

MEXIA INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2017*

Mexia Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2017

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## *Introductory Section*

CERTIFICATE OF BOARD

Mexia Independent School District  
Name of School District

Limestone  
County

147-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 18 day of December, 2017

  
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)

## *Financial Section*

# **ANDERSON, MARX & BOHL, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE**

## **Independent Auditors' Report**

To the Board of Trustees  
Mexia Independent School District  
616 North Red River  
Mexia, Texas 76667

### **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 Mexia Independent School District ("the District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the 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.

### **Auditors' 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 District'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 District'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 Mexia Independent School District as of August 31, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2017, Mexia Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 78, *Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2017, Mexia Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68 and No. 73*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 Mexia Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F -- Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of Mexia 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 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 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 Mexia Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
December 18, 2017

# MEXIA INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Mexia Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

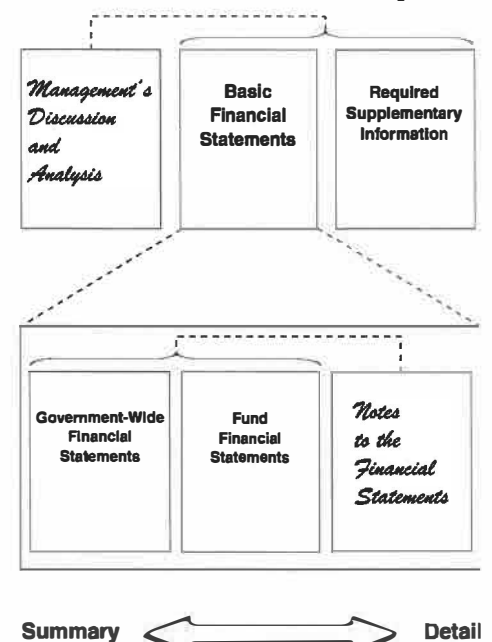
- The District's total combined net position is \$9.9 million at August 31, 2017.
- During the year, the District's expenses were \$122 thousand more than the \$20.9 million generated in taxes and other revenues for governmental funds.
- The total cost of the District's programs was \$0.878 million less than last year. The District expended \$76 thousand less in instruction costs, and decreased spending in food service of \$244 thousand and \$1.5 million in capital outlay. Costs also increased in the amounts of \$0.2 million in debt service and \$61 thousand in transportation.
- The general fund reported a fund balance this year of \$6.0 million while last year it was \$5.3 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. 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.
  - *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.

**Figure A-1. Required Components of the District's Annual Financial Report**



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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

| Type of Statements                     | Fund Statements  |  |   |  |
|--|--|--|---|--|
|  | Government-wide  | Governmental Funds   | Proprietary Funds   | Fiduciary Funds  |
| Scope                                  | Entire Agency's government (except fiduciary funds) and the Agency's component units | The activities of the district that are not proprietary or fiduciary   | Activities the district operates similar to private businesses: self insurance                | Instances in which the district is the trustee or agent for someone else's resources   |
| Required financial statements          | • Statement of net assets  | • Balance sheet  | • Statement of net assets   | • Statement of fiduciary net assets  |
|  | • Statement of activities  | • Statement of revenues, expenditures & changes in fund balances   | • Statement of revenues, expenses and changes in fund net assets<br>• Statement of cash flows | • Statement of changes in fiduciary net assets   |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus                                      | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus   | Accrual accounting and economic resources focus  |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, short-term and long-term     | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included  | All assets and liabilities, both financial and capital, and short-term and long-term          | All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid   | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid            | All revenues and expenses during year, regardless of when cash is received or paid   |

## Government-wide 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 assets 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 assets* and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets 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 non- financial factors such as changes in the District's tax base

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 the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets.** The District’s *combined* net position was approximately \$9.9 million at August 31, 2017.

(See Table A-1).

|                                      | <u>2016</u>   | <u>2017</u>  |
|--------------------------------------|---------------|--------------|
| Current and Other Assets             | \$10.2        | \$16.6       |
| Capital and Non-Current Assets       | <u>12.0</u>   | <u>14.2</u>  |
| <b>Total Assets</b>                  | 22.2          | 30.8         |
| <b>Deferred Outflow of Resources</b> | 2.0           | 1.8          |
| Current Liabilities                  | 0.9           | 1.2          |
| Long-term Liabilities                | <u>12.6</u>   | <u>21.2</u>  |
| <b>Total Liabilities</b>             | 13.5          | 22.4         |
| <b>Deferred Inflow of Resources</b>  | 0.7           | 0.3          |
| <b>Net Assets</b>                    |               |              |
| Net investment in capital assets     | 6.3           | 5.6          |
| Restricted                           | 0.3           | 0.5          |
| Unrestricted                         | <u>3.4</u>    | <u>3.8</u>   |
| <b>Total Net Assets</b>              | <u>\$10.0</u> | <u>\$9.9</u> |

The \$3.8 million of unrestricted net assets represents resources available to fund the programs of the District next year.

**Changes in net assets.** The District's total revenues were \$20.9 million. A significant portion, 51 percent, of the District's revenue comes from state aid – formula grants. 24 percent comes from property taxes and local revenue, while 20 percent comes from operating grants.

The total cost of all programs and services was \$21.0 million; 79% of these costs are for governmental activities associated with instructional and student services.

### Governmental Activities

- Property tax rates increased by .019%; however, property values decreased, resulting in decreased tax revenues of \$40 thousand.
- State revenue on Exhibit C-2 decreased by \$22,950, while federal program revenue decreased \$198,675.

Table A-2

#### CHANGES IN THE DISTRICT'S NET ASSETS

(in millions of dollars)

|   | <u>2016</u>   | <u>2017</u>  |
|---|---------------|--------------|
| <b>Revenues</b>                                       |               |              |
| <u>Program Revenues</u>                               |               |              |
| Charges for Services                                  | \$0.3         | \$0.3        |
| Grants and Contributions                              | 4.1           | 4.2          |
| <u>General Revenue</u>                                |               |              |
| Property Taxes  | 5.0           | 5.0          |
| State aid - formula                                   | 12.0          | 10.6         |
| Investment Earnings                                   | 0.0           | 0.2          |
| Other   | <u>0.0</u>    | <u>0.6</u>   |
| <b>Total Revenues</b>                                 | 21.4          | 20.9         |
| <b>Expenses</b>                                       |               |              |
| Instruction and instructional related                 | 11.4          | 10.9         |
| Instructional leadership/school administration        | 1.7           | 1.6          |
| Guidance, social work, health, transportation         | 1.4           | 1.4          |
| Food service  | 1.5           | 1.3          |
| Extracurricular activities                            | 0.6           | 0.7          |
| General Administration                                | 1.2           | 1.0          |
| Plant maintenance and security                        | 2.8           | 3.3          |
| Data processing services                              | 0.3           | 0.3          |
| Community services                                    | 0.0           | 0.0          |
| Debt service  | 0.3           | 0.4          |
| Pmnts. to fiscal agent/member district-shared service | <u>0.1</u>    | <u>0.1</u>   |
| <b>Total Expenditures</b>                             | <u>21.3</u>   | <u>21.0</u>  |
| <b>Increase in Net Assets</b>                         | .1            | (.1)         |
| <b>Beginning Net Assets</b>                           | <u>9.9</u> *  | <u>10.0</u>  |
| <b>Ending Net Assets</b>                              | <u>\$10.0</u> | <u>\$9.9</u> |

- \*PRIOR PERIOD ADJUSTMENT \$188 THOUSAND

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

State revenues decreased, and federal program revenues decreased in 2017; in 2018 both state and federal revenues should remain stable.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. Due to a declining enrollment, state revenue decreased but was above budget. Actual total revenues were \$570 thousand above final budget amounts. Actual expenditures were \$241 thousand below budget amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2017, the District had a net investment of \$14.2 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount is approximately \$2.2 million more than (including additions and deductions) 2016.

Table A-3

#### THE DISTRICT'S CAPITAL ASSETS

(in millions of dollars)

|                                   | <u>2016</u>   | <u>2017</u>   |
|-----------------------------------|---------------|---------------|
| Land and Construction in Progress | \$4.6         | \$0.2         |
| Buildings and Improvements        | 6.6           | 13.2          |
| Furniture and Equipment           | <u>0.8</u>    | <u>0.8</u>    |
| Net capital assets                | <u>\$12.0</u> | <u>\$14.2</u> |

## Long – Term Debt

At year-end the District had \$20.6 million in net pension liability, notes and bonds outstanding as shown in Table-4.

|                               | Table A-4<br>THE DISTRICT'S LONG - TERM DEBT<br>(in millions of dollars) |                      |
|-------------------------------|--|----------------------|
|                               | <u>2016</u>  | <u>2017</u>          |
| CAB Accretion                 | \$1.3  | \$ 0.9               |
| Pension Liability             | 4.2  | 4.3                  |
| Notes Payable                 | 0.0  | 0.6                  |
| Bonds Payable                 | <u>7.5</u>   | <u>15.4</u>          |
| <b>Total long - term debt</b> | <b><u>\$13.0</u></b>   | <b><u>\$21.2</u></b> |

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

- Appraised values used for the 2018 budget preparation will increase by \$34,104,660 or 8.3% from 2017.
- General operating fund spending per student increases in the 2018 budget by \$98 or 1%.
- The district's 2018 refined average daily attendance is expected to decrease by 6%.

