

MEXIA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

Mexia Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditors' Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	19	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	20	E-2
Notes to the Financial Statements	21	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	46	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teachers Retirement System Of Texas.....	47	G-2
Schedule of District's Contributions - Teachers Retirement System Of Texas.....	48	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	49	G-4
Schedule of District's Contributions - OPEB Plan.....	50	G-5
Notes to Required Supplementary Information.....	51	
<u>Budgetary Comparison Schedules as Supplementary Information:</u>		
Capital Projects Funds:		
Budgetary Comparison Schedule:		
Capital Projects.....	52	H-1

Mexia Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	53	J-1
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	55	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	56	J-3
Debt Service Fund.....	57	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	60	
Schedule of Findings and Questioned Costs	62	
Summary Schedule of Prior Audit Findings.....	63	
Corrective Action Plan.....	64	
Schedule of Expenditures of Federal Awards	65	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	67	
Schedule of Required Responses to Selected School First Indicators.....	68	K-2

Introductory Section

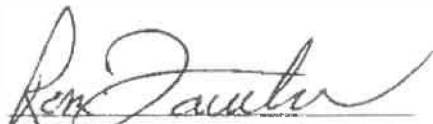
CERTIFICATE OF BOARD

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, 2018, at a meeting of the board of trustees of such school district on the 18 day of December, 2018.


Signature of Board Secretary


Signature of Board President

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

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, 2018, 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, 2018, 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 2018, Mexia Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2018, Mexia Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. 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, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The 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, except for that portion labeled "unaudited" on which we express no opinion, 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 17, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mexia Independent School District's internal control over financial reporting and compliance.

Respectfully submitted.



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
December 17, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

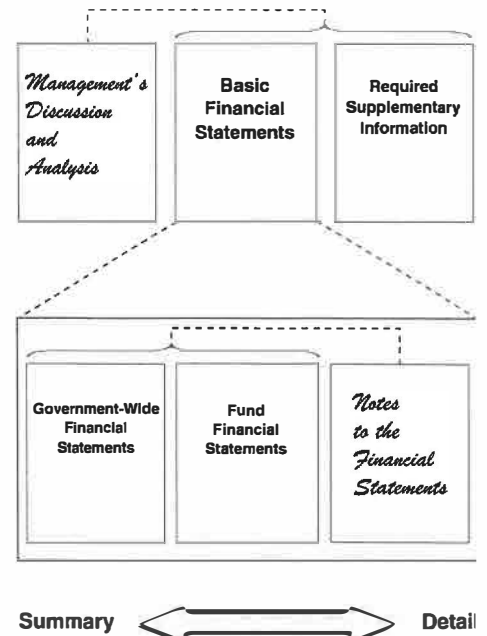
- The District's total combined net position is \$(0.3) million at August 31, 2018.
- During the year, the District's expenses were \$2.7 million less than the \$18.7 million generated in taxes and other revenues for governmental funds.
- The total cost of the District's programs was \$4.998 million less than last year. The District expended \$3.174 million less in instruction costs, and decreased spending by \$1.1 million in facilities maintenance and operations. Costs also increased in the amount of \$80 thousand in debt service and decreased \$112 thousand in transportation.
- The general fund reported a fund balance this year of \$5.4 million while last year it was \$6.0 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

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	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
<i>Required financial statements</i>	*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	*Statement of changes in fiduciary net assets
			*Statement of cash flows	
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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 the following types 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 \$(0.3) million at August 31, 2018.

(See Table A-1).

	<u>2017</u>	<u>2018</u>
Current and Other Assets	\$16.6	\$11.8
Capital and Non-Current Assets	<u>14.2</u>	<u>19.0</u>
Total Assets	30.8	30.8
Deferred Outflow of Resources	1.8	1.4
Current Liabilities	1.2	1.6
Long-term Liabilities	<u>21.2</u>	<u>27.2</u>
Total Liabilities	22.4	28.8
Deferred Inflow of Resources	0.3	3.7
Net Assets		
Net investment in capital assets	5.6	6.8
Restricted	0.5	0.1
Unrestricted	<u>3.8</u>	<u>(7.2)</u>
Total Net Assets	<u>\$9.9</u>	<u>\$(0.3)</u>

The \$(7.2) million of unrestricted net assets represents a deficit of resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$18.7 million. A significant portion, 44 percent, of the District's revenue comes from state aid – formula grants. 27 percent comes from property taxes and local revenue, while 25 percent comes from operating grants.

The total cost of all programs and services was \$16.0 million; 68% of these costs are for governmental activities associated with instructional and student services.

Governmental Activities

- Property tax rates remained the same; however, property values increased, resulting in increased tax revenues of \$91 thousand.
- State revenue on Exhibit C-2 increased by \$907,391, while federal program revenue increased \$401,428.

