**

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CERTIFICATE OF BOARD

<u>Medina Valley Independent School District</u>	<u>Medina</u>	<u>163908</u>
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, 2019 at a meeting of the Board of Trustees of such school district on the _____ of _____, 2019.

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)

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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, 2019, 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, 2019, 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.

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's Contributions for Pensions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of the District's Contributions for Other Post-Employment Benefits, on pages 7-13 and 53-59 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 15, 2019, 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.

Uvalde, Texas
November 15, 2019

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, 2019. 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 is 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.

Government Wide
Financial Highlights

- * The District's combined net position was \$5,878,676 at August 31, 2019, a decrease of \$871,039.
- * During the year, the District's revenue was \$63,079,696 as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
a) Taxes	\$ 28,508,956	\$ 24,159,680	\$ 4,349,276
b) State Aid	27,294,201	15,665,631	11,628,570
c) Federal Aid	4,555,001	4,392,925	162,076
d) Investment Earnings	909,520	885,730	23,790
e) Other	1,812,018	1,647,958	164,060
Total	<u>\$ 63,079,696</u>	<u>\$ 46,751,924</u>	<u>\$ 16,327,772</u>

- * During the year, the District's expenses were \$63,950,735 as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
a) Instruction and instructional related	\$ 33,336,251	\$ 18,001,687	\$ 15,334,564
b) Instruction leadership/school leadership	3,491,143	1,930,030	1,561,113
c) Guidance, social work, health, transportation	5,153,870	3,116,828	2,037,042
d) Food services	3,825,133	2,845,545	979,588
e) Extracurricular activities	1,717,381	1,132,973	584,408
f) General administration	1,440,055	1,002,241	437,814
g) Plant maintenance and security	6,672,211	5,628,234	1,043,977
h) Data processing services	1,287,970	1,368,631	(80,661)
i) Community services	259,182	280,694	(21,512)
j) Debt service	5,483,403	4,055,940	1,427,463
k) Capital outlay	860,138	1,941,817	(1,081,679)
l) Shared service and intergovernmental	423,998	344,217	79,781
Total Expenses	<u>\$ 63,950,735</u>	<u>\$ 41,304,620</u>	<u>\$ 22,222,117</u>

* The District's combined net position was \$5,878,676 at August 31, 2019, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 78,795,620	\$ 43,142,587	\$ 35,653,033
Capital and non-current assets	138,185,024	127,599,513	10,585,511
Total Assets	\$ 216,980,644	\$ 170,742,100	\$ 46,238,544
Deferred resource outflow	<u>\$ 11,691,595</u>	<u>\$ 3,514,463</u>	<u>\$ 8,177,132</u>
Current liabilities	\$ 4,054,768	\$ 7,064,773	\$ (3,010,005)
Long term liabilities	212,270,532	153,205,326	59,065,206
Total Liabilities	\$ 216,325,300	\$ 160,270,099	\$ 56,055,201
Deferred resource inflow	<u>\$ 6,468,263</u>	<u>\$ 7,236,749</u>	<u>\$ (768,486)</u>
Net position:			
Net investment in capital assets	\$ 7,970,298	\$ 10,265,659	\$ (2,295,361)
Restricted	4,632,532	3,594,294	1,038,238
Unrestricted	<u>(6,724,154)</u>	<u>(7,110,238)</u>	<u>386,084</u>
Total Net Position	\$ 5,878,676	\$ 6,749,715	\$ (871,039)

* Property tax rates were unchanged for the year. The tax base increased during the past year by \$265,301,356. The increase in the tax levy was \$3,818,217.

* State program revenues increased for the year by \$11,628,570.

* Federal program revenues increased by \$162,076.

* Investment earnings increased by \$23,790.

Capital Assets and Debt Administration

Capital Assets

Net capital assets for the District at the end of the fiscal year August 31, 2019 amounted to \$138,185,024. 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	\$ 6,452,599	\$ 4,507,968	\$ 1,944,631
Buildings and improvements	159,161,759	149,319,192	9,842,567
Equipment	13,973,167	12,363,639	1,609,528
Construction in progress	3,244,573	1,387,363	1,857,210
Totals at historical cost	182,832,098	167,578,162	15,253,936
Total accumulated depreciation	(44,647,074)	(39,978,649)	(4,668,425)
Net capital assets	<u>\$ 138,185,024</u>	<u>\$ 127,599,513</u>	<u>\$ 10,585,511</u>

Long-term Liabilities

For the year ended August 31, 2019, the District made scheduled debt principal payments of \$1,114,215.

District's Long Term Liabilities

	Governmental Activities		
	Current Year	Prior Year	Change
Bonds payable	\$ 162,237,932	\$ 116,317,147	\$ 45,920,785
Leave	155,881	148,333	7,548
Sub-total	162,393,813	116,465,480	45,928,333
Accreted interest on capital appreciation bonds	730,494	564,944	165,550
Premium on bond issuance	16,078,164	13,638,667	2,439,497
Total Long-Term Liabilities	<u>\$ 179,202,471</u>	<u>\$ 130,669,091</u>	<u>\$ 48,533,380</u>

Governmental Funds

Financial Highlights

At the close of the fiscal year ending August 31, 2019, the District's governmental funds reported a combined fund balance of \$73,137,555. This compares to a combined fund balance of \$34,729,081 at August 31, 2018. The significant increase is due to the increase in the Capital Projects Fund balance in the amount of \$35,644,960. The General Fund increased \$1,728,730 as revenues exceeded original projections and expenditures were below original projections. The Debt Service Fund increased \$1,660,011 as revenues exceeded original projections. Also, School Building Bonds, Series 2019 were issued for \$47,035,000.

Budgetary Highlights

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2019, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The General Fund budgeted revenues increased from an adopted budget amount of \$41,594,957 to the final amended budget amount of \$45,973,171. The general fund's actual revenues are \$46,497,899. The General Fund appropriations exceeded the original budget by \$928,533, but budget amendments were board approved throughout the year to account for the overage. During the year, the internal service fund transferred \$150,000 to the General Fund.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered many factors when setting the fiscal year 2019-2020 budget and corresponding tax rates. The most significant factor was adopting a budget that met the expectations of the 2019 Legislation which had many changes to our funding formulas and state allotments. The estimated increase in State Revenue from 2018-2019 is approximately \$5,000,000. This increase includes new legislation, student growth and property value growth.