The District's budgetary General Fund fund balance is expected to remain stable by the close of 2018.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at phone number 254-562-4000.

## *Basic Financial Statements*



**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

| Data<br>Control<br>Codes |  | 1  | Governmental<br>Activities |
|--------------------------|--|----|----------------------------|
|                          | <b>ASSETS:</b>                         |    |                            |
| 1110                     | Cash and Cash Equivalents              | \$ | 14,258,284                 |
| 1120                     | Current Investments                    |    | 337,682                    |
| 1225                     | Property Taxes Receivable (Net)        |    | 618,325                    |
| 1240                     | Due from Other Governments             |    | 1,183,137                  |
| 1267                     | Due from Fiduciary                     |    | 214,810                    |
|                          | Capital Assets:                        |    |                            |
| 1510                     | Land                                   |    | 199,086                    |
| 1520                     | Buildings and Improvements, Net        |    | 13,183,727                 |
| 1530                     | Furniture and Equipment, Net           |    | 801,848                    |
| 1000                     | Total Assets                           |    | <u>30,796,899</u>          |
|                          | <b>DEFERRED OUTFLOWS OF RESOURCES:</b> |    |                            |
| 1705                     | Deferred Outflow Related to Pensions   |    | 1,772,662                  |
| 1700                     | Total Deferred Outflows of Resources   |    | <u>1,772,662</u>           |
|                          | <b>LIABILITIES:</b>                    |    |                            |
| 2110                     | Accounts Payable                       |    | 527,153                    |
| 2140                     | Interest Payable                       |    | 21,773                     |
| 2165                     | Accrued Liabilities                    |    | 676,075                    |
| 2300                     | Unearned Revenue                       |    | 19,790                     |
|                          | Noncurrent Liabilities:                |    |                            |
| 2501                     | Due Within One Year                    |    | 146,684                    |
| 2502                     | Due in More Than One Year              |    | 16,754,082                 |
| 2540                     | Net Pension Liability                  |    | 4,265,218                  |
| 2000                     | Total Liabilities                      |    | <u>22,410,775</u>          |
|                          | <b>DEFERRED INFLOWS OF RESOURCES:</b>  |    |                            |
| 2605                     | Deferred Inflow Related to Pensions    |    | 291,897                    |
| 2600                     | Total Deferred Inflows of Resources    |    | <u>291,897</u>             |
|                          | <b>NET POSITION:</b>                   |    |                            |
| 3200                     | Net Investment in Capital Assets       |    | 5,547,605                  |
|                          | Restricted For:                        |    |                            |
| 3820                     | State and Federal Programs             |    | 43,808                     |
| 3850                     | Debt Service                           |    | 468,848                    |
| 3900                     | Unrestricted                           |    | 3,806,628                  |
| 3000                     | Total Net Position                     | \$ | <u>9,866,889</u>           |

The accompanying notes are an integral part of this statement.

**MEXIA INDEPENDENT SCHOOL DISTRICT****STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2017

| Data<br>Control<br>Codes | Functions/Programs   | 1             | 3                       | 4  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--------------------------|--|---------------|-------------------------|--|--|
|                          |  | Expenses      | Charges for<br>Services | Program Revenues<br>Operating<br>Grants and<br>Contributions | Governmental<br>Activities                                 |
|                          | Governmental Activities:                                     |               |                         |  |  |
| 11                       | Instruction  | \$ 10,753,021 | \$ 46,678               | \$ 2,538,543   | \$ (8,167,800)   |
| 12                       | Instructional Resources and Media Services                   | 129,519       | --                      | 6,395  | (123,124)  |
| 13                       | Curriculum and Staff Development                             | 41,892        | --                      | 3,908  | (37,984)   |
| 21                       | Instructional Leadership                                     | 302,158       | --                      | 13,687   | (288,471)  |
| 23                       | School Leadership  | 1,249,947     | --                      | 59,838   | (1,190,109)  |
| 31                       | Guidance, Counseling, & Evaluation Services                  | 719,053       | --                      | 37,604   | (681,449)  |
| 33                       | Health Services  | 174,204       | --                      | 7,193  | (167,011)  |
| 34                       | Student Transportation                                       | 513,234       | --                      | 45,364   | (467,870)  |
| 35                       | Food Service   | 1,278,233     | 169,879                 | 1,083,363  | (24,991)   |
| 36                       | Cocurricular/Extracurricular Activities                      | 718,102       | 41,949                  | 18,932   | (657,221)  |
| 41                       | General Administration                                       | 1,021,547     | --                      | 32,271   | (989,276)  |
| 51                       | Facilities Maintenance and Operations                        | 3,071,960     | 1,217                   | 102,182  | (2,968,561)  |
| 52                       | Security and Monitoring Services                             | 236,718       | --                      | 13,093   | (223,625)  |
| 53                       | Data Processing Services                                     | 304,006       | --                      | 14,069   | (289,937)  |
| 61                       | Community Services   | 3,904         | --                      | --   | (3,904)  |
| 72                       | Interest on Long-term Debt                                   | 454,073       | --                      | 220,839  | (233,234)  |
| 73                       | Bond Issuance Costs and Fees                                 | (6,015)       | --                      | --   | 6,015  |
| 93                       | Payments Related to Shared Services Arrangements             | 42,430        | --                      | --   | (42,430)   |
| TG                       | Total Governmental Activities                                | 21,007,986    | 259,723                 | 4,197,281  | (16,550,982)   |
| TP                       | Total Primary Government                                     | \$ 21,007,986 | \$ 259,723              | \$ 4,197,281   | (16,550,982)   |
|                          | General Revenues:  |               |                         |  |  |
| MT                       | Property Taxes, Levied for General Purposes                  |               |                         |  | 4,312,273  |
| DT                       | Property Taxes, Levied for Debt Service                      |               |                         |  | 674,822  |
| IE                       | Investment Earnings  |               |                         |  | 240,933  |
| GC                       | Grants and Contributions Not Restricted to Specific Programs |               |                         |  | 10,586,396   |
| MI                       | Miscellaneous  |               |                         |  | 614,947  |
| TR                       | Total General Revenues                                       |               |                         |  | 16,429,371   |
| CN                       | Change in Net Position                                       |               |                         |  | (121,611)  |
| NB                       | Net Position - Beginning                                     |               |                         |  | 9,988,500  |
| NE                       | Net Position - Ending  |               |                         |  | \$ 9,866,889   |

The accompanying notes are an integral part of this statement.

**MEXIA INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2017

| Data<br>Control<br>Codes  | 10<br>General<br>Fund | 60<br>Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|---|-----------------------|-----------------------------------|--------------------------------|--------------------------------------|
| <b>ASSETS:</b>  |                       |                                   |                                |                                      |
| 1110 <i>Cash and Cash Equivalents</i>   | \$ 5,130,033          | \$ 8,655,142                      | \$ 473,109                     | \$ 14,258,284                        |
| 1120 <i>Current Investments</i>   | 337,682               | --                                | --                             | 337,682                              |
| 1225 <i>Taxes Receivable, Net</i>   | 567,590               | --                                | 50,735                         | 618,325                              |
| 1240 <i>Due from Other Governments</i>  | 831,741               | --                                | 351,396                        | 1,183,137                            |
| 1260 <i>Due from Other Funds</i>  | 442,028               | --                                | --                             | 442,028                              |
| 1000 <b>Total Assets</b>  | <u>\$ 7,309,074</u>   | <u>\$ 8,655,142</u>               | <u>\$ 875,240</u>              | <u>\$ 16,839,456</u>                 |
| <b>LIABILITIES:</b>   |                       |                                   |                                |                                      |
| Current Liabilities:  |                       |                                   |                                |                                      |
| 2110 <i>Accounts Payable</i>  | \$ 143,925            | \$ 369,659                        | \$ 13,569                      | \$ 527,153                           |
| 2160 <i>Accrued Wages Payable</i>   | 574,068               | --                                | 102,007                        | 676,075                              |
| 2170 <i>Due to Other Funds</i>  | --                    | --                                | 227,218                        | 227,218                              |
| 2300 <i>Unearned Revenue</i>  | --                    | --                                | 19,790                         | 19,790                               |
| 2000 <b>Total Liabilities</b>   | <u>717,993</u>        | <u>369,659</u>                    | <u>362,584</u>                 | <u>1,450,236</u>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |                       |                                   |                                |                                      |
| <i>Deferred Revenue-Property Taxes</i>  | 567,590               | --                                | 50,735                         | 618,325                              |
| 2600 <b>Total Deferred Inflows of Resources</b>                                   | <u>567,590</u>        | <u>--</u>                         | <u>50,735</u>                  | <u>618,325</u>                       |
| <b>FUND BALANCES:</b>   |                       |                                   |                                |                                      |
| Restricted Fund Balances:   |                       |                                   |                                |                                      |
| 3450 <i>Federal/State Funds Grant Restrictions</i>                                | --                    | --                                | 43,808                         | 43,808                               |
| 3480 <i>Retirement of Long-Term Debt</i>  | --                    | --                                | 418,113                        | 418,113                              |
| 3490 <i>Other Restrictions of Fund Balance</i>                                    | --                    | 8,285,483                         | --                             | 8,285,483                            |
| Committed Fund Balances:  |                       |                                   |                                |                                      |
| 3510 <i>Construction</i>  | 1,000,000             | --                                | --                             | 1,000,000                            |
| 3600 <i>Unassigned</i>  | 5,023,491             | --                                | --                             | 5,023,491                            |
| 3000 <b>Total Fund Balances</b>   | <u>6,023,491</u>      | <u>8,285,483</u>                  | <u>461,921</u>                 | <u>14,770,895</u>                    |
| 4000 <b>Total Liabilities, Deferred Inflow<br/>of Resources and Fund Balances</b> | <u>\$ 7,309,074</u>   | <u>\$ 8,655,142</u>               | <u>\$ 875,240</u>              | <u>\$ 16,839,456</u>                 |