Table A-2
CHANGES IN THE DISTRICT'S NET ASSETS
(in millions of dollars)

	<u>2017</u>	<u>2018</u>
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$0.3	\$0.3
Grants and Contributions	4.2	4.7
<u>General Revenue</u>		
Property Taxes	5.0	5.1
State aid - formula	10.6	8.3
Investment Earnings	0.2	0.2
Other	<u>0.6</u>	<u>0.1</u>
Total Revenues	20.9	18.7
Expenses		
Instruction and instructional related	10.9	7.7
Instructional leadership/school administration	1.6	1.2
Guidance, social work, health, transportation	1.4	1.1
Food service	1.3	1.3
Extracurricular activities	0.7	0.8
General Administration	1.0	0.9
Plant maintenance and security	3.3	2.1
Data processing services	0.3	0.3
Community services	0.0	0.0
Debt service	0.4	0.5
Pmnts. to fiscal agent/member district-shared service	<u>0.1</u>	<u>0.1</u>
Total Expenditures	<u>21.0</u>	<u>16.0</u>
Increase in Net Assets	(.1)	2.7
Prior Period Adjustment	0.0	(12.9)
Beginning Net Assets	<u>10.0</u>	<u>9.9</u>
Ending Net Assets	<u>\$9.9</u>	<u>\$(0.3)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

State revenues increased, and federal program revenues increased in 2018; in 2019 both state and federal revenues should remain stable.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 9 times. Due to stable enrollment and tax shift election, state revenue increased and was above budget. Actual total revenues were \$174 thousand above final budget amounts. Actual expenditures were \$207 thousand below budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had a net investment of \$19.0 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount is approximately \$4.8 million more than (including additions and deductions) 2017.

Table A-3
THE DISTRICT'S CAPITAL ASSETS
(in millions of dollars)

	<u>2017</u>	<u>2018</u>
Land and Construction in Progress	\$0.2	\$5.5
Buildings and Improvements	13.2	12.6
Furniture and Equipment	<u>0.8</u>	<u>0.9</u>
Net capital assets	<u>\$14.2</u>	<u>\$19.0</u>

Long – Term Debt

At year-end the District had \$27.2 million in net pension and OPEB liability, notes and bonds outstanding as shown in Table-4.

Table A-4
THE DISTRICT'S LONG - TERM DEBT
(in millions of dollars)

	<u>2017</u>	<u>2018</u>
CAB Accretion	\$0.9	\$ 0.4
Pension Liability	4.3	3.6
OPEB Liability	*12.9	7.3
Notes Payable	0.6	0.5
Bonds Payable	<u>15.4</u>	<u>15.4</u>
Total long - term debt	<u>\$34.1</u>	<u>\$27.2</u>
*Prior Period Adjustment		

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2019 budget preparation is \$453,815,458, an increase of \$37,750,554 or 9.1% from 2018.
- General operating fund spending per student is \$10,209 in the 2019 budget, an increase of \$108 or 1% from 2018.
- The district's 2019 refined average daily attendance is expected to be 1,702, a decrease of 7%.

The District's budgetary General Fund fund balance is expected to remain stable by the close of 2019.

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, 2018

Data Control Codes		1	Governmental Activities
	ASSETS:		
1110	Cash and Cash Equivalents	\$	3,234,111
1120	Investments		5,850,698
1225	Property Taxes Receivable (Net)		666,100
1240	Due from Other Governments		1,698,150
1267	Due from Fiduciary		190,036
1290	Other Receivables (Net)		41,150
	Capital Assets:		
1510	Land		199,086
1520	Buildings and Improvements, Net		12,586,680
1530	Furniture and Equipment, Net		882,446
1580	Construction in Progress		5,309,842
1990	Other Assets		124,105
1000	Total Assets		30,782,404
	DEFERRED OUTFLOWS OF RESOURCES:		
1705	Deferred Outflow Related to Pensions		1,287,019
	Deferred Outflow Related to OPEB		114,797
1700	Total Deferred Outflows of Resources		1,401,816
	LIABILITIES:		
2110	Accounts Payable		783,778
2140	Interest Payable		21,672
2165	Accrued Liabilities		803,198
	Noncurrent Liabilities:		
2501	Due Within One Year		298,869
2502	Due in More Than One Year		15,924,175
2540	Net Pension Liability		3,643,618
2545	Net OPEB Liability		7,326,066
2000	Total Liabilities		28,801,376
	DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions		595,312
	Deferred Inflow Related to OPEB		3,064,507
2600	Total Deferred Inflows of Resources		3,659,819
	NET POSITION:		
3200	Net Investment in Capital Assets		6,803,053
	Restricted For:		
3820	Federal and State Programs		104,390
3850	Debt Service		38,245
3900	Unrestricted		(7,222,663)
3000	Total Net Position	\$	(276,975)

The accompanying notes are an integral part of this statement.