Competition for quality staff, student enrollment growth and property valuations continue to be key factors in the development of the district's budget. Employee pay increases had a significant impact on the 2019-2020 budget, as the board of trustees approved a compensation plan that included a 5% pay increase to all categories of employees and a minimum longevity stipend in the amount of \$1,000. The estimated cost for the increase to the compensation plan is \$3,093,376.

The district adopted a General Fund budget with Revenues and Appropriations of \$51,025,324 for a balanced budget. The Food Service Fund was adopted with Revenues and Appropriations of \$3,603,987 for a balanced budget. The Debt Service Fund was adopted with Revenues and Appropriations of \$9,971,288 for a balanced budget.

The following factors were considered in establishing the District's budget for 2019-2020:

- The 81st Legislative Session produced many changes to how school districts would be funded for the next biennium. This same legislation had certain areas or programs that districts were required to spend additional funds on as part of the many changes to school funding.
- For 2019-20, the District's General Fund maintenance and operations tax rate will decrease as required per 2019 legislation to \$0.97 and the district's Debt Service tax rate will increase to \$0.4550. The district's total tax rate is \$1.4250, a decrease of \$0.014 from 2018-2019.
- The District's General Fund budget included a projected enrollment increase of 445 students or 8.1% over the previous year's enrollment.
- The District's net taxable value used for the 2019-20 budget preparation increased approximately 12.75% from the previous year.
- The expected increase in General Fund tax revenues is \$781,518 due to the increase in property values.
- The District will continue to monitor staffing ratios and spending in order to achieve the anticipated positive impact to the District's fund balance.

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 S., Castroville, TX 78009.

BASIC FINANCIAL STATEMENTS

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 72,756,893
1220 Property Taxes - Delinquent	1,380,767
1230 Allowance for Uncollectible Taxes	(138,076)
1240 Due from Other Governments	4,716,435
1290 Other Receivables, Net	56,551
1300 Inventories	23,050
Capital Assets:	
1510 Land	6,452,599
1520 Buildings, Net	122,841,979
1530 Furniture and Equipment, Net	5,645,873
1580 Construction in Progress	3,244,573
1000 Total Assets	216,980,644
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	8,615,307
1706 Deferred Outflow Related to TRS OPEB	3,076,288
1700 Total Deferred Outflows of Resources	11,691,595
LIABILITIES	
2110 Accounts Payable	1,793,225
2160 Accrued Wages Payable	1,907,653
2200 Accrued Expenses	257,769
2300 Unearned Revenue	96,121
Noncurrent Liabilities:	
2501 Due Within One Year	4,010,881
2502 Due in More Than One Year	175,191,590
2540 Net Pension Liability (District's Share)	15,257,488
2545 Net OPEB Liability (District's Share)	17,810,573
2000 Total Liabilities	216,325,300
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	836,131
2606 Deferred Inflow Related to TRS OPEB	5,632,132
2600 Total Deferred Inflows of Resources	6,468,263
NET POSITION	
3200 Net Investment in Capital Assets	7,970,298
3820 Restricted for Federal and State Programs	433,942
3850 Restricted for Debt Service	4,198,590
3900 Unrestricted	(6,724,154)
3000 Total Net Position	\$ 5,878,676

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, 2019

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Position
			Contributions	Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 32,151,442	\$ 86,461	\$ 2,128,157	\$ (29,936,824)
12 Instructional Resources and Media Services	479,402	-	-	(479,402)
13 Curriculum and Instructional Staff Development	705,407	-	263,747	(441,660)
21 Instructional Leadership	988,331	-	73,569	(914,762)
23 School Leadership	2,502,812	-	-	(2,502,812)
31 Guidance, Counseling and Evaluation Services	1,644,956	-	343,921	(1,301,035)
32 Social Work Services	323,992	-	-	(323,992)
33 Health Services	679,667	-	-	(679,667)
34 Student (Pupil) Transportation	2,505,255	-	-	(2,505,255)
35 Food Services	3,825,133	1,151,688	2,096,140	(577,305)
36 Extracurricular Activities	1,717,381	147,747	-	(1,569,634)
41 General Administration	1,440,055	-	-	(1,440,055)
51 Facilities Maintenance and Operations	5,832,387	42,958	-	(5,789,429)
52 Security and Monitoring Services	839,824	-	-	(839,824)
53 Data Processing Services	1,287,970	-	-	(1,287,970)
61 Community Services	259,182	-	215,907	(43,275)
72 Debt Service - Interest on Long-Term Debt	5,271,790	-	-	(5,271,790)
73 Debt Service - Bond Issuance Cost and Fees	211,613	-	-	(211,613)
81 Capital Outlay	860,138	-	-	(860,138)
93 Payments Related to Shared Services Arrangements	45,000	-	45,000	-
99 Other Intergovernmental Charges	378,998	-	-	(378,998)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 63,950,735	\$ 1,428,854	\$ 5,166,441	(57,355,440)

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		20,611,937
DT	Property Taxes, Levied for Debt Service		7,897,019
SF	State Aid - Formula Grants		23,170,331
GC	Grants and Contributions not Restricted		3,512,430
IE	Investment Earnings		909,520
MI	Miscellaneous Local and Intermediate Revenue		383,164
TR	Total General Revenues		56,484,401
CN	Change in Net Position		(871,039)
NB	Net Position - Beginning		6,749,715
NE	Net Position--Ending		\$ 5,878,676

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	General Fund	Capital Projects Fund	Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 18,281,100	\$ 49,356,348	\$ 3,958,756
1220 Property Taxes - Delinquent	1,040,433	-	340,334
1230 Allowance for Uncollectible Taxes	(104,043)	-	(34,033)
1240 Due from Other Governments	3,596,078	-	248,010
1260 Due from Other Funds	1,924,153	8,176	-
1290 Other Receivables	24,060	12,969	-
1300 Inventories	23,050	-	-
1000 Total Assets	<u>\$ 24,784,831</u>	<u>\$ 49,377,493</u>	<u>\$ 4,513,067</u>
LIABILITIES			
2110 Accounts Payable	\$ 229,053	\$ 545,629	\$ -
2160 Accrued Wages Payable	1,907,653	-	-
2170 Due to Other Funds	2,073,630	-	8,176
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>4,210,336</u>	<u>545,629</u>	<u>8,176</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	936,389	-	306,301
2600 Total Deferred Inflows of Resources	<u>936,389</u>	<u>-</u>	<u>306,301</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	23,050	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	48,831,864	-
3480 Retirement of Long-Term Debt	-	-	4,198,590
Committed Fund Balance:			
3510 Construction	4,000,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	15,615,056	-	-
3000 Total Fund Balances	<u>19,638,106</u>	<u>48,831,864</u>	<u>4,198,590</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 24,784,831</u>	<u>\$ 49,377,493</u>	<u>\$ 4,513,067</u>