The accompanying notes are an integral part of this statement.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

|  |                     |
|--|---------------------|
| Total fund balances - governmental funds balance sheet   | \$ 14,770,895       |
| Amounts reported for governmental activities in the Statement of Net Position are different because:           |                     |
| Capital assets used in governmental activities are not reported in the funds.                                  | 14,184,661          |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.        | 618,325             |
| Payables for bond principal which are not due in the current period are not reported in the funds.             | (14,930,000)        |
| Payables for bond interest which are not due in the current period are not reported in the funds.              | (877,380)           |
| Payables for notes which are not due in the current period are not reported in the funds.                      | (599,159)           |
| Other long-term liabilities which are not due and payable in the current period are not reported in the funds. | (516,000)           |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds.   | (4,265,218)         |
| Deferred Resource Inflows related to the pension plan are not reported in the funds.                           | (291,897)           |
| Deferred Resource Outflows related to the pension plan are not reported in the funds.                          | 1,772,662           |
| Net position of governmental activities - Statement of Net Position  | \$ <u>9,866,889</u> |

The accompanying notes are an integral part of this statement.

**MEXIA INDEPENDENT SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017**

| Data<br>Control<br>Codes                                    | 10<br>General<br>Fund | 60<br>Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|---|-----------------------|-----------------------------------|--------------------------------|--------------------------------------|
| <b>REVENUES:</b>  |                       |                                   |                                |                                      |
| 5700 <i>Local and Intermediate Sources</i>                  | \$ 4,627,905          | \$ 53,216                         | \$ 995,416                     | \$ 5,676,537                         |
| 5800 <i>State Program Revenues</i>                          | 11,134,283            | --                                | 698,982                        | 11,833,265                           |
| 5900 <i>Federal Program Revenues</i>                        | 411,789               | --                                | 2,788,183                      | 3,199,972                            |
| 5020 <i>Total Revenues</i>                                  | <u>16,173,977</u>     | <u>53,216</u>                     | <u>4,482,581</u>               | <u>20,709,774</u>                    |
| <b>EXPENDITURES:</b>  |                       |                                   |                                |                                      |
| Current:  |                       |                                   |                                |                                      |
| 0011 <i>Instruction</i>                                     | 8,203,815             | --                                | 1,917,696                      | 10,121,511                           |
| 0012 <i>Instructional Resources and Media Services</i>      | 121,966               | --                                | --                             | 121,966                              |
| 0013 <i>Curriculum and Staff Development</i>                | 11,363                | --                                | 28,909                         | 40,272                               |
| 0021 <i>Instructional Leadership</i>                        | 282,247               | --                                | --                             | 282,247                              |
| 0023 <i>School Leadership</i>                               | 1,168,951             | --                                | --                             | 1,168,951                            |
| 0031 <i>Guidance, Counseling, &amp; Evaluation Services</i> | 499,596               | --                                | 169,815                        | 669,411                              |
| 0033 <i>Health Services</i>                                 | 163,489               | --                                | --                             | 163,489                              |
| 0034 <i>Student Transportation</i>                          | 551,015               | --                                | 26,563                         | 577,578                              |
| 0035 <i>Food Service</i>                                    | --                    | --                                | 1,208,291                      | 1,208,291                            |
| 0036 <i>Cocurricular/Extracurricular Activities</i>         | 678,208               | --                                | --                             | 678,208                              |
| 0041 <i>General Administration</i>                          | 961,730               | --                                | 1,236                          | 962,966                              |
| 0051 <i>Facilities Maintenance and Operations</i>           | 2,892,303             | --                                | 34,991                         | 2,927,294                            |
| 0052 <i>Security and Monitoring Services</i>                | 222,569               | --                                | --                             | 222,569                              |
| 0053 <i>Data Processing Services</i>                        | 286,505               | --                                | --                             | 286,505                              |
| 0061 <i>Community Services</i>                              | --                    | --                                | 3,753                          | 3,753                                |
| 0071 <i>Principal on Long-term Debt</i>                     | --                    | --                                | 15,000                         | 15,000                               |
| 0072 <i>Interest on Long-term Debt</i>                      | --                    | --                                | 890,392                        | 890,392                              |
| 0073 <i>Bond Issuance Costs and Fees</i>                    | --                    | --                                | (6,015)                        | (6,015)                              |
| 0081 <i>Capital Outlay</i>                                  | --                    | 2,852,940                         | --                             | 2,852,940                            |
| 0093 <i>Payments to Shared Service Arrangements</i>         | 42,430                | --                                | --                             | 42,430                               |
| 6030 <i>Total Expenditures</i>                              | <u>16,086,187</u>     | <u>2,852,940</u>                  | <u>4,290,631</u>               | <u>23,229,758</u>                    |
| 1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>    |                       |                                   |                                |                                      |
| 1100 <i>Expenditures</i>                                    | <u>87,790</u>         | <u>(2,799,724)</u>                | <u>191,950</u>                 | <u>(2,519,984)</u>                   |
| Other Financing Sources and (Uses):                         |                       |                                   |                                |                                      |
| 7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>     | --                    | 7,855,000                         | --                             | 7,855,000                            |
| 7914 <i>Issuance of Non-Current Debt</i>                    | 599,159               | --                                | --                             | 599,159                              |
| 7916 <i>Premium or Discount on Issuance of Bonds</i>        | --                    | 145,000                           | --                             | 145,000                              |
| 7080 <i>Total Other Financing Sources and (Uses)</i>        | <u>599,159</u>        | <u>8,000,000</u>                  | <u>--</u>                      | <u>8,599,159</u>                     |
| 1200 <i>Net Change in Fund Balances</i>                     | <u>686,949</u>        | <u>5,200,276</u>                  | <u>191,950</u>                 | <u>6,079,175</u>                     |
| 0100 <i>Fund Balances - Beginning</i>                       | 5,336,542             | 3,085,207                         | 269,971                        | 8,691,720                            |
| 3000 <i>Fund Balances - Ending</i>                          | <u>\$ 6,023,491</u>   | <u>\$ 8,285,483</u>               | <u>\$ 461,921</u>              | <u>\$ 14,770,895</u>                 |

The accompanying notes are an integral part of this statement.

**MEXIA INDEPENDENT SCHOOL DISTRICT****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017**

|  |                     |
|--|---------------------|
| Net change in fund balances - total governmental funds   | \$ 6,079,175        |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:       |                     |
| Capital outlays are not reported as expenses in the SOA.   | 2,984,135           |
| The depreciation of capital assets used in governmental activities is not reported in the funds.                 | (776,640)           |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.          | 29,708              |
| Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.         | (8,454,159)         |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.                     | 15,000              |
| The accretion of interest on capital appreciation bonds is not reported in the funds.                            | 417,149             |
| (Increase) decrease in accrued interest from beginning of period to end of period                                | (10,330)            |
| Bond premiums are reported in the funds but not in the SOA.  | (115,500)           |
| Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. | (290,149)           |
| Change in net position of governmental activities - Statement of Activities                                      | \$ <u>(121,611)</u> |

The accompanying notes are an integral part of this statement.