MEXIA INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
11	Governmental Activities:				
12	Instruction	\$ 7,579,041	\$ 9,075	\$ 2,402,533	\$ (5,167,433)
13	Instructional Resources and Media Services	93,906	--	11,221	(82,685)
21	Curriculum and Staff Development	68,618	--	38,917	(29,701)
23	Instructional Leadership	367,886	--	46,381	(321,505)
31	School Leadership	809,109	--	100,138	(708,971)
33	Guidance, Counseling, & Evaluation Services	605,715	--	287,709	(318,006)
34	Health Services	106,855	--	13,062	(93,793)
35	Student Transportation	401,214	--	66,348	(334,866)
36	Food Service	1,276,094	252,563	1,169,770	146,239
41	Cocurricular/Extracurricular Activities	796,825	54,174	75,053	(667,598)
51	General Administration	936,847	--	77,428	(859,419)
52	Facilities Maintenance and Operations	2,012,518	2,659	158,460	(1,851,399)
53	Security and Monitoring Services	99,228	--	13,916	(85,312)
61	Data Processing Services	289,916	--	27,914	(262,002)
72	Community Services	5,147	--	4,944	(203)
73	Interest on Long-term Debt	525,968	--	252,797	(273,171)
73	Bond Issuance Costs and Fees	1,635	--	--	(1,635)
93	Payments Related to Shared Services Arrangements	33,496	--	1,576	(31,920)
TG	Total Governmental Activities	16,010,018	318,471	4,748,167	(10,943,380)
TP	Total Primary Government	\$ 16,010,018	\$ 318,471	\$ 4,748,167	(10,943,380)
General Revenues:					
MT	Property Taxes, Levied for General Purposes				4,932,020
DT	Property Taxes, Levied for Debt Service				145,609
IE	Investment Earnings				179,917
GC	Grants and Contributions Not Restricted to Specific Programs				8,259,302
MI	Miscellaneous				128,881
TR	Total General Revenues				13,645,729
CN	Change in Net Position				2,702,349
NB	Net Position - Beginning				9,866,889
PA	Prior Period Adjustment				(12,846,213)
	Net Position - Beginning, as Restated				(2,979,324)
NE	Net Position - Ending				\$ (276,975)

The accompanying notes are an integral part of this statement.

MEXIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10	
	General Fund	IDEA-B Formula
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 3,102,565	\$ --
1120 <i>Investments</i>	1,532,209	--
1225 <i>Taxes Receivable, Net</i>	624,766	--
1240 <i>Due from Other Governments</i>	1,193,225	283,404
1260 <i>Due from Other Funds</i>	644,642	--
1290 <i>Other Receivables</i>	41,150	--
1900 <i>Other Assets</i>	--	--
1000 Total Assets	<u>\$ 7,138,557</u>	<u>\$ 283,404</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 443,006	\$ --
2160 <i>Accrued Wages Payable</i>	690,527	23,474
2170 <i>Due to Other Funds</i>	--	259,930
2000 Total Liabilities	<u>1,133,533</u>	<u>283,404</u>
DEFERRED INFLOWS OF RESOURCES:		
<i>Deferred Revenue-Property Taxes</i>		
2600 Total Deferred Inflows of Resources	<u>624,766</u>	<u>--</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	--
3490 <i>Other Restrictions of Fund Balance-Capital Projects</i>	--	--
3600 Unassigned	<u>5,380,258</u>	<u>--</u>
3000 Total Fund Balances	<u>5,380,258</u>	<u>--</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 7,138,557</u>	<u>\$ 283,404</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 77,786	\$ 53,760	\$ 3,234,111
4,292,238	26,251	5,850,698
--	41,334	666,100
--	221,521	1,698,150
--	--	644,642
--	--	41,150
--	124,105	124,105
\$ 4,370,024	\$ 466,971	\$ 12,258,956
\$ 300,309	\$ 40,463	\$ 783,778
--	89,197	803,198
--	194,676	454,606
300,309	324,336	2,041,582
--	41,334	666,100
--	41,334	666,100
--	104,390	104,390
--	(3,089)	(3,089)
4,069,715	--	4,069,715
--	--	5,380,258
4,069,715	101,301	9,551,274
\$ 4,370,024	\$ 466,971	\$ 12,258,956

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

Total fund balances - governmental funds balance sheet	\$ 9,551,274
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,978,054
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	666,100
Payables for bond principal which are not due in the current period are not reported in the funds.	(14,835,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(434,472)
Payables for notes which are not due in the current period are not reported in the funds.	(488,744)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,643,618)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(595,312)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,287,019
Bond premiums are amortized in the SNA but not in the funds.	(486,500)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(7,326,066)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(3,064,507)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	114,797
Net position of governmental activities - Statement of Net Position	\$ <u>(276,975)</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, 2018