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

Instructional Materials Fund	Other Funds	Total Governmental Funds
\$ 789,027	\$ (378,435)	\$ 72,006,796
-	-	1,380,767
-	-	(138,076)
14,969	857,378	4,716,435
-	175,051	2,107,380
-	19,522	56,551
-	-	23,050
<u>\$ 803,996</u>	<u>\$ 673,516</u>	<u>\$ 80,152,903</u>
\$ 709,738	\$ 177,084	\$ 1,661,504
-	-	1,907,653
-	25,574	2,107,380
94,258	1,863	96,121
<u>803,996</u>	<u>204,521</u>	<u>5,772,658</u>
-	-	1,242,690
-	-	1,242,690
-	-	23,050
-	433,942	433,942
-	-	48,831,864
-	-	4,198,590
-	-	4,000,000
-	35,053	35,053
-	-	15,615,056
-	468,995	73,137,555
<u>\$ 803,996</u>	<u>\$ 673,516</u>	<u>\$ 80,152,903</u>

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	73,137,555
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.		618,376
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 \$167,578,162 and the accumulated depreciation was \$(39,978,649). In addition, long-term liabilities, including bonds payable of \$(116,317,147), 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 increase net position.		11,282,366
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 2019 capital outlays of \$15,253,936 and debt principal payments of \$1,114,215 is to increase net position.		16,368,151
4 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,668,425)
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 \$(15,257,488), a deferred resource inflow of \$(836,131), and a deferred resource outflow of \$8,615,307. The net effect of this recognition is to decrease net position.		(7,478,312)
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 \$(17,810,573), a deferred resource inflow of \$(5,632,132), and a deferred resource outflow of \$3,076,288. The net effect of this recognition is to decrease net position.		(20,366,417)
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 \$1,242,690 as revenue, and recognizing the liabilities associated with maturing long-term debt interest of \$(257,769). Also, recognizing accreted interest on capital appreciation bonds of \$(730,494), bond issuance premium of \$(16,078,164), accumulated local leave of \$(155,881), and bonds issued of \$(47,035,000). The net effect of these reclassifications and recognitions is to decrease net position.		(63,014,618)
19 Net Position of Governmental Activities	\$	5,878,676

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	General Fund	Capital Projects Fund	Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 21,434,495	\$ 323,804	\$ 8,033,606
5800 State Program Revenues	24,736,573	-	631,764
5900 Federal Program Revenues	326,831	-	-
5020 Total Revenues	<u>46,497,899</u>	<u>323,804</u>	<u>8,665,370</u>
EXPENDITURES:			
Current:			
0011 Instruction	25,859,777	-	-
0012 Instructional Resources and Media Services	419,900	-	-
0013 Curriculum and Instructional Staff Development	370,532	-	-
0021 Instructional Leadership	786,605	-	-
0023 School Leadership	2,154,488	-	-
0031 Guidance, Counseling and Evaluation Services	1,091,293	-	-
0032 Social Work Services	276,052	-	-
0033 Health Services	586,941	-	-
0034 Student (Pupil) Transportation	2,870,658	-	-
0035 Food Services	26,241	-	-
0036 Extracurricular Activities	1,473,191	-	-
0041 General Administration	1,278,763	-	-
0051 Facilities Maintenance and Operations	5,460,683	-	-
0052 Security and Monitoring Services	682,604	74,360	-
0053 Data Processing Services	1,138,958	-	-
0061 Community Services	32,485	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	-	1,114,215
0072 Interest on Long-Term Debt	-	-	5,888,254
0073 Bond Issuance Cost and Fees	-	208,723	2,890
Capital Outlay:			
0081 Facilities Acquisition and Construction	31,000	14,604,484	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0099 Other Intergovernmental Charges	378,998	-	-
6030 Total Expenditures	<u>44,919,169</u>	<u>14,887,567</u>	<u>7,005,359</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,578,730</u>	<u>(14,563,763)</u>	<u>1,660,011</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	47,035,000	-
7915 Transfers In	150,000	-	-
7916 Premium or Discount on Issuance of Bonds	-	3,173,723	-
7080 Total Other Financing Sources (Uses)	<u>150,000</u>	<u>50,208,723</u>	<u>-</u>
1200 Net Change in Fund Balances	1,728,730	35,644,960	1,660,011
0100 Fund Balance - September 1 (Beginning)	<u>17,909,376</u>	<u>13,186,904</u>	<u>2,538,579</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 19,638,106</u>	<u>\$ 48,831,864</u>	<u>\$ 4,198,590</u>

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

Instructional Materials Fund	Other Funds	Total Governmental Funds
\$ -	\$ 1,198,876	\$ 30,990,781
734,363	203,908	26,306,608
-	4,228,170	4,555,001
734,363	5,630,954	61,852,390
734,363	1,393,794	27,987,934
-	-	419,900
-	263,747	634,279
-	73,569	860,174
-	-	2,154,488
-	343,921	1,435,214
-	-	276,052
-	-	586,941
-	-	2,870,658
-	3,871,326	3,897,567
-	48,917	1,522,108
-	-	1,278,763
-	-	5,460,683
-	-	756,964
-	-	1,138,958
-	215,907	248,392
-	-	1,114,215
-	-	5,888,254
-	-	211,613
-	-	14,635,484
-	45,000	45,000
-	-	378,998
734,363	6,256,181	73,802,639
-	(625,227)	(11,950,249)
-	-	47,035,000
-	-	150,000
-	-	3,173,723
-	-	50,358,723
-	(625,227)	38,408,474
-	1,094,222	34,729,081
\$ -	\$ 468,995	\$ 73,137,555

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, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 38,408,474
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 decrease net position.	(32,937)
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 2019 capital outlays of \$15,253,936 and debt principal payments of \$1,114,215 is to increase net position.	16,368,151
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.	(4,668,425)
The reporting of GASB 68 for the current year resulted in the recognition of revenue of \$598,493, and related expenses of \$(1,826,655). The result of these items is to decrease net position.	(1,228,162)
The reporting of GASB 75 for the current year resulted in the recognition of revenue of \$389,100, and related expenses of \$(747,146). The result of these items is to decrease net position.	(358,046)
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 \$239,713, and recognizing the change in accrued bond interest of \$47,788. Also, recognizing the increase in accreted interest on capital appreciation bonds of \$(165,550), bond issuance premium increase of \$(2,439,497), the increase in accrued local leave of \$(7,548), and bonds issued of \$(47,035,000). The net effect of these reclassifications and recognitions is to decrease net position.	(49,360,094)
Change in Net Position of Governmental Activities	\$ (871,039)