**MEXIA INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2017**

| Data<br>Control<br>Codes |   | Private-purpose<br>Trust<br>Funds | Agency<br>Funds |
|--------------------------|---|-----------------------------------|-----------------|
| <b>ASSETS:</b>           |   |                                   |                 |
| 1110                     | <i>Cash and Cash Equivalents</i>            | \$ 4,114                          | \$ 325,077      |
| 1290                     | <i>Other Receivables</i>                    | --                                | 5,959           |
| 1000                     | Total Assets                                | <u>4,114</u>                      | <u>331,036</u>  |
| <b>LIABILITIES:</b>      |   |                                   |                 |
| Current Liabilities:     |   |                                   |                 |
| 2110                     | <i>Accounts Payable</i>                     | --                                | 1,461           |
| 2150                     | <i>Payroll Deduction &amp; Withholdings</i> | --                                | 530             |
| 2170                     | <i>Due to Other Funds</i>                   | --                                | 214,810         |
| 2190                     | <i>Due to Student Groups</i>                | --                                | 114,235         |
| 2000                     | Total Liabilities                           | <u>--</u>                         | <u>331,036</u>  |
| <b>NET POSITION:</b>     |   |                                   |                 |
| 3800                     | <i>Held in Trust</i>                        | 4,114                             | --              |
| 3000                     | Total Net Position                          | <u>\$ 4,114</u>                   | <u>\$ --</u>    |

The accompanying notes are an integral part of this statement.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

|                                    | Private-<br>Purpose<br>Trust Fund |
|------------------------------------|-----------------------------------|
| <b>Additions:</b>                  |                                   |
| Contributions                      | \$ 25                             |
| Total Additions                    | 25                                |
| <b>Deductions:</b>                 |                                   |
| Scholarship Awards                 |                                   |
| Total Deductions                   |                                   |
| <b>Change in Net Position</b>      | 25                                |
| Net Position-Beginning of the Year | 4,089                             |
| Net Position-End of the Year       | \$ 4,114                          |

The accompanying notes are an integral part of this statement.



**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

The District reports the following major governmental funds:

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

**Capital Projects Fund:** This fund accounts for the expenditures to be made out of bonded debt proceeds.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

In addition, the District reports the following fund types:

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

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. For the current fiscal year, an allowance of \$68,702 is included in the financial statements.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

| <u>Asset Class</u>    | <u>Estimated<br/>Useful Lives</u> |
|-----------------------|-----------------------------------|
| Buildings             | 30-39                             |
| Building Improvements | 5-25                              |
| Vehicles              | 2-10                              |
| Office Equipment      | 5-10                              |
| Computer Equipment    | 5-10                              |

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

f. Interfund Activity

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

g. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
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j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2017, the District adopted two new statements of financial accounting standards Governmental Accounting Standards Board (GASB):

- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- Statement No. 82, *Pension Issues-An Amendment of GASB No. 67, No. 68 and No. 73*

- a. Statement No. 78 requires state and local governments through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local government pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local employers, and has no predominant state or local government employer to measure pension expense, expenditures and liabilities and note disclosures.
- b. Statement No. 82 addresses issues regarding presentation of payroll-related measures, the selection of assumptions and treatment of deviations and classification of payments by employers to satisfy payments by employers to satisfy contribution requirements.

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**B. Compliance and Accountability**

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

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

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None reported    | Not applicable      |

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

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------|-----------------------|----------------|
| None reported    | Not applicable        | Not applicable |

**C. Deposits and Investments**

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

**1. Cash Deposits:**

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,668,447 and the bank balance was \$4,095,806. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**2. Investments:**

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

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

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

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The District's investments at August 31, 2017 are shown below.

| Investment or Investment Type | Maturity | Fair Value           |
|-------------------------------|----------|----------------------|
| TexPool                       | N/A      | \$ 9,788,120         |
| First Public                  | N/A      | 1,130,908            |
| Municipal Investments         | N/A      | 337,682              |
| Total Investments             |          | <u>\$ 11,256,710</u> |

**3. Analysis of Specific Deposit and Investment Risks**

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

**a. Credit Risk**

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

At August 31, 2017, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, have no credit risk.

**b. Custodial Credit Risk**

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

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

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

**c. Concentration of Credit Risk**

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

**d. Interest Rate Risk**

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

**e. Foreign Currency Risk**

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

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**Investment Accounting Policy**

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

**Public Funds Investment Pools**

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

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

**Lone Star-First Public.**

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.



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**TexPool**

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttsc.org](http://www.ttsc.org).

**D. Capital Assets**

Capital asset activity for the year ended August 31, 2017, was as follows:

|  | Beginning<br>Balances | Increases    | Decreases   | Ending<br>Balances |
|--|-----------------------|--------------|-------------|--------------------|
| <b>Governmental activities:</b>              |                       |              |             |                    |
| <i>Capital assets not being depreciated:</i> |                       |              |             |                    |
| Land   | \$ 199,086            | \$ --        | \$ --       | \$ 199,086         |
| Construction in progress                     | 4,430,522             | --           | 4,430,522   | --                 |
| Total capital assets not being depreciated   | 4,629,608             | --           | 4,430,522   | 199,086            |
| <i>Capital assets being depreciated:</i>     |                       |              |             |                    |
| Buildings and improvements                   | 22,568,912            | 2,852,940    | (4,430,522) | 29,852,374         |
| Equipment                                    | 1,118,973             | --           | --          | 1,118,973          |
| Vehicles                                     | 2,405,722             | 131,195      | --          | 2,536,917          |
| Total capital assets being depreciated       | 26,093,607            | 2,984,135    | (4,430,522) | 33,508,264         |
| Less accumulated depreciation for:           |                       |              |             |                    |
| Buildings and improvements                   | (16,063,551)          | (605,096)    | --          | (16,668,647)       |
| Equipment                                    | (1,107,616)           | (27,617)     | --          | (1,135,233)        |
| Vehicles                                     | (1,574,882)           | (143,927)    | --          | (1,718,809)        |
| Total accumulated depreciation               | (18,746,049)          | (776,640)    | --          | (19,522,689)       |
| Total capital assets being depreciated, net  | 7,347,558             | 2,207,495    | (4,430,522) | 13,985,575         |
| Governmental activities capital assets, net  | \$ 11,977,166         | \$ 2,207,495 | \$ --       | \$ 14,184,661      |

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Depreciation was charged to functions as follows:

|   |    |                |
|---|----|----------------|
| Instruction                                 | \$ | 405,677        |
| Instructional Resources and Media Services  |    | 4,907          |
| Curriculum and Staff Development            |    | 1,620          |
| Instructional Leadership                    |    | 11,355         |
| School Leadership                           |    | 47,030         |
| Guidance, Counseling, & Evaluation Services |    | 26,932         |
| Health Services                             |    | 6,578          |
| Student Transportation                      |    | 19,496         |
| Food Services                               |    | 48,613         |
| Extracurricular Activities                  |    | 27,286         |
| General Administration                      |    | 38,742         |
| Plant Maintenance and Operations            |    | 117,772        |
| Security and Monitoring Services            |    | 8,954          |
| Data Processing Services                    |    | 11,527         |
| Community Services                          |    | 151            |
|   | \$ | <u>776,640</u> |

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2017, consisted of the following:

| Due To Fund  | Due From Fund            | Amount            | Purpose          |
|--------------|--------------------------|-------------------|------------------|
| General Fund | Other Governmental Funds | \$ 227,218        | Short-term loans |
| General Fund | Agency Funds             | 214,810           | Short-term loans |
|              | Total                    | <u>\$ 442,028</u> |                  |

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

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

There were no transfers to and from other funds as of August 31, 2017.

**F. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017, are as follows:

|                                 | Beginning<br>Balance | Increases           | Decreases           | Ending<br>Balance    | Amounts<br>Due Within<br>One Year |
|---------------------------------|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| <b>Governmental activities:</b> |                      |                     |                     |                      |                                   |
| General obligation bonds        | \$ 7,055,000         | \$ 7,855,000        | \$ --               | \$ 14,910,000        | \$ --                             |
| Capital Appreciation Bonds      | 35,000               | --                  | (15,000)            | 20,000               | 10,000                            |
| CAB Interest Accretion          | 1,272,756            | 57,851              | (475,000)           | 855,607              | --                                |
| Note                            | --                   | 599,159             | --                  | 599,159              | 136,684                           |
| Premium-Debt Issuance           | 400,500              | 145,000             | (29,500)            | 516,000              | --                                |
| Net Pension Liability *         | 4,251,773            | 372,064             | (358,619)           | 4,265,218            | --                                |
| Total governmental activities   | <u>\$ 13,015,029</u> | <u>\$ 9,029,074</u> | <u>\$ (878,119)</u> | <u>\$ 21,165,984</u> | <u>\$ 146,684</u>                 |

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
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\* Other long-term liabilities

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

| Liability               | Activity Type | Fund         |
|-------------------------|---------------|--------------|
| Net Pension Liability * | Governmental  | General Fund |

General Obligation Bonds

General obligation school building bonds payable at August 31, 2017, with their outstanding balance are comprised of the following individual issues.

The District issued \$5,005,000 of Schoolhouse and Refunding Bonds, Series 1994 during the year ended August 31, 1994 for the purposes of construction. Interest rates vary from 4.70% to 6.75% with installments varying from \$296,128 to \$102,078. The total balance on this issue at August 31, 2017 is \$20,000 with the \$20,000 reflected as Capital Appreciation Bonds and on this portion \$855,607 is accreted interest reflected in debt payable. The bonds mature in 2019.