Data Control Codes		10	
		General Fund	IDEA-B Formula
REVENUES:			
5700	Local and Intermediate Sources	\$ 5,149,299	\$ --
5800	State Program Revenues	12,081,756	--
5900	Federal Program Revenues	566,816	702,587
5020	Total Revenues	17,797,871	702,587
EXPENDITURES:			
Current:			
0011	Instruction	8,700,210	449,989
0012	Instructional Resources and Media Services	129,810	--
0013	Curriculum and Staff Development	28,205	1,333
0021	Instructional Leadership	537,174	1,028
0023	School Leadership	1,192,943	--
0031	Guidance, Counseling, & Evaluation Services	615,479	250,237
0033	Health Services	163,083	--
0034	Student Transportation	693,313	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	997,572	--
0041	General Administration	1,125,419	--
0051	Facilities Maintenance and Operations	2,344,977	--
0052	Security and Monitoring Services	146,276	--
0053	Data Processing Services	362,519	--
0061	Community Services	--	--
0071	Principal on Long-term Debt	110,415	--
0072	Interest on Long-term Debt	25,213	--
0073	Bond Issuance Costs and Fees	--	--
0081	Capital Outlay	1,000,000	--
0093	Payments to Shared Service Arrangements	33,496	--
6030	Total Expenditures	18,206,104	702,587
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	(408,233)	--
Other Financing Sources and (Uses):			
7915	Transfers In	--	--
8911	Transfers Out	(235,000)	--
7080	Total Other Financing Sources and (Uses)	(235,000)	--
1200	Net Change in Fund Balances	(643,233)	--
0100	Fund Balances - Beginning	6,023,491	--
3000	Fund Balances - Ending	\$ 5,380,258	\$ --

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 94,074	\$ 413,750	\$ 5,657,123
--	658,900	12,740,656
--	2,331,997	3,601,400
94,074	3,404,647	21,999,179
--	1,494,421	10,644,620
--	--	129,810
--	36,243	65,781
--	--	538,202
--	--	1,192,943
--	750	866,466
--	--	163,083
--	24,734	718,047
--	1,369,387	1,369,387
--	--	997,572
--	--	1,125,419
--	--	2,344,977
--	--	146,276
--	--	362,519
--	4,934	4,934
--	95,001	205,416
--	973,162	998,375
--	1,635	1,635
4,309,842	--	5,309,842
--	--	33,496
4,309,842	4,000,267	27,218,800
(4,215,768)	(595,620)	(5,219,621)
--	235,000	235,000
--	--	(235,000)
--	235,000	--
(4,215,768)	(360,620)	(5,219,621)
8,285,483	461,921	14,770,895
\$ 4,069,715	\$ 101,301	\$ 9,551,274

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, 2018*

Net change in fund balances - total governmental funds	\$ (5,219,621)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,669,332
The depreciation of capital assets used in governmental activities is not reported in the funds.	(875,939)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	47,775
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	29,500
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	95,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	110,415
(Increase) decrease in accrued interest from beginning of period to end of period.	442,908
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(167,458)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	2,570,437
Change in net position of governmental activities - Statement of Activities	\$ <u>2,702,349</u>

The accompanying notes are an integral part of this statement.

MEXIA INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2018**

Data Control Codes	Private-purpose Trust Funds	Agency Funds
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 4,089	\$ 274,867
1290 <i>Other Receivables</i>	--	6,111
1000 <i>Total Assets</i>	<u>4,089</u>	<u>280,978</u>
LIABILITIES:		
<i>Current Liabilities:</i>		
2150 <i>Payroll Deduction & Withholdings</i>	--	1,053
2170 <i>Due to Other Funds</i>	--	190,036
2190 <i>Due to Student Groups</i>	--	89,889
2000 <i>Total Liabilities</i>	<u>--</u>	<u>280,978</u>
NET POSITION:		
3800 <i>Held in Trust</i>	4,089	--
3000 <i>Total Net Position</i>	<u>\$ 4,089</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, 2018

	Private- Purpose Trusts
Additions:	
Contributions	\$ --
Total Additions	--
Deductions:	
Other	25
Total Deductions	25
Change in Net Position	--
Net Position-Beginning of the Year	4,114
Net Position-End of the Year	\$ 4,089

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, 2018

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

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.

IDEA-B Formula which accounts for the revenue and expenses of this federal program.

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

In addition, the District reports the following fund types:

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.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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.

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

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

3. Financial Statement Amounts

a. 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 and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. For the current fiscal year, an allowance of \$74,011 is included in the financial statements.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	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.

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

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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.

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.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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.

l. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions As Reported	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On- Behalf Accruals)
11 - Instruction	\$ 2,402,533	\$ (1,726,210)	\$ 4,128,743
12 - Instructional Resources and Media Services	11,221	(26,337)	37,558
13 - Curriculum and Instructional Staff Development	38,917	--	38,917
21 - Instructional Leadership	46,381	(108,787)	155,168
23 - School Leadership	100,138	(239,961)	340,099
31 - Guidance, Counseling and Evaluation Services	287,709	(122,752)	410,461
33 - Health Services	13,062	(31,079)	44,141
34 - Student (Pupil) Transportation	66,348	(92,589)	158,937
35 - Food Services	1,169,770	--	1,169,770
36 - Extracurricular Activities	75,053	(146,627)	221,680
41 - General Administration	77,428	(131,301)	208,729
51 - Facilities Maintenance and Operations	158,460	(251,688)	410,148
52 - Security and Monitoring Services	13,916	(35,660)	49,576
53 - Data Processing Services	27,914	(55,671)	83,585
61 - Community Services	4,944	--	4,944
72 - Interest on Long Term Debt	252,797	--	252,797
93 - Payments Related to Shared Services Arrangements	1,576	--	1,576
	<u>\$ 4,748,167</u>	<u>\$ (2,968,662)</u>	<u>\$ 7,716,829</u>

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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 2018, the District adopted two new statements of financial accounting standards Governmental Accounting Standards Board (GASB):

Statement No. 75-Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

Statement No. 85-Omnibus 2017.