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, 2019

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 750,097
Total Assets	<u>750,097</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>131,721</u>
Total Liabilities	<u>131,721</u>
NET POSITION	
Unrestricted Net Position	<u>618,376</u>
Total Net Position	<u><u>\$ 618,376</u></u>

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, 2019

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 384,339
Total Operating Revenues	384,339
OPERATING EXPENSES:	
Payroll Costs	177,229
Professional and Contracted Services	90,047
Total Operating Expenses	267,276
Income Before Transfers	117,063
Transfers Out	(150,000)
Change in Net Position	(32,937)
Total Net Position - September 1 (Beginning)	651,313
 Total Net Position - August 31 (Ending)	 \$ 618,376

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, 2019

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 384,339
Cash Payments for Insurance Claims	(234,935)
Net Cash Provided by Operating Activities	<u>149,404</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	<u>(150,000)</u>
Net Decrease in Cash and Cash Equivalents	(596)
Cash and Cash Equivalents at Beginning of Year	<u>750,693</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 750,097</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u> Provided by Operating Activities:</u>	
Operating Income:	\$ 117,063
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>32,341</u>
Net Cash Provided by Operating Activities	<u><u>\$ 149,404</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, 2019

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 267,603
Other Receivables	6,921
Total Assets	<u>\$ 274,524</u>
 LIABILITIES	
Accounts Payable	\$ 15,614
Due to Student Groups	258,910
Total Liabilities	<u>\$ 274,524</u>

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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, 2019, 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.
4. **Instructional Materials Fund** - The state provides funding for the purchase of textbooks and instructional materials which are accounted for in the instructional materials 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 intact” 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	\$ 23,050
Total Nonspendable	23,050
Restricted	
Capital acquisition	48,831,864
Debt service	4,198,590
Federal or State fund grant restrictions	433,942
Total Restricted	53,464,396
Committed	
Construction	4,000,000
Campus activity funds	35,053
Total Committed	4,035,053
Unassigned	15,615,056
Total Fund Balances	\$ 73,137,555

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 funding sources 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 ensure 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), and changes in proportion and differences between employer's contributions and the proportionate share of contributions (pension).

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:

Assets	Years
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, 2019 Fund Balance	
Appropriated Budget Funds - Food Service Special Revenue Funds	\$ 433,942
Nonappropriated Budget Funds	35,053
All Special Revenue Funds	\$ 468,995

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 \$1,836,126 in excess of FDIC coverage, secured by pledged securities of the depository bank.

As of August 31, 2019, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Maturities (in years)			Credit Rating
		Less than 1	1-10	Over 10	
Cash	\$ 2,586,126	\$ 2,586,126	\$ -	\$ -	N/A
Investment Pools					
TexPool	70,434,979	70,434,979	-	-	AAAm
Total Cash and Cash Equivalents	\$ 73,021,105	\$ 73,021,105	\$ -	\$ -	

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, 2019, 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, 2019, 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, 2019 consisted of the following amounts:

Due to General Fund From:	25,574
Nonmajor Funds Intrafund	<u>\$ 1,898,579</u>
Total Due to General Fund	<u>\$ 1,924,153</u>
Due to Capital Projects Fund From:	
Debt Service Fund	<u>\$ 8,176</u>
Total Due to Debt Service Fund	<u>\$ 8,176</u>
Due to Nonmajor Funds:	
General Fund	<u>\$ 175,051</u>
Total Due to Nonmajor Funds	<u>\$ 175,051</u>

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

Transfers to General Fund From:

Internal Service Fund	<u>\$ 150,000</u>
Total Transferred to General Fund	<u>\$ 150,000</u>

Transfers were to move excess equity from the internal service fund.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2019, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 1,040,433	\$ 3,596,078	\$ 1,924,153	\$ 24,060	\$ 6,584,724
Debt Service Fund	340,334	248,010	-	-	588,344
Capital Projects	-	-	8,176	12,969	21,145
Instructional Materials Fund	-	14,969	-	-	14,969
Nonmajor Governmental Funds	-	857,378	175,051	19,522	1,051,951
Total Governmental Activities	<u>\$ 1,380,767</u>	<u>\$ 4,716,435</u>	<u>\$ 2,107,380</u>	<u>\$ 56,551</u>	<u>\$ 8,261,133</u>
Amount not scheduled for collection during subsequent year	<u>\$ 138,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,076</u>

Payables at August 31, 2019, 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	\$ 229,053	\$ 1,907,653	\$ 2,073,630	\$ -	\$ -	\$ 4,210,336
Debt Service Fund	-	-	8,176	-	-	8,176
Capital Projects Funds	545,629	-	-	-	-	545,629
Instructional Materials Fund	709,738	-	-	-	-	709,738
Nonmajor Governmental Funds	177,084	-	25,574	-	-	202,658
Total Governmental Activities	<u>\$ 1,661,504</u>	<u>\$ 1,907,653</u>	<u>\$ 2,107,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,676,537</u>
Proprietary Fund-						
Internal Service Fund	<u>\$ 131,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,721</u>
Amount not scheduled for payment during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,721</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2019 was as follows:

	Beginning Balance	Reclassifications and Additions	Reclassifications and Deletions	Ending Balance
Governmental Activities:				
Land	\$ 4,507,968	\$ 1,944,631	\$ -	\$ 6,452,599
Buildings and improvements	149,319,192	60,187	9,782,383	159,161,762
Equipment	12,363,639	1,609,528	-	13,973,167
Construction in progress	1,387,363	11,639,593	(9,782,383)	3,244,573
Total at historical cost	<u>167,578,162</u>	<u>15,253,939</u>	<u>-</u>	<u>182,832,101</u>
Less accumulated depreciation			-	
Buildings and improvements	(32,365,407)	(3,954,373)	-	(36,319,780)
Equipment	<u>(7,613,242)</u>	<u>(714,052)</u>	<u>-</u>	<u>(8,327,294)</u>
Total accumulated depreciation	<u>(39,978,649)</u>	<u>(4,668,425)</u>	<u>-</u>	<u>(44,647,074)</u>
Governmental activities capital assets, net	<u>\$ 127,599,513</u>	<u>\$ 10,585,514</u>	<u>\$ -</u>	<u>\$ 138,185,027</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 2,476,585
Instructional resources and media services	40,246
Curriculum and instructional staff development	35,832
Instructional leadership	75,220
School leadership	205,314
Guidance, counseling and evaluation services	102,767
Social work services	25,952
Health services	56,274
Student (pupil) transportation	279,888
Food services	385,937
Extracurricular activities	143,683
General administration	122,903
Facilities maintenance and operations	538,776
Security and monitoring services	66,162
Data processing services	109,807
Community services	<u>3,079</u>
Total Depreciation Expense	<u>\$ 4,668,425</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 2049, with interest rates of 2.0% to 5.0%.