The District issued Mexia ISD Unlimited Tax Refunding Bonds, Series 2015B in the amount of \$2,225,000 in August 2015 to retire the 2015 Tax Maintenance Note. The issue is due in yearly installments varying from \$50,000 to \$175,000 at the rate of 4%. The bonds mature in 2035 and the balance at August 31, 2017 is \$2,225,000.

The District issued \$4,830,000 of Unlimited Tax School Building Bonds, Series 2015A during the year ended August 31, 2015 for the purpose of school improvements. At an Interest rate of 4% the yearly installments vary from \$235,000 to \$395,000. The balance on this issue at August 31, 2017 is \$4,830,000.

The District issued \$7,855,000 of Unlimited Tax School Building Bonds, Series 2016 during the year ended August 31, 2017 for the purpose of school improvements. At an Interest rate of 2% to 4% the yearly installments vary from \$85,000 to \$1,115,000. The balance on this issue at August 31, 2017 is \$7,855,000.

Notes

The District issued a note for \$599,159 during the year ended August 31, 2017 for Energy Efficient Projects. The interest rate is 3.29% and due in monthly payments of \$13,563 maturing August of 2021. The balance at August 31, 2017 is \$599,159.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

| <u>Year Ending August 31.</u> | <u>Governmental Activities-Bonds</u> |                 |               |
|-------------------------------|--------------------------------------|-----------------|---------------|
|                               | <u>Principal</u>                     | <u>Interest</u> | <u>Total</u>  |
| 2018                          | \$ 95,000                            | \$ 973,162      | \$ 1,068,162  |
| 2019                          | 150,000                              | 921,463         | 1,071,463     |
| 2020                          | 660,000                              | 488,162         | 1,148,162     |
| 2021                          | 675,000                              | 468,363         | 1,143,363     |
| 2022                          | 700,000                              | 448,115         | 1,148,115     |
| 2023-2027                     | 3,835,000                            | 1,892,662       | 5,727,662     |
| 2028-2032                     | 4,565,000                            | 1,162,939       | 5,727,939     |
| 2033-2037                     | 4,250,000                            | 338,750         | 4,588,750     |
| Totals                        | \$ 14,930,000                        | \$ 6,693,616    | \$ 21,623,616 |

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| Year Ending August 31, | Governmental Activities-Notes |           |            |
|------------------------|-------------------------------|-----------|------------|
|                        | Principal                     | Interest  | Total      |
| 2018                   | \$ 136,684                    | \$ 26,070 | \$ 162,754 |
| 2019                   | 149,783                       | 12,971    | 162,754    |
| 2020                   | 154,786                       | 7,968     | 162,754    |
| 2021                   | 157,906                       | 4,848     | 162,754    |
| Totals                 | \$ 599,159                    | \$ 51,857 | \$ 651,016 |

**G. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**H. Pension Plan**

**1. Plan Description**

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

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

**2. Pension Plan Fiduciary Net Position**

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.trs.state.tx.us/about/documents/cafr.pdf#CAFR](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.

**3. Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 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 in (1.) above.

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**4. Contributions**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. 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 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

|   | <b><u>Contribution Rates</u></b> |             |
|---|----------------------------------|-------------|
|   | <b>2016</b>                      | <b>2017</b> |
| Member  | 6.7%                             | 7.2%        |
| Non-Employer Contributing Entity (NECE - State) | 6.8%                             | 6.8%        |
| Employers                                       | 6.8%                             | 6.8%        |
| District's 2017 Employer Contributions          | \$ 373,473                       |             |
| District's 2017 Member Contributions            | \$ 911,457                       |             |
| NECE On-Behalf Contributions to District        | \$ 612,939                       |             |

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

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

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

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

- When employing a retiree of the TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school 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.

**5. Actuarial Assumptions**

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

|  |                             |
|--|-----------------------------|
| Valuation Date                               | August 31, 2016             |
| Actuarial Cost Method                        | Individual Entry Age Normal |
| Asset Valuation Method                       | Market Value                |
| Single Discount Rate                         | 8%                          |
| Long-term expected Investment Rate of Return | 8%                          |
| Inflation                                    | 2.5%                        |
| Salary Increases including inflation         | 3.5% to 9.5%                |
| Payroll Growth Rate                          | 2.5%                        |
| Benefit Changes during the year              | None                        |
| Ad hoc post-employment benefit changes       | None                        |

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

**6. Discount Rate**

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

| <b>Teacher Retirement System of Texas</b><br><b>Asset Allocation and Long-Term Expected Real Rate of Return</b><br><b>As of August 31, 2016</b> |                              |   |   |
|---|------------------------------|---|---|
|   | <b>Target<br/>Allocation</b> | <b>Long-term<br/>Expected<br/>Geometric<br/>Real Rate of<br/>Return</b> | <b>Expected<br/>Contribution<br/>to Long-term<br/>Portfolio<br/>Returns *</b> |
| <b>Global Equity</b>  |                              |   |   |
| U.S.  | 18%                          | 4.6%  | 1.0%  |
| Non-U.S. Developed  | 13%                          | 5.1%  | 0.8%  |
| Emerging Markets  | 9%                           | 5.9%  | 0.7%  |
| Directional Hedge Funds   | 4%                           | 3.2%  | 0.1%  |
| Private Equity  | 13%                          | 7.0%  | 1.1%  |
| <b>Stable Value</b>   |                              |   |   |
| U.S. Treasuries   | 11%                          | 0.7%  | 0.1%  |
| Absolute Return   | 0%                           | 1.8%  | 0.0%  |
| Hedge Funds (Stable Value)  | 4%                           | 3.0%  | 0.1%  |
| Cash  | 1%                           | -0.2%   | 0.0%  |
| <b>Real Return</b>  |                              |   |   |
| Global Inflat. Linked Bonds   | 3%                           | 0.9%  | 0.0%  |
| Real Assets   | 16%                          | 5.1%  | 1.1%  |
| Energy & Natural Resources  | 3%                           | 6.6%  | 0.2%  |
| Commodities   | 0%                           | 1.2%  | 0.0%  |
| <b>Risk Parity</b>  |                              |   |   |
| Risk Parity   | 5%                           | 6.7%  | 0.3%  |
| Inflation Expectation   |                              |   | 2.2%  |
| Alpha   |                              |   | 1.0%  |
| <b>Total</b>  | <b>100%</b>                  |   | <b>8.7%</b>   |

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

**7. 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 (8%) in measuring the net pension liability.

|  | <b>1%<br/>Decrease in<br/>Discount Rate<br/>7%</b> | <b>Discount<br/>Rate<br/>8%</b> | <b>1%<br/>Increase in<br/>Discount Rate<br/>9%</b> |
|--|--|---------------------------------|--|
| District's proportionate<br>share of the net pension liability | \$ 6,601,121                                       | \$ 4,265,218                    | \$ 2,283,901                                       |

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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

At August 31, 2017, the District reported a liability of \$4,265,218 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

|   |                      |
|---|----------------------|
| District's proportionate share of the collective net pension liability                | \$ 4,265,218         |
| State's proportionate share of the net pension liability associated with the District | <u>7,275,489</u>     |
| Total   | <u>\$ 11,540,707</u> |

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0112871% which was an increase (decrease) of -0.0007410% from its proportion measured as of August 31, 2015.

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, 2017, the District recognized pension expense of \$755,022 and revenue of \$755,022 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience   | \$ 66,878                            | \$ 127,357                          |
| Changes in actuarial assumptions  | 129,996                              | 118,226                             |
| Difference between projected and actual investment earnings   | 361,169                              | --                                  |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | 841,146                              | 46,314                              |
| District contributions paid to TRS subsequent to the measurement date   | <u>373,473</u>                       | <u>--</u>                           |
| Total   | <u>\$ 1,772,662</u>                  | <u>\$ 291,897</u>                   |



**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>August 31 | Pension<br>Expense<br>Amount |
|-------------------------|------------------------------|
| 2018                    | \$ 197,004                   |
| 2019                    | \$ 197,004                   |
| 2020                    | \$ 427,375                   |
| 2021                    | \$ 179,300                   |
| 2022                    | \$ 107,945                   |
| Thereafter              | \$ (1,336)                   |

I. Retirement Health Care Plans

1. TRS-Care

a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b. Funding Policy.

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016 and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$118,371, \$112,347, and \$111,309, respectively, the active member contributions were \$76,941, \$73,026, and \$73,388, respectively, and the District's contributions were \$65,104, \$61,791, and \$62,098, respectively, which equaled the required contributions each year.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$36,897, \$43,995, and \$32,481, respectively.

J. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2017.