- a. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

- b. The requirements of Statement No. 85 will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statements No. 75 and No. 85.

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 Position of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Debt Service	\$ (3,089)	Immaterial amount

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,513,067 and the bank balance was \$3,700,555. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, 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.

The District's investments at August 31, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texpool	N/A	\$ 5,317,002
Lone Star-First Public	N/A	533,696
Total Investments		<u>\$ 5,850,698</u>

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018, 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.

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.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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 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 Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

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 AAA 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.ttstc.org.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 199,086	\$ --	\$ --	\$ 199,086
Construction in progress	--	5,309,842	--	5,309,842
Total capital assets not being depreciated	199,086	5,309,842	--	5,508,928
<i>Capital assets being depreciated:</i>				
Buildings and improvements	29,852,374	--	--	29,852,374
Equipment	1,118,973	85,717	--	1,204,690
Vehicles	2,536,917	273,773	--	2,810,690
Total capital assets being depreciated	33,508,264	359,490	--	33,867,754
Less accumulated depreciation for:				
Buildings and improvements	(16,668,647)	(597,047)	--	(17,265,694)
Equipment	(1,135,233)	(5,889)	--	(1,141,122)
Vehicles	(1,718,809)	(273,003)	--	(1,991,812)
Total accumulated depreciation	(19,522,689)	(875,939)	--	(20,398,628)
Total capital assets being depreciated, net	13,985,575	(516,449)	--	13,469,126
Governmental activities capital assets, net	\$ 14,184,661	\$ 4,793,393	\$ --	\$ 18,978,054

Depreciation was charged to functions as follows:

Instruction	\$ 453,828
Instructional Resources and Media Services	5,598
Curriculum and Staff Development	2,837
Instructional Leadership	23,211
School Leadership	51,448
Guidance, Counseling, & Evaluation Services	37,368
Health Services	7,033
Student Transportation	22,949
Food Services	58,842
Extracurricular Activities	43,023
General Administration	48,536
Plant Maintenance and Operations	99,111
Security and Monitoring Services	6,308
Data Processing Services	15,634
Community Services	213
	\$ 875,939

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2018, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	IDEA-Formula	\$ 259,930	Short-term loans
General Fund	Other Governmental Funds	194,676	Short-term loans
General Fund	Agency Funds	190,036	Short-term loans
	Total	<u>\$ 644,642</u>	

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

2. Transfers To and From Other Funds

Transfers to and from for the year ended August 31, 2018 are listed below.

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 235,000	Supplement fund expenditures
	Total	<u>\$ 235,000</u>	

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, 2018, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 14,910,000	\$ --	\$ (85,000)	\$ 14,825,000	\$ 140,000
Capital Appreciation Bonds	20,000	--	(10,000)	10,000	10,000
CAB Interest Accretion	855,607	37,193	(480,000)	412,800	--
Note	599,159	--	(110,415)	488,744	148,869
Premium-Debt Issuance	516,000	--	(29,500)	486,500	--
Net Pension Liability *	4,265,218	(248,127)	(373,473)	3,643,618	--
Net OPEB Liability * z	12,933,800	(5,520,147)	(87,587)	7,326,066	--
Total governmental activities	<u>\$ 34,099,784</u>	<u>\$ (5,731,081)</u>	<u>\$ (1,175,975)</u>	<u>\$ 27,192,728</u>	<u>\$ 298,869</u>

* Other long-term liabilities

z Part of Prior Period Adjustment

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

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

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

General Obligation Bonds

General obligation school building bonds payable at August 31, 2018, 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, 2018 is \$10,000 with the \$10,000 reflected as Capital Appreciation Bonds and on this portion \$412,800 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, 2018 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, 2018 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, 2018 is \$7,770,000.

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, 2018 is \$488,744.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

<u>Year Ending August 31,</u>	Governmental Activities-Bonds		
	Principal	Interest	Total
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	720,000	427,113	1,147,113
2024-2028	3,970,000	1,857,963	5,827,963
2029-2033	4,720,000	1,008,025	5,728,025
2034-2038	3,240,000	201,250	3,441,250
Totals	\$ 14,835,000	\$ 5,820,454	\$ 20,655,454

<u>Year Ending August 31,</u>	Governmental Activities-Notes		
	Principal	Interest	Total
2019	\$ 148,869	\$ 13,885	\$ 162,754
2020	153,854	8,900	162,754
2021	159,007	3,747	162,754
2022	27,014	112	27,126
Totals	\$ 488,744	\$ 26,644	\$ 515,388

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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 2018, 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 that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://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.

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.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>		
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 367,329	
District's 2018 Member Contributions	\$ 946,640	
NECE 2017 On-Behalf Contributions to District	\$ 622,641	

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 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.

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

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

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
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 based primarily 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.

MEXIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%
* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.			
** 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 rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 6,142,421	\$ 3,643,618	\$ 1,562,960

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

At August 31, 2018, the District reported a liability of \$3,643,618 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	\$	3,643,618
State's proportionate share that is associated with District		<u>6,087,282</u>
Total	\$	<u>9,730,900</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0113953% which was an increase (decrease) of 0.0001082712% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$999,101 and revenue of \$464,314 for support provided by the State.

At August 31, 2018, 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: (The amounts below will be the cumulative layers from the current and prior years combined).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 53,308	\$ 196,496
Changes in actuarial assumptions	165,973	95,015
Difference between projected and actual investment earnings	--	265,539
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	700,409	38,262
Contributions paid to TRS subsequent to the measurement date	<u>367,329</u>	<u>--</u>
Total	<u>\$ 1,287,019</u>	<u>\$ 595,312</u>

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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 August 31	Pension Expense Amount
2019	\$ 49,820
2020	\$ 282,402
2021	\$ 31,947
2022	\$ (39,934)
2023	\$ (467)
Thereafter	\$ 610

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

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

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

3. Benefits Provided

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

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

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

Monthly TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

* or surviving spouse

4. Contributions

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

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

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions	\$ 113,653	
Current fiscal year Member contributions	\$ 79,909	
2017 measurement year NECE contributions	\$ 106,074	

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

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

5. Actuarial Assumptions

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

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 8,646,577	\$ 7,326,066	\$ 6,264,673

8. Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 6,099,682	\$ 7,326,066	\$ 8,935,237

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

At August 31, 2018, the District reported a liability of \$7,326,066 for its proportionate share of the TRS' net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 7,326,066
State's proportionate share that is associated with the District	8,872,374
Total	<u>\$ 16,198,440</u>

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0168468574%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

10. Changes Since the Prior Actuarial Valuation.

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

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(5,425,716) and revenue of \$(2,968,932) for support provided by the State.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 152,937
Changes in actuarial assumptions	--	2,911,570
Differences between projected and actual investment earnings	1,113	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	31	--
Contributions paid to TRS subsequent to the measurement date	113,653	
	<u>\$ 114,797</u>	<u>3,064,507</u>

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

Year ended August 31,	Amount
2019	\$ (404,213)
2020	\$ (404,213)
2021	\$ (404,213)
2022	\$ (404,213)
2023	\$ (404,492)
Thereafter	\$ (1,042,019)

J. Employee Health Care Coverage

During the year ended August 31, 2018, 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, 2018, 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, 2017, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

MEXIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

K. 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, except as noted below; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

For fiscal year 2017-18, TEA provided Mexia ISD \$165,277 for Bilingual Education based on prior year PEIMS student data. In Fall 2017, TEA's Financial Compliance Division informed administrators that TEA had disallowed effectively all expenditures charging teachers and aides to Bilingual Education under state law requiring proper coding of public school district employees (TEC 29; TAC 21; FASRG 1.1.1 et al.). Since teachers and aides represented 90% of Mexia ISD expenditures in this category, the District was unable to spend the required percentage of allotted funds in the current fiscal year. As of August 31, 2018, roughly \$69,000 of the TEA-required 52% of Bilingual Education expenditures remained unspent. The potential exists for TEA to require unspent funds to be repaid. However, TEA utilizes a three-year average of these expenditures, and that calculation determines any required repayment. To date, Mexia ISD has not been advised of any required repayment, and the District is fully committed to resolving its Bilingual Education spending pattern during fiscal year 2019.

The District has plans to spend the Capital Projects Fund Balance of \$4,069,715 on improvements during the year ending August 31, 2019.

2. Litigation

No reportable litigation was pending against the District at August 31, 2018.

L. 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	2018	2017
Unpaid (overpayment) claims at September 1	\$ 23,717	\$ 77,225
Claims incurred or reduced during the year	2,674	36,324
Payments of claims during the year	(8,867)	(89,832)
Unpaid claims at August 31	\$ 17,524	\$ 23,717

M. Accumulated Unpaid Vacation and Personal Leave Benefits

At August 31, 2018, 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, 2018 which are not recorded on the financial statements in the amount of \$722,086. These benefits are recorded as expenditures as used.

MEXIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

N. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled (\$12,846,213) which resulted in a restated beginning net position balance of \$(2,979,324).