A summary of changes in bonds payable for the year ended August 31, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 9/1/2018	Issued	Retired/ Refunded	Amounts Outstanding 8/31/2019	Amounts Due Within One Year
Unlimited Tax Refunding Bonds Series 2010	2.00% - 3.50%	5,940,000	93,175	2,420,000	-	120,000	2,300,000	125,000
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	163,825	5,405,000	-	505,000	4,900,000	520,000
Unlimited Tax Refunding Bonds Series 2016	2.00% - 5.00%	22,079,220	2,317,310	21,949,215	-	489,215	21,460,000	2,015,000
Unlimited Tax School Building Bonds, Series 2016	2.00% - 4.00%	71,080,000	2,823,500	71,080,000	-	-	71,080,000	-
Unlimited Tax School Building Bonds, Series 2019	2.25% - 5.00%	47,035,000	9,794	-	47,035,000	-	47,035,000	1,195,000
Totals			\$ 5,888,254	\$ 116,317,147	\$ 47,035,000	\$ 1,114,215	\$ 162,237,932	\$ 3,855,000

On May 4, 2019, voters of the District approved the issuance of \$107,000,000 of Unlimited Tax School Building Bonds by the Medina Valley Independent School District for school facilities and the levying of a tax in payment thereof. As of August 31, 2019, \$47,035,000 of the bonds have been issued.

Debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	\$ 3,855,000	\$ 6,106,288	\$ 9,961,288
2021	4,975,000	5,909,700	10,884,700
2022	3,515,000	5,712,900	9,227,900
2023	3,712,247	6,406,729	10,118,976
2024	3,826,072	6,349,153	10,175,225
2025-2029	19,644,613	27,721,149	47,365,762
2030-2034	26,615,000	20,756,400	47,371,400
2035-2039	32,295,000	15,074,750	47,369,750
2040-2044	39,195,000	8,170,375	47,365,375
2045-2049	24,605,000	1,391,850	25,996,850
Total	<u>\$ 162,237,932</u>	<u>\$ 103,599,294</u>	<u>\$ 265,837,226</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, 2019.

H. CHANGES IN LONG-TERM LIABILITIES

Long-term activities for the year ended August 31, 2019, was as follows:

	Balance 9/1/2018	Additions	Retirement	Balance 8/31/2019	Due Within One Year
Governmental Activities:					
Bonds	\$ 116,317,147	\$ 47,035,000	\$ 1,114,215	\$ 162,237,932	\$ 3,855,000
Leave	148,333	155,881	148,333	155,881	155,881
Total Governmental Activities	116,465,480	47,190,881	1,262,548	162,393,813	4,010,881
Accreted interest on capital					
Appreciation Bonds, Series 2014	564,944	165,550	-	730,494	-
Bond Premium, Refunding Series 2014	2,272,425	-	142,027	2,130,398	-
Bond Premium, Refunding Series 2015	1,024,060	-	70,625	953,435	-
Bond Premium, Refunding Series 2015A	433,785	-	42,667	391,118	-
Bond Premium, Refunding Series 2016	2,890,004	-	185,455	2,704,549	-
Bond Premium, Series 2015	7,018,393	-	293,452	6,724,941	-
Bond Premium, Series 2019	-	3,173,723	-	3,173,723	-
Totals	<u>\$ 130,669,091</u>	<u>\$ 50,530,154</u>	<u>\$ 1,996,774</u>	<u>\$ 179,202,471</u>	<u>\$ 4,010,881</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. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2019, as follows:

Year Ended August 31,	
2020	\$ 11,412
2021	11,412
2022	11,412
2023	11,412
2024	9,510
2024	<u>-</u>
Total Minimum Rentals	<u>\$ 55,158</u>
Rental Expenditures for Fiscal Year 2019	<u>\$ 173,916</u>

J. 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 members 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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contributions Rates		
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 FY Employer Contributions		\$ 1,068,148
District's 2019 FY Member Contributions		\$ 2,568,662
Measurement Year NECE On-Behalf Contributions		\$ 1,356,258

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 rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 1, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.90%
Long-term expected Investment Rate of Return	7.25%
	3.39% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index."
Municipal Bond Rate as of August 2018	
Last Year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate. The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investment of 7.25% and a municipal bond rate of 3.69%. 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 plans fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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, 2018 are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Hedge Funds (Stable Value)	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Volatility Drag***			-0.79%
Total	100%		7.25%

* Target allocations are based on the FY 2016 policy model.

** Capital market assumptions come from Aon Hewitt (2017 Q4)

*** The volatility drag results 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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$23,027,209	\$15,257,488	\$8,967,439

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, Medina Valley Independent School District reported a liability of \$15,257,488 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	\$ 15,257,488
State's proportionate share that is associated with the District	22,173,892
Total	<u>\$ 37,431,380</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0277195051% which was an increase of 0.0019053610% from its proportion measured as of August 31, 2017.

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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, 2019, Medina Valley Independent School District recognized pension expense of \$2,194,624 and revenue of \$2,194,624 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2019, 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	\$ 95,103	\$ 374,359
Changes in actuarial assumptions	5,501,059	171,908
Net difference between projected and actual investment earnings	-	289,500
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,950,997	364
Contributions paid to TRS subsequent to the measurement date	1,068,148	-
Total	\$ 8,615,307	\$ 836,131

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
2020	\$ 1,763,772
2021	1,154,542
2022	985,528
2023	1,115,069
2024	1,023,616
Thereafter	668,501

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, 2018 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	\$ 50,729,490,103
Less: Plan fiduciary net position	798,574,633
Net OPEB liability	\$ 49,930,915,470
Net position as a percentage of total OPEB liability	1.57%

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 85th Legislature, Regular Session, passed the following statutory changes in HB 3976 which became effective on September 1, 2017. These are described below under the section “Changes in Benefit Terms”.