K. Self Funded Workman's Compensation Insurance

On September 1, 1991 the District joined a self-funded workers compensation plan known as East Texas Educational Insurance Association along with other Texas School Districts. The District has since joined the Texas Public Workers Compensation Program. The District pays an administrative fee based on total payroll costs multiplied by an experience modifier. Liabilities are reported when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. The liability is recorded on the books of the District.

| Statement of Change in Liability           | 2017             | 2016             |
|--|------------------|------------------|
| Unpaid (overpayment) claims at September 1 | \$ 77,225        | \$ 120,833       |
| Claims incurred or reduced during the year | 36,324           | 36,097           |
| Payments of claims during the year         | (89,832)         | (79,705)         |
| Unpaid claims at August 31                 | <u>\$ 23,717</u> | <u>\$ 77,225</u> |

L. Accumulated Unpaid Vacation and Personal Leave Benefits

At August 31, 2017, the District had no liability for accrued sick leave or vacation leave.

District employees accumulate personnel leave at the rate of 5 days per year with no accumulation limit.

The District has non vested personnel leave benefits at August 31, 2017 which are not recorded on the financial statements in the amount of \$408,342. These benefits are recorded as expenditures as used.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**M. Employee Health Care Coverage**

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the TRS Active Care are available for the year ended December 31, 2016, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**N. Budget Overages**

The District exceeded its budget in Cocurricular/Extracurricular Activities by \$10,269 or 1.5%.

### *Required Supplementary Information*

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

**MEXIA INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT G-1**
**GENERAL FUND**
**BUDGETARY COMPARISON SCHEDULE**
**FOR THE YEAR ENDED AUGUST 31, 2017**

| Data<br>Control<br>Codes                      |  | 1                | 2            | 3            | Variance with                          |
|---|--|------------------|--------------|--------------|--|
|   |  | Budgeted Amounts |              | Actual       | Final Budget<br>Positive<br>(Negative) |
|   |  | Original         | Final        |              |  |
| REVENUES:                                     |  |                  |              |              |  |
| 5700  | Local and Intermediate Sources               | \$ 4,185,000     | \$ 4,336,000 | \$ 4,627,905 | \$ 291,905                             |
| 5800  | State Program Revenues                       | 10,691,100       | 10,916,100   | 11,134,283   | 218,183                                |
| 5900  | Federal Program Revenues                     | 351,496          | 351,496      | 411,789      | 60,293                                 |
| 5020  | Total Revenues                               | 15,227,596       | 15,603,596   | 16,173,977   | 570,381                                |
| EXPENDITURES:                                 |  |                  |              |              |  |
| Current:                                      |  |                  |              |              |  |
| Instruction & Instructional Related Services: |  |                  |              |              |  |
| 0011  | Instruction                                  | 8,005,667        | 8,270,467    | 8,203,815    | 66,652                                 |
| 0012  | Instructional Resources and Media Services   | 126,069          | 136,069      | 121,966      | 14,103                                 |
| 0013  | Curriculum and Staff Development             | 13,900           | 23,900       | 11,363       | 12,537                                 |
|   | Total Instruction & Instr. Related Services  | 8,145,636        | 8,430,436    | 8,337,144    | 93,292                                 |
| Instructional and School Leadership:          |  |                  |              |              |  |
| 0021  | Instructional Leadership                     | 284,078          | 282,278      | 282,247      | 31                                     |
| 0023  | School Leadership                            | 1,064,739        | 1,169,739    | 1,168,951    | 788                                    |
|   | Total Instructional & School Leadership      | 1,348,817        | 1,452,017    | 1,451,198    | 819                                    |
| Support Services - Student (Pupil):           |  |                  |              |              |  |
| 0031  | Guidance, Counseling and Evaluation Services | 597,460          | 507,460      | 499,596      | 7,864                                  |
| 0033  | Health Services                              | 146,267          | 163,967      | 163,489      | 478                                    |
| 0034  | Student (Pupil) Transportation               | 581,142          | 581,142      | 551,015      | 30,127                                 |
| 0036  | Cocurricular/Extracurricular Activities      | 562,939          | 667,939      | 678,208      | (10,269)                               |
|   | Total Support Services - Student (Pupil)     | 1,887,808        | 1,920,508    | 1,892,308    | 28,200                                 |
| Administrative Support Services:              |  |                  |              |              |  |
| 0041  | General Administration                       | 906,737          | 969,237      | 961,730      | 7,507                                  |
|   | Total Administrative Support Services        | 906,737          | 969,237      | 961,730      | 7,507                                  |
| Support Services - Nonstudent Based:          |  |                  |              |              |  |
| 0051  | Plant Maintenance and Operations             | 2,370,397        | 2,997,056    | 2,892,303    | 104,753                                |
| 0052  | Security and Monitoring Services             | 212,631          | 222,731      | 222,569      | 162                                    |
| 0053  | Data Processing Services                     | 276,630          | 291,630      | 286,505      | 5,125                                  |
|   | Total Support Services - Nonstudent Based    | 2,859,658        | 3,511,417    | 3,401,377    | 110,040                                |
| Intergovernmental Charges:                    |  |                  |              |              |  |
| 0093  | Payments to Fiscal Agent/Member Dist.-SSA    | 78,940           | 43,940       | 42,430       | 1,510                                  |
|   | Total Intergovernmental Charges              | 78,940           | 43,940       | 42,430       | 1,510                                  |
| 6030  | Total Expenditures                           | 15,227,596       | 16,327,555   | 16,086,187   | 241,368                                |
| 1100  | Excess (Deficiency) of Revenues Over (Under) |                  |              |              |  |
| 1100  | Expenditures                                 | --               | (723,959)    | 87,790       | 811,749                                |
| Other Financing Sources (Uses):               |  |                  |              |              |  |
| 7914  | Issuance of Non-Current Debt                 | --               | 599,159      | 599,159      | --                                     |
| 8911  | Transfers Out                                | --               | (10,000)     | --           | 10,000                                 |
| 7080  | Total Other Financing Sources and (Uses)     | --               | 589,159      | 599,159      | 10,000                                 |
| 1200  | Net Change in Fund Balance                   | --               | (134,800)    | 686,949      | 821,749                                |
| 0100  | Fund Balance - Beginning                     | 5,336,542        | 5,336,542    | 5,336,542    | --                                     |
| 3000  | Fund Balance - Ending                        | \$ 5,336,542     | \$ 5,201,742 | \$ 6,023,491 | \$ 821,749                             |

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

|   | Fiscal Year   |               |               |       |       |       |       |       |       |       |
|---|---------------|---------------|---------------|-------|-------|-------|-------|-------|-------|-------|
|   | 2017          | 2016          | 2015          | 2014  | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  |
| District's proportion of the net pension liability (asset)  | 0.011%        | 0.012%        | 0.008%        | --    | --    | --    | --    | --    | --    | --    |
| District's proportionate share of the net pension liability (asset)   | \$ 4,265,218  | \$ 4,251,773  | \$ 2,028,249  | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| State's proportionate share of the net pension liability (asset) associated with the District                       | 7,275,489     | 6,868,460     | 6,812,451     | --    | --    | --    | --    | --    | --    | --    |
| Total   | \$ 11,540,707 | \$ 11,120,233 | \$ 8,840,700  | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered-employee payroll   | \$ 11,631,118 | \$ 11,234,744 | \$ 11,042,221 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 36.67%        | 37.84%        | 18.37%        | --    | --    | --    | --    | --    | --    | --    |
| Plan fiduciary net position as a percentage of the total pension liability  | 78.00%        | 78.43%        | 83.25%        | --    | --    | --    | --    | --    | --    | --    |

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

**MEXIA INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF DISTRICT CONTRIBUTIONS****TEACHERS RETIREMENT SYSTEM OF TEXAS****LAST TEN FISCAL YEARS \***

|  | Fiscal Year   |               |               |       |       |       |       |       |       |       |
|--|---------------|---------------|---------------|-------|-------|-------|-------|-------|-------|-------|
|  | 2017          | 2016          | 2015          | 2014  | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  |
| Contractually required contribution                                  | \$ 373,473    | \$ 342,376    | \$ 185,927    | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions in relation to the contractually required contribution | (373,473)     | (342,376)     | (185,927)     | --    | --    | --    | --    | --    | --    | --    |
| Contribution deficiency (excess)                                     | \$ --         | \$ --         | \$ --         | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered-employee payroll                                  | \$ 11,837,064 | \$ 11,631,118 | \$ 11,234,744 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions as a percentage of covered-employee payroll            | 3.16%         | 2.94%         | 1.65%         | --    | --    | --    | --    | --    | --    | --    |

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

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**Budget**

The official budget was prepared for adoption for the General Fund, National School Breakfast and Lunch Program, Capital Projects Fund and Debt Service Fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

**Defined Benefit Pension Plan**

*Changes of benefit terms*

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

*Changes of assumptions*

There were changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.