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, 2018

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	REVENUES:				
5700	Local and Intermediate Sources	\$ 4,184,143	\$ 5,093,736	\$ 5,149,299	\$ 55,563
5800	State Program Revenues	11,117,410	11,984,246	12,081,756	97,510
5900	Federal Program Revenues	252,000	545,535	566,816	21,281
5020	Total Revenues	15,553,553	17,623,517	17,797,871	174,354
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	8,061,043	8,726,693	8,700,210	26,483
0012	Instructional Resources and Media Services	126,069	135,149	129,810	5,339
0013	Curriculum and Staff Development	40,000	33,796	28,205	5,591
	Total Instruction & Instr. Related Services	8,227,112	8,895,638	8,858,225	37,413
	Instructional and School Leadership:				
0021	Instructional Leadership	452,353	547,294	537,174	10,120
0023	School Leadership	1,072,588	1,194,520	1,192,943	1,577
	Total Instructional & School Leadership	1,524,941	1,741,814	1,730,117	11,697
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	608,277	656,748	615,479	41,269
0033	Health Services	165,917	164,988	163,083	1,905
0034	Student (Pupil) Transportation	585,426	698,758	693,313	5,445
0036	Cocurricular/Extracurricular Activities	662,974	1,005,808	997,572	8,236
	Total Support Services - Student (Pupil)	2,022,594	2,526,301	2,469,447	56,854
	Administrative Support Services:				
0041	General Administration	940,443	1,145,543	1,125,419	20,124
	Total Administrative Support Services	940,443	1,145,543	1,125,419	20,124
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	2,368,041	2,412,998	2,344,977	68,021
0052	Security and Monitoring Services	148,753	159,313	146,276	13,037
0053	Data Processing Services	278,669	362,859	362,519	340
	Total Support Services - Nonstudent Based	2,795,463	2,935,170	2,853,772	81,398
	Debt Service:				
0071	Principal on Long-Term Debt	--	110,433	110,415	18
0072	Interest on Long-Term Debt	--	25,221	25,213	8
	Total Debt Service	--	135,654	135,628	26
	Capital Outlay:				
0081	Capital Outlay	--	1,000,000	1,000,000	--
	Total Capital Outlay	--	1,000,000	1,000,000	--
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	43,000	33,496	33,496	--
	Total Intergovernmental Charges	43,000	33,496	33,496	--
6030	Total Expenditures	15,553,553	18,413,616	18,206,104	207,512
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(790,099)	(408,233)	381,866
	Other Financing Sources (Uses):				
7949	Other Resources	--	25,000	--	(25,000)
8911	Transfers Out	--	(235,000)	(235,000)	--
7080	Total Other Financing Sources and (Uses)	--	(210,000)	(235,000)	(25,000)
1200	Net Change in Fund Balance	--	(1,000,099)	(643,233)	356,866
0100	Fund Balance - Beginning	6,023,491	6,023,491	6,023,491	--
3000	Fund Balance - Ending	\$ 6,023,491	\$ 5,023,392	\$ 5,380,258	\$ 356,866

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 **

	Measurement Year Ended									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.011%	0.011%	0.012%	0.008%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 3,643,618	\$ 4,265,218	\$ 4,251,773	\$ 2,028,249	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	6,087,282	7,275,489	6,868,460	6,812,451	--	--	--	--	--	--
Total	\$ 9,730,900	\$ 11,540,707	\$ 11,120,233	\$ 8,840,700	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 11,837,064	\$ 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	30.78%	36.67%	37.84%	18.37%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	82.17%	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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 371,932	\$ 373,473	\$ 342,376	\$ 185,927	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(371,932)	(373,473)	(342,376)	(185,927)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 12,294,031	\$ 11,837,064	\$ 11,631,118	\$ 11,234,744	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.03%	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

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM ACTIVE CARE
LAST TEN FISCAL YEARS **

	Measurement Year Ended									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective net OPEB liability	0.017%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 7,326,066	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 8,872,374	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	\$ 16,198,440	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 11,837,064	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	61.89%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--	--	--	--	--	--

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

MEXIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM ACTIVE CARE
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily or contractually required District contribution	\$ 115,443	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	115,443	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 12,294,031	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.94%	--	--	--	--	--	--	--	--	--

* 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, 2018

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 no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Defined Benefit OPEB Plan

Changes of benefit terms

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

Changes of assumptions

There were changes of assumptions or other inputs that affected measurement of the total OPEB 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, 2018**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 25,000	\$ 94,074	\$ 69,074
5020	Total Revenues	25,000	94,074	69,074
	EXPENDITURES:			
	Capital Outlay:			
0081	<i>Capital Outlay</i>	6,923,002	4,309,842	2,613,160
	Total Capital Outlay	6,923,002	4,309,842	2,613,160
6030	Total Expenditures	6,923,002	4,309,842	2,613,160
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(6,898,002)	(4,215,768)	2,682,234
1200	Net Change in Fund Balance	(6,898,002)	(4,215,768)	2,682,234
0100	Fund Balance - Beginning	8,285,483	8,285,483	--
3000	Fund Balance - Ending	\$ 1,387,481	\$ 4,069,715	\$ 2,682,234

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, 2018*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.04		.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		1.04		.1636		406,257,737
2018 (School Year Under Audit)		1.17		.0336		416,064,904
1000 Totals						

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 151,139	\$ --	\$ 11,631	\$ 338	\$ (2,104)	\$ 137,066
27,320	--	918	50	(238)	26,114
30,442	--	831	45	(238)	29,328
46,155	--	1,876	102	(238)	43,939
43,832	--	2,718	214	(40)	40,860
54,277	--	5,062	349	(228)	48,638
66,003	--	7,465	514	(140)	57,884
87,612	--	18,038	2,508	533	67,599
180,247	--	68,773	10,820	(1,087)	99,567
--	5,007,882	4,684,126	134,639	--	189,117
<u>\$ 687,027</u>	<u>\$ 5,007,882</u>	<u>\$ 4,801,438</u>	<u>\$ 149,579</u>	<u>\$ (3,780)</u>	<u>\$ 740,112</u>

MEXIA INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2018

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2018 (Exhibit C-1 object 3000 for the General Fund only)	\$ 5,380,258
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)	--
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	3,050,000
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)	3,050,000
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 2,330,258

Above amount to be used for future improvements.