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 a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018.

TRS-Care Monthly Premium Rates
Effective January 1, 2018 - December 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% 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>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2019 FY Employer Contributions		\$ 280,673
District's 2019 FY Member Contributions		\$ 216,836
Measurement Year NECE On-Behalf Contributions		\$ 339,101

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

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 2018 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 that was rolled forward to August 31, 2018:

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 Rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

Other Information: 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%.
- 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.

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 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.

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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability:	\$21,200,702	\$17,810,573	\$15,128,764

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:	\$14,791,971	\$17,810,573	\$21,786,138

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, Medina Valley Independent School District reported a liability of \$17,810,573 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	\$ 17,810,573
State's proportionate share that is associated with the District	24,578,727
Total	<u>\$ 42,389,300</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.0356704325% compared to 0.0328431685% as of August 31, 2017.

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. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB liability.
4. The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

Changes in Benefit Terms: The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

1. Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
2. Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
3. Allowed the system to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
4. Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
5. Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, Medina Valley Independent School District recognized OPEB expense of \$894,027 and revenue of \$894,027 for support provided by the State.

At August 31, 2019, 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	\$ 945,141	\$ 281,077
Changes in actuarial assumptions	297,210	5,351,055
Net difference between projected and actual investment earnings	3,115	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,550,149	-
Contributions paid to TRS subsequent to the measurement date	280,673	-
Total	\$ 3,076,288	\$ 5,632,132

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
2020	\$ (508,145)
2021	(508,145)
2022	(508,145)
2023	(508,734)
2024	(509,071)
Thereafter	(294,277)

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 2017, 2018 and 2019 were \$78,572, \$83,459 and \$111,991.

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, 2019. 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, 2019, from federal sources as follows:

<u>Program or Source</u>	<u>Amount</u>
ROTC	\$ 47,629
Medicaid Claiming	<u>279,202</u>
Total:	<u>\$ 326,831</u>

O. WORKERS COMPENSATION PROGRAM

During the year ended August 31, 2019, 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, 2019 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, 2019</u>	<u>Year Ended</u> <u>August 31, 2018</u>
Unpaid claims, beginning of the year	\$ 99,380	\$ 136,462
Incurred claims (including IBNR'S)	177,795	163,942
Claim payments	<u>(145,454)</u>	<u>(201,024)</u>
Unpaid claims, end of fiscal year	<u>\$ 131,721</u>	<u>\$ 99,380</u>

P. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	Instructional Materials Fund	Special Revenue Fund	Debt Service Fund	Total
State Entitlements	\$ 94,258	\$ 1,054	\$ -	\$ 95,312
Other	-	809	-	809
Total Unearned Revenue	<u>\$ 94,258</u>	<u>\$ 1,863</u>	<u>\$ -</u>	<u>\$ 96,121</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, 2019, 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	\$ 3,596,078	\$ -	\$ -	\$ 3,596,078
Debt Service	248,010	-	-	248,010
Capital Projects	-	-	-	-
Instructional Materials Fund	14,969	-	-	14,969
Special Revenue	44,864	812,514	-	857,378
Total	<u>\$ 3,903,921</u>	<u>\$ 812,514</u>	<u>\$ -</u>	<u>\$ 4,716,435</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	\$ 20,437,588	\$ 7,831,655	\$ -	\$ -	\$ 28,269,243
Penalties, Interest and Other	227,255	80,935	-	-	308,190
Tax-related Income			-	-	-
Investment Income	470,067	114,992	323,804	657	909,520
Food Sales	-	-	-	1,151,689	1,151,689
Co-curricular Student Activities	102,613	-	-	-	102,613
Other	196,972	6,024	-	46,530	249,526
Total	<u>\$ 21,434,495</u>	<u>\$ 8,033,606</u>	<u>\$ 323,804</u>	<u>\$ 1,198,876</u>	<u>\$ 30,990,781</u>

S. COMMITMENTS

At year end, the District had construction and related contracts in place for \$7,227,256. This amount will be expended in the 2019-2020 school year.

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, 2019

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	\$ 20,045,383	\$ 21,214,788	\$ 21,434,495	\$ 219,707
5800 State Program Revenues	21,299,574	24,287,383	24,736,573	449,190
5900 Federal Program Revenues	250,000	321,000	326,831	5,831
5020 Total Revenues	41,594,957	45,823,171	46,497,899	674,728
EXPENDITURES:				
Current:				
0011 Instruction	24,437,513	25,952,013	25,859,777	92,236
0012 Instructional Resources and Media Services	392,975	442,975	419,900	23,075
0013 Curriculum and Instructional Staff Development	404,251	400,251	370,532	29,719
0021 Instructional Leadership	813,035	819,035	786,605	32,430
0023 School Leadership	2,033,215	2,248,215	2,154,488	93,727
0031 Guidance, Counseling and Evaluation Services	1,083,141	1,168,141	1,091,293	76,848
0032 Social Work Services	274,945	294,945	276,052	18,893
0033 Health Services	572,404	617,404	586,941	30,463
0034 Student (Pupil) Transportation	2,766,549	2,960,309	2,870,658	89,651
0035 Food Services	-	35,000	26,241	8,759
0036 Extracurricular Activities	1,487,913	1,526,413	1,473,191	53,222
0041 General Administration	1,678,225	1,350,000	1,278,763	71,237
0051 Facilities Maintenance and Operations	6,039,344	5,764,344	5,460,683	303,661
0052 Security and Monitoring Services	817,300	727,300	682,604	44,696
0053 Data Processing Services	1,145,026	1,177,026	1,138,958	38,068
0061 Community Services	39,800	49,800	32,485	17,315
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	50,000	31,000	19,000
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	5,000	5,000	-	5,000
0099 Other Intergovernmental Charges	-	385,000	378,998	6,002
6030 Total Expenditures	43,990,636	45,973,171	44,919,169	1,054,002
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,395,679)	(150,000)	1,578,730	1,728,730
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	150,000	150,000	-
1200 Net Change in Fund Balances	(2,395,679)	-	1,728,730	1,728,730
0100 Fund Balance - September 1 (Beginning)	17,909,376	17,909,376	17,909,376	-
3000 Fund Balance - August 31 (Ending)	\$ 15,513,697	\$ 17,909,376	\$ 19,638,106	\$ 1,728,730