**MEXIA INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT H-1**
**CAPITAL PROJECTS**
**CAPITAL PROJECTS FUND**
**BUDGETARY COMPARISON SCHEDULE**
**FOR THE YEAR ENDED AUGUST 31, 2017**

| Data<br>Control<br>Codes |  | 1            | 2            | 3                                  |
|--------------------------|--|--------------|--------------|------------------------------------|
|                          |  | Budget       | Actual       | Variance<br>Positive<br>(Negative) |
|                          | <b>REVENUES:</b>                                   |              |              |                                    |
| 5700                     | <i>Local and Intermediate Sources</i>              | \$ --        | \$ 53,216    | \$ 53,216                          |
| 5020                     | Total Revenues                                     | --           | 53,216       | 53,216                             |
|                          | <b>EXPENDITURES:</b>                               |              |              |                                    |
|                          | Current:   |              |              |                                    |
|                          | Administrative Support Services:                   |              |              |                                    |
| 0041                     | <i>General Administration</i>                      | 24           | --           | 24                                 |
|                          | Total Administrative Support Services              | 24           | --           | 24                                 |
|                          | Capital Outlay:                                    |              |              |                                    |
| 0081                     | <i>Capital Outlay</i>                              | 10,799,976   | 2,852,940    | 7,947,036                          |
|                          | Total Capital Outlay                               | 10,799,976   | 2,852,940    | 7,947,036                          |
| 6030                     | Total Expenditures                                 | 10,800,000   | 2,852,940    | 7,947,060                          |
| 1100                     | Excess (Deficiency) of Revenues Over (Under)       |              |              |                                    |
| 1100                     | Expenditures                                       | (10,800,000) | (2,799,724)  | 8,000,276                          |
|                          | Other Financing Sources (Uses):                    |              |              |                                    |
| 7911                     | <i>Capital-Related Debt Issued (Regular Bonds)</i> | 10,655,000   | 7,855,000    | (2,800,000)                        |
| 7916                     | <i>Premium or Discount on Issuance of Bonds</i>    | 145,000      | 145,000      | --                                 |
| 7080                     | Total Other Financing Sources and (Uses)           | 10,800,000   | 8,000,000    | (2,800,000)                        |
| 1200                     | Net Change in Fund Balance                         | --           | 5,200,276    | 5,200,276                          |
| 0100                     | Fund Balance - Beginning                           | 3,085,207    | 3,085,207    | --                                 |
| 3000                     | Fund Balance - Ending                              | \$ 3,085,207 | \$ 8,285,483 | \$ 5,200,276                       |

### *Other Supplementary Information*

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

**MEXIA INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2017**

| Year Ended<br>August 31        | 1           |         | 2            |         | 3  |             |
|--------------------------------|-------------|---------|--------------|---------|--|-------------|
|                                | Tax Rates   |         |              |         | Assessed/Appraised<br>Value For School<br>Tax Purposes |             |
|                                | Maintenance |         | Debt Service |         |  |             |
| 2008 and Prior Years           | \$          | Various | \$           | Various | \$   | Various     |
| 2009                           |             | 1.04    |              | .0568   |  | 392,967,542 |
| 2010                           |             | 1.04    |              | .0568   |  | 399,963,895 |
| 2011                           |             | 1.04    |              | .0568   |  | 408,809,354 |
| 2012                           |             | 1.04    |              | .0568   |  | 408,317,378 |
| 2013                           |             | 1.04    |              | .0819   |  | 418,212,497 |
| 2014                           |             | 1.04    |              | .0716   |  | 433,824,577 |
| 2015                           |             | 1.04    |              | .0716   |  | 429,758,456 |
| 2016                           |             | 1.04    |              | .1446   |  | 422,309,122 |
| 2017 (School Year Under Audit) |             | 1.04    |              | .1636   |  | 406,257,737 |
| 1000 Totals                    |             |         |              |         |  |             |

| 10<br>Beginning<br>Balance<br>9/1/16 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/17 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 139,280                           | \$ --                                 | \$ 4,251                         | \$ 123                            | \$ (8,472)                            | \$ 126,434                         |
| 26,155                               | --                                    | 564                              | 31                                | (855)                                 | 24,705                             |
| 29,861                               | --                                    | 1,392                            | 76                                | (1,073)                               | 27,320                             |
| 34,998                               | --                                    | 3,096                            | 169                               | (1,291)                               | 30,442                             |
| 53,241                               | --                                    | 5,512                            | 301                               | (1,273)                               | 46,155                             |
| 50,970                               | --                                    | 5,772                            | 455                               | (911)                                 | 43,832                             |
| 65,811                               | --                                    | 9,915                            | 683                               | (936)                                 | 54,277                             |
| 88,693                               | --                                    | 20,196                           | 1,390                             | (1,104)                               | 66,003                             |
| 165,010                              | --                                    | 66,694                           | 9,273                             | (1,431)                               | 87,612                             |
| --                                   | 4,889,840                             | 4,069,719                        | 640,316                           | 442                                   | 180,247                            |
| <u>\$ 654,019</u>                    | <u>\$ 4,889,840</u>                   | <u>\$ 4,187,111</u>              | <u>\$ 652,817</u>                 | <u>\$ (16,904)</u>                    | <u>\$ 687,027</u>                  |

**MEXIA INDEPENDENT SCHOOL DISTRICT**

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2017

**EXHIBIT J-2**

| Data<br>Control<br>Codes | Explanation  | Amount       |
|--------------------------|--|--------------|
| 1                        | Total General Fund Fund Balance as of August 31, 2017 (Exhibit C-1 object 3000 for the General Fund only)  | \$ 6,023,491 |
| 2                        | Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)  | ---          |
| 3                        | Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)  | ---          |
| 4                        | Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)   | 1,000,000    |
| 5                        | Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)  | ---          |
| 6                        | Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)  | ---          |
| 7                        | Estimate of two months' average cash disbursements during the fiscal year  | 2,700,000    |
| 8                        | Estimate of delayed payments from state sources (58XX)   | ---          |
| 9                        | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount | ---          |
| 10                       | Estimate of delayed payments from federal sources (59XX)   | ---          |
| 11                       | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)                          | ---          |
| 12                       | General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)  | 3,700,000    |
| 13                       | Excess (Deficit) Unassigned General Fund Fund Balance (1-12)   | \$ 2,323,491 |

Above amount to be used for future capital additions.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**EXHIBIT J-3**

| Data<br>Control<br>Codes |  | 1          | 2          | 3                                  |
|--------------------------|--|------------|------------|------------------------------------|
|                          |  | Budget     | Actual     | Variance<br>Positive<br>(Negative) |
|                          | <b>REVENUES:</b>                             |            |            |                                    |
| 5700                     | <i>Local and Intermediate Sources</i>        | \$ 236,122 | \$ 169,879 | \$ (66,243)                        |
| 5800                     | <i>State Program Revenues</i>                | 8,000      | 4,208      | (3,792)                            |
| 5900                     | <i>Federal Program Revenues</i>              | 1,040,000  | 1,070,346  | 30,346                             |
| 5020                     | Total Revenues                               | 1,284,122  | 1,244,433  | (39,689)                           |
|                          | <b>EXPENDITURES:</b>                         |            |            |                                    |
|                          | Current:                                     |            |            |                                    |
|                          | Support Services - Student (Pupil):          |            |            |                                    |
| 0035                     | <i>Food Services</i>                         | 1,294,122  | 1,199,482  | 94,640                             |
|                          | Total Support Services - Student (Pupil)     | 1,294,122  | 1,199,482  | 94,640                             |
| 6030                     | Total Expenditures                           | 1,294,122  | 1,199,482  | 94,640                             |
| 1100                     | Excess (Deficiency) of Revenues Over (Under) |            |            |                                    |
| 1100                     | Expenditures                                 | (10,000)   | 44,951     | 54,951                             |
|                          | Other Financing Sources (Uses):              |            |            |                                    |
| 7915                     | <i>Transfers In</i>                          | 10,000     | --         | (10,000)                           |
| 7080                     | Total Other Financing Sources and (Uses)     | 10,000     | --         | (10,000)                           |
| 1200                     | Net Change in Fund Balance                   | --         | 44,951     | 44,951                             |
| 0100                     | Fund Balance - Beginning                     | (4,401)    | (4,401)    | --                                 |
| 3000                     | Fund Balance - Ending                        | \$ (4,401) | \$ 40,550  | \$ 44,951                          |