MEXIA INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-3

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 247,992	\$ 252,951	\$ 4,959
5800	<i>State Program Revenues</i>	5,795	5,795	--
5900	<i>Federal Program Revenues</i>	1,113,203	1,165,992	52,789
5020	Total Revenues	<u>1,366,990</u>	<u>1,424,738</u>	<u>57,747</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	<i>Food Services</i>	<u>1,361,224</u>	<u>1,360,898</u>	<u>326</u>
	Total Support Services - Student (Pupil)	<u>1,361,224</u>	<u>1,360,898</u>	<u>326</u>
6030	Total Expenditures	<u>1,361,224</u>	<u>1,360,898</u>	<u>326</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>5,767</u>	<u>63,840</u>	<u>58,073</u>
1200	Net Change in Fund Balance	<u>5,767</u>	<u>63,840</u>	<u>58,073</u>
0100	Fund Balance - Beginning	<u>40,550</u>	<u>40,550</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 46,317</u>	<u>\$ 104,390</u>	<u>\$ 58,073</u>

MEXIA INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-4

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 155,058	\$ 160,799	\$ 5,741
5800	State Program Revenues	274,500	252,797	(21,703)
5020	Total Revenues	429,558	413,596	(15,962)
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	95,001	95,001	--
0072	Interest on Long-Term Debt	973,162	973,162	--
0073	Bond Issuance Costs and Fees	1,635	1,635	--
	Total Debt Service	1,069,798	1,069,798	--
6030	Total Expenditures	1,069,798	1,069,798	--
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(640,240)	(656,202)	(15,962)
Other Financing Sources (Uses):				
7915	Transfers In	235,000	235,000	--
7080	Total Other Financing Sources and (Uses)	235,000	235,000	--
1200	Net Change in Fund Balance	(405,240)	(421,202)	(15,962)
0100	Fund Balance - Beginning	418,113	418,113	--
3000	Fund Balance - Ending	\$ 12,873	\$ (3,089)	\$ (15,962)

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, 2018, 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 17, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
December 17, 2018

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, 2018. 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, 2018.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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 17, 2018

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

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

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? Yes X 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>
84.027	IDEA-B Formula
84.173	IDEA-B Preschool

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

None Noted

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, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
The District exceeded its budget in one functional area	Corrected	

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

None noted so none required.

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

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipient	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	147-903	\$ --	\$ 379,334
National School Lunch Program	10.555	147-903	--	681,944
National School Lunch Program (Non-cash)	10.555	147-903	--	109,946
Total CFDA Number 10.555			--	791,890
Total Passed Through State Department of Education			--	1,171,224
Total U. S. Department of Agriculture			--	1,171,224
Total Child Nutrition Cluster			--	1,171,224
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Formula	84.027	8660001147903	--	26,607
IDEA-B Discretionary	84.027	8660001147903	--	10,000
IDEA-B Formula	84.027	8660001147903	--	34,613
IDEA-B Formula	84.027	8660001147903	--	667,974
Total CFDA Number 84.027			--	739,194
IDEA-B Preschool	84.173	8661001147903	--	22,452
Total CFDA Number 84.173			--	22,452
Total Passed Through State Department of Education			--	761,646
Total U. S. Department of Education			--	761,646
Total Special Education (IDEA) Cluster			--	761,646
OTHER PROGRAMS:				

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

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipient	Federal Expenditures
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	8610101147903	\$ --	\$ 39,792
ESEA Title I Part A - Improving Basic Programs	84.010a	8610101147903	--	610,415
Total CFDA Number 84.010a			--	650,207
Impact Aid - P.L. 81.874	84.041	147-903	--	15,017
Career and Technical - Basic Grant	84.048	1842000614790	--	26,942
Title IV Part B 21st Century Community Learning Centers	84.287	1869501971100	--	254,213
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	1869600114790	--	32,285
Title III Part A English Language Acquisition and Language Enhance	84.365	1867100114790	--	46,959
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	1869450114790	--	103,942
Title IV Part A Subpart 1-Student Support and Academic Enrichment	84.424a	18860101147903	--	13,774
Total Passed Through State Department of Education			--	1,143,339
Total U. S. Department of Education			--	1,143,339
TOTAL EXPENDITURES OF FEDERAL AWARDS			--	3,076,209
		SHARS Medical Assistance Program		525,191
Exhibit C-2			\$	3,601,400

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, 2018

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, 2018*

<u>Data Control 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?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 412,800
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 3,643,618
SF13