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.027719505%	0.025814144%	0.0254971%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 15,257,488	\$ 8,253,973	\$ 9,634,958
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	22,173,892	12,608,345	14,616,892
Total	<u>\$ 37,431,380</u>	<u>\$ 20,862,318</u>	<u>\$ 24,251,850</u>
District's Covered Payroll	\$ 28,928,414	\$ 26,672,860	\$ 25,143,936
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	52.74%	30.95%	38.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 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."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0252151%		0.0159954%
\$	8,913,202	\$	4,272,592
	12,770,773		10,574,503
<u>\$ 21,683,975</u>		<u>\$ 14,847,095</u>	
\$	22,692,173	\$	20,540,125
	39.28%		20.80%
	78.43%		83.25%

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 1,068,148	\$ 933,445	\$ 846,037
Contribution in Relation to the Contractually Required Contribution	(1,068,148)	(933,445)	(846,037)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 33,359,165	\$ 28,928,414	\$ 26,672,860
Contributions as a Percentage of Covered Payroll	3.20%	3.23%	3.17%

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 years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

<hr/>	
2016	2015
<hr/>	<hr/>
\$ 810,106	\$ 746,629
(810,106)	(746,629)
<hr/>	<hr/>
\$ -	\$ -
<hr/> <hr/>	<hr/> <hr/>
\$ 25,143,936	\$ 22,692,173
3.22%	3.29%

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.035670433%	0.032843168%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 17,810,573	\$ 14,282,262
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	24,578,727	20,722,653
Total	<u>\$ 42,389,300</u>	<u>\$ 35,004,915</u>
District's Covered Payroll	\$ 28,928,414	\$ 26,672,860
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	61.57%	53.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	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 2019 are for the measurement date August 31, 2018 and the amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 280,673	\$ 245,953
Contribution in Relation to the Contractually Required Contribution	(280,673)	(245,953)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 33,359,165	\$ 28,928,414
Contributions as a Percentage of Covered Payroll	0.84%	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, 2019

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.

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the net enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in Assumptions.

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

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.

COMBINING AND OTHER STATEMENTS

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ (370,990)	\$ (281,591)
1240 Due from Other Governments	-	-	371,020	281,591
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 30	\$ -
2170 Due to Other Funds	-	-	-	-
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ -</u>

225 IDEA Part B Preschool	226 IDEA Part B Discretionary	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 Federal Special Revenue Funds	385 Visually Impaired SSVI
\$ (2,475)	\$ (180,243)	\$ 564,827	\$ (13,831)	\$ (58,207)	\$ (9,595)	\$ (27,440)	\$ -
2,475	5,192	43,163	13,831	58,207	9,595	27,440	-
-	175,051	-	-	-	-	-	-
-	-	18,222	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 626,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 166,696	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	25,574	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>192,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	433,942	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>433,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 626,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

Data Control Codes	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	426 TX Educator Excellence Award Grant	429 Autism Grant	
ASSETS					
1110	Cash and Cash Equivalents	\$ (28,410)	\$ 1,025	\$ 29	\$ (6,825)
1240	Due from Other Governments	38,039	-	-	6,825
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 9,629</u>	<u>\$ 1,025</u>	<u>\$ 29</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 9,629	\$ -	\$ -	\$ -
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenue	-	1,025	29	-
2000	Total Liabilities	<u>9,629</u>	<u>1,025</u>	<u>29</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,629</u>	<u>\$ 1,025</u>	<u>\$ 29</u>	<u>\$ -</u>

461 Campus Activity Funds	495 Non Food Pantry	Total Nonmajor Governmental Funds
\$ 34,482	\$ 809	\$ (378,435)
-	-	857,378
-	-	175,051
1,300	-	19,522
<u>\$ 35,782</u>	<u>\$ 809</u>	<u>\$ 673,516</u>
\$ 729	\$ -	\$ 177,084
-	-	25,574
-	809	1,863
<u>729</u>	<u>809</u>	<u>204,521</u>
-	-	433,942
35,053	-	35,053
<u>35,053</u>	<u>-</u>	<u>468,995</u>
<u>\$ 35,782</u>	<u>\$ 809</u>	<u>\$ 673,516</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, 2019

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	164,469	3,053	590,339	824,616
5020 Total Revenues	164,469	3,053	590,339	824,616
EXPENDITURES:				
Current:				
0011 Instruction	164,469	2,112	370,766	398,347
0013 Curriculum and Instructional Staff Development	-	941	157,504	-
0021 Instructional Leadership	-	-	-	70,002
0031 Guidance, Counseling and Evaluation Services	-	-	-	311,267
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0061 Community Services	-	-	62,069	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	45,000
6030 Total Expenditures	164,469	3,053	590,339	824,616
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	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 Federal Special Revenue Funds	385 Visually Impaired SSVI
\$ -	\$ -	\$ 1,153,413	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	14,594	-	-	-	-	1,276
17,101	369,501	2,081,546	41,114	91,263	15,225	29,943	-
17,101	369,501	3,249,553	41,114	91,263	15,225	29,943	1,276
17,101	345,501	-	40,864	-	14,277	29,423	1,276
-	-	-	250	91,263	948	520	-
-	-	-	-	-	-	-	-
-	24,000	-	-	-	-	-	-
-	-	3,871,326	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,101	369,501	3,871,326	41,114	91,263	15,225	29,943	1,276
-	-	(621,773)	-	-	-	-	-
-	-	1,055,715	-	-	-	-	-
\$ -	\$ -	\$ 433,942	\$ -	\$ -	\$ -	\$ -	\$ -

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	426 TX Educator Excellence Award Grant	429 Autism Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	153,838	550	-	33,650
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>153,838</u>	<u>550</u>	<u>-</u>	<u>33,650</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	9,658
0013 Curriculum and Instructional Staff Development	-	550	-	11,771
0021 Instructional Leadership	-	-	-	3,567
0031 Guidance, Counseling and Evaluation Services	-	-	-	8,654
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0061 Community Services	153,838	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>153,838</u>	<u>550</u>	<u>-</u>	<u>33,650</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

461 Campus Activity Funds	495 Non Food Pantry	Total Nonmajor Governmental Funds
\$ 45,134	\$ 329	\$ 1,198,876
-	-	203,908
-	-	4,228,170
45,134	329	5,630,954
-	-	1,393,794
-	-	263,747
-	-	73,569
-	-	343,921
-	-	3,871,326
48,588	329	48,917
-	-	215,907
-	-	45,000
48,588	329	6,256,181
(3,454)	-	(625,227)
38,507	-	1,094,222
\$ 35,053	\$ -	\$ 468,995