**MEXIA INDEPENDENT SCHOOL DISTRICT**
**DEBT SERVICE FUND**
**BUDGETARY COMPARISON SCHEDULE**
**FOR THE YEAR ENDED AUGUST 31, 2017**
**EXHIBIT J-4**

| Data<br>Control<br>Codes |  | 1          | 2          | 3                                  |
|--------------------------|--|------------|------------|------------------------------------|
|                          |  | Budget     | Actual     | Variance<br>Positive<br>(Negative) |
|                          | <b>REVENUES:</b>                             |            |            |                                    |
| 5700                     | <i>Local and Intermediate Sources</i>        | \$ 784,792 | \$ 825,537 | \$ 40,745                          |
| 5800                     | <i>State Program Revenues</i>                | 127,269    | 220,839    | 93,570                             |
| 5020                     | Total Revenues                               | 912,061    | 1,046,376  | 134,315                            |
|                          | <b>EXPENDITURES:</b>                         |            |            |                                    |
|                          | Debt Service:                                |            |            |                                    |
| 0071                     | <i>Principal on Long-Term Debt</i>           | 15,000     | 15,000     | --                                 |
| 0072                     | <i>Interest on Long-Term Debt</i>            | 890,392    | 890,392    | --                                 |
| 0073                     | <i>Bond Issuance Costs and Fees</i>          | --         | (6,015)    | 6,015                              |
|                          | Total Debt Service                           | 912,061    | 899,377    | 12,684                             |
| 6030                     | Total Expenditures                           | 912,061    | 899,377    | 12,684                             |
| 1100                     | Excess (Deficiency) of Revenues Over (Under) |            |            |                                    |
| 1100                     | Expenditures                                 | --         | 146,999    | 146,999                            |
| 1200                     | Net Change in Fund Balance                   | --         | 146,999    | 146,999                            |
| 0100                     | Fund Balance - Beginning                     | 271,114    | 271,114    | --                                 |
| 3000                     | Fund Balance - Ending                        | \$ 271,114 | \$ 418,113 | \$ 146,999                         |

# **ANDERSON, MARX & BOHL, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE**

**Independent Auditors' Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards**

Board of Trustees  
Mexia Independent School District  
616 North Red River  
Mexia, Texas 76667

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mexia Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Mexia Independent School District's basic financial statements and have issued our report thereon dated December 18, 2017.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mexia 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 Mexia Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mexia 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mexia 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2017-1.

## Purpose of this Report

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

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
December 18, 2017

# **ANDERSON, MARX & BOHL, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE**

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

Board of Trustees  
Mexia Independent School District  
616 North Red River  
Mexia, Texas 76667

Members of the Board of Trustees:

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

We have audited the Mexia 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 Mexia Independent School District's major federal programs for the year ended August 31, 2017. Mexia 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 Mexia 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 Mexia 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 Mexia Independent School District's compliance.

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

In our opinion, the Mexia 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, 2017.

## Report on Internal Control Over Compliance

Management of the Mexia 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 Mexia 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 Mexia 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 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 considered 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.

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
December 18, 2017

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

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

Noncompliance material to financial statements noted?   X   Yes        No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.553                | School Breakfast Program                  |
| 10.555                | National School Lunch Program             |
| 10.555                | National School Lunch Program (Non-cash)  |
| 84.287C               | 21st Century CLC Cycle 8                  |

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

Auditee qualified as low-risk auditee?        Yes   X   No

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

A. Summary of Auditors' Results

B. Financial Statement Findings

2017-1

Condition: The District exceeded its budget in one functional area, Cocurricular, by \$10,269 or 1.5%. This was caused by the lack of margin for end of year accruals.

Criteria: The District is required to only spend within its approved budget.

Effect: The District spent funds in excess of its approved budget.

Cause: The District failed to amend its budget to provide for end of year accruals.

Recommendation: The District should provide for end of year accruals in its budget.

District's Response: The District will monitor and amend its budget as required.

C. Federal Award Findings and Questioned Costs

None Noted

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

| <u>Finding/Recommendation</u>                                      | <u>Current Status</u> | <u>Management's Explanation<br/>If Not Implemented</u>                                     |
|--|-----------------------|--|
| Cash reconciliations did not tie to books                          | Corrected             |  |
| District did not spend required funds for state mandated programs. | Corrected             |  |
| District exceeded its budget in three functional areas             | Uncorrected           | One overage in current year. New management is working to prevent overages from occurring. |

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

Management will monitor budget during the year and amend as required. Dr. Brian Ziemer at phone number 254-562-4000 will be responsible.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**EXHIBIT K-1**  
Page 1 of 2

| (1)   | (2)                       | (2A)  | (3)  |
|---|---------------------------|---|--|
| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Entity<br>Identifying<br>Number | Passed<br>Through to<br>Subrecipients<br><br>Federal<br>Expenditures |
| <b>CHILD NUTRITION CLUSTER:</b>                                       |                           |   |  |
| U. S. Department of Agriculture                                       |                           |   |  |
| Passed Through State Department of Education:                         |                           |   |  |
| School Breakfast Program  | 10.553                    | 147-903   | \$ -- \$ 348,028   |
| National School Lunch Program   | 10.555                    | 147-903   | -- 658,667   |
| National School Lunch Program (Non-cash)                              | 10.555                    | 147-903   | -- 72,460  |
| Total CFDA Number 10.555  |                           |   | -- 731,127   |
| Total Passed Through State Department of Education                    |                           |   | -- 1,079,155   |
| Total U. S. Department of Agriculture                                 |                           |   | -- 1,079,155   |
| Total Child Nutrition Cluster   |                           |   | -- 1,079,155   |
| <b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>                              |                           |   |  |
| U. S. Department of Education   |                           |   |  |
| Passed Through State Department of Education:                         |                           |   |  |
| IDEA-B Formula  | 84.027                    | 7660001147903                                       | -- 37,631  |
| IDEA-B Formula  | 84.027                    | 7660001147903                                       | -- 468,972   |
| Total CFDA Number 84.027  |                           |   | -- 506,603   |
| IDEA-B Preschool  | 84.173                    | 7661001147903                                       | -- 1,751   |
| IDEA-B Preschool  | 84.173                    | 7661001147903                                       | -- 36,770  |
| Total CFDA Number 84.173  |                           |   | -- 38,521  |
| Total Passed Through State Department of Education                    |                           |   | -- 545,124   |
| Total U. S. Department of Education                                   |                           |   | -- 545,124   |
| Total Special Education (IDEA) Cluster                                |                           |   | -- 545,124   |



**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**EXHIBIT K-1**  
Page 2 of 2

| (1)   | (2)                       | (2A)  | (3)  |
|---|---------------------------|---|--|
| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title           | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Entity<br>Identifying<br>Number | Passed<br>Through to<br>Subrecipients<br><br>Federal<br>Expenditures |
| <b>OTHER PROGRAMS:</b>  |                           |   |  |
| <u>U. S. Department of Education</u>  |                           |   |  |
| Passed Through State Department of Education:                                   |                           |   |  |
| <i>ESEA Title I Part A - Improving Basic Programs</i>                           | 84.010a                   | 7610101147903                                       | -- 33,558  |
| <i>ESEA Title I Part A - Improving Basic Programs</i>                           | 84.010A                   | 7610101147903                                       | -- 711,559   |
| Total CFDA Number 84.010a   |                           |   | -- 745,117   |
| Impact Aid - P.L. 81.874  | 84.041                    | 147-903   | -- 15,335  |
| <i>Career and Technical - Basic Grant</i>                                       | 84.048                    | 1742000614790                                       | -- 27,989  |
| Total CFDA Number 84.048  |                           |   | -- 27,989  |
| <i>Title IV Part B21st Century Community Learning Centers</i>                   | 84.287                    | 1769501971100                                       | -- 410   |
| <i>Title IV Part B21st Century Community Learning Centers</i>                   | 84.287                    | 1769501971100                                       | -- 255,561   |
| Total CFDA Number 84.287  |                           |   | -- 255,971   |
| <i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>          | 84.358                    | 1769600114790                                       | -- 45,401  |
| Total CFDA Number 84.358  |                           |   | -- 45,401  |
| <i>Title III Part A English Language Acquisition and Language Enhance</i>       | 84.365                    | 1767100114790                                       | -- 25,935  |
| Total CFDA Number 84.365  |                           |   | -- 25,935  |
| <i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i> | 84.367a                   | 1769450114790                                       | -- 137,899   |
| Total CFDA Number 84.367a   |                           |   | -- 137,899   |
| <i>LEP Summer School</i>  | 84.369                    | 79551602  | -- 1,165   |
| Total Passed Through State Department of Education                              |                           |   | -- 1,254,812   |
| Total U. S. Department of Education   |                           |   | -- 1,254,812   |
| TOTAL EXPENDITURES OF FEDERAL AWARDS  |                           |   | -- 2,879,091   |
| Student Health and Related Services Program (SHARS)                             |                           |   | -- 320,881   |
| TOTAL EXPENDITURES OF FEDERAL AWARDS PER EXHIBIT C-2                            |                           |   | \$ -- \$ 3,199,972   |

The accompanying notes are an integral part of this schedule.

**MEXIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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

**MEXIA INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2017**

| <u>Data<br/>Control<br/>Codes</u> |  | <u>Responses</u> |
|-----------------------------------|--|------------------|
| 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?  | 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?   | Yes              |
| SF7                               | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?                     | Yes              |
| SF8                               | Did the school district <u>not</u> 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                              | What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?   | \$ 855,607       |
| SF11                              | Net Pension Assets (object 1920) at fiscal year-end.   | \$ --            |
| SF12                              | Net Pension Liabilities (object 2540) at fiscal year-end.  | \$ 4,265,218     |
| SF13                              | Pension Expense (object 6147) at fiscal year-end.  | \$               |

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."