T.E.A. REQUIRED SCHEDULES

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
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	1.040000	0.399200	1,670,823,505
2019 (School year under audit)	1.040000	0.399200	1,936,124,861
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 236,396	\$ -	\$ 11,975	\$ 2,226	\$ (10,603)	\$ 211,592
30,069	-	1,529	512	-	28,028
35,394	-	4,877	1,689	-	28,828
35,776	-	3,406	1,245	(152)	30,973
52,329	-	9,247	3,373	1,229	40,938
71,248	-	14,513	4,850	598	52,483
159,096	-	26,215	8,766	2,891	127,006
226,898	-	44,266	16,978	(16,235)	149,419
487,839	-	112,484	43,147	(118,984)	213,224
-	27,864,709	20,337,973	7,791,834	763,374	498,276
<u>\$ 1,335,045</u>	<u>\$ 27,864,709</u>	<u>\$ 20,566,485</u>	<u>\$ 7,874,620</u>	<u>\$ 622,118</u>	<u>\$ 1,380,767</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, 2019

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	\$ 1,337,950	\$ 1,337,950	\$ 1,153,413	\$ (184,537)
5800 State Program Revenues	30,000	30,000	14,594	(15,406)
5900 Federal Program Revenues	1,950,000	1,950,000	2,081,546	131,546
5020 Total Revenues	<u>3,317,950</u>	<u>3,317,950</u>	<u>3,249,553</u>	<u>(68,397)</u>
EXPENDITURES:				
Current:				
0035 Food Services	<u>3,317,950</u>	<u>4,047,950</u>	<u>3,871,326</u>	<u>176,624</u>
6030 Total Expenditures	<u>3,317,950</u>	<u>4,047,950</u>	<u>3,871,326</u>	<u>176,624</u>
1200 Net Change in Fund Balances	-	(730,000)	(621,773)	108,227
0100 Fund Balance - September 1 (Beginning)	<u>1,055,715</u>	<u>1,055,715</u>	<u>1,055,715</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,055,715</u>	<u>\$ 325,715</u>	<u>\$ 433,942</u>	<u>\$ 108,227</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, 2019

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	\$ 6,702,676	\$ 6,702,676	\$ 8,033,606	\$ 1,330,930
5800 State Program Revenues	300,000	300,000	631,764	331,764
5020 Total Revenues	<u>7,002,676</u>	<u>7,002,676</u>	<u>8,665,370</u>	<u>1,662,694</u>
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,114,216	1,114,216	1,114,215	1
0072 Interest on Long-Term Debt	5,878,460	5,898,460	5,888,254	10,206
0073 Bond Issuance Cost and Fees	10,000	10,000	2,890	7,110
6030 Total Expenditures	<u>7,002,676</u>	<u>7,022,676</u>	<u>7,005,359</u>	<u>17,317</u>
1200 Net Change in Fund Balances	-	(20,000)	1,660,011	1,680,011
0100 Fund Balance - September 1 (Beginning)	<u>2,538,579</u>	<u>2,538,579</u>	<u>2,538,579</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,538,579</u>	<u>\$ 2,518,579</u>	<u>\$ 4,198,590</u>	<u>\$ 1,680,011</u>

FEDERAL SECTION

COLEMAN, HORTON & COMPANY, LLP

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, 2019, 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 15, 2019.

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 no instances of noncompliance or other matters that are required to be reported under Government Audit Standards.

Purpose of this Report

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

Uvalde, Texas
November 15, 2019

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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, 2019. 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, 2019.

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.

Uvalde, Texas
November 15, 2019

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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 #84.027	IDEA - Part B, Formula
CFDA #84.027A	IDEA - Part B, High Cost
CFDA #84.173	IDEA - Part B, Preschool

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, 2019

B. Financial Statement Findings

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

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019

Finding/Status

Finding #2018-001 – Child Nutrition Program – Fund Balance Levels

Status – The Child Nutrition Program fund balance is less than three months’ average expenditures.

Finding #2018-002 – Compliance with State Spending Requirements

Status – All recommended state spending requirements were complied with during the 2018-2019 year.

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

-----Not applicable-----

MEDINA VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

(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	19610101163908	\$ 559,563
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101163908	30,776
Total CFDA Number 84.010A			590,339
*IDEA - Part B, Formula	84.027	186600011639086600	62,311
*IDEA - Part B, Formula	84.027	196600011639086600	762,305
*IDEA - Part B, IEP	84.027	18660077163908	6,106
*IDEA - Part B, Discretionary	84.027	19660012639086677	175,051
Total CFDA Number 84.027			1,005,773
*IDEA - Part B, High Cost	84.027A	1966001906	164,344
*IDEA - Part B, Evaluation Capacity	84.027	2265431920010	24,000
*IDEA - Part B, Preschool	84.173	186610011639086610	7,349
*IDEA - Part B, Preschool	84.173	196610011639086610	9,752
Total CFDA Number 84.173			17,101
Total Special Education Cluster (IDEA)			1,211,218
Career and Technical - Basic Grant	84.048	19420006163908	41,114
ESEA, Title X, Part C - Homeless Children	84.196	295662909	3,053
Title III, Part A - English Language Acquisition	84.365A	19350442912	15,225
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	19694501163908	91,263
LEP Summer School	84.369A	69551802	2,503
ESEA, Title IV, Part A	84.424A	19680101163908	27,440
Total Passed Through State Department of Education			1,982,155
TOTAL U.S. DEPARTMENT OF EDUCATION			1,982,155
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health and Human Services Com</u>			
Medicaid Administrative Claiming Program - MAC	93.778	368245201	279,202
Total Passed Through Texas Health and Human Services Com			279,202
<u>Passed Through State Department of Education</u>			
Head Start	93.600	205457903	164,469
Total Passed Through State Department of Education			164,469
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			443,671
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	442,287
*National School Lunch Program - Cash Assistance	10.555	71301901	1,426,349
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	212,910
Total CFDA Number 10.555			1,639,259
Total Child Nutrition Cluster			2,081,546
Total Passed Through the State Department of Agriculture			2,081,546
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,081,546
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,507,372

*Clustered Programs.

** The above amounts do not include JROTC expenditures of \$47,629, which are included 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, 2019

- 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 2019

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.	\$730,494
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$15,257,488
SF13	Pension Expense (6147) at fiscal year-end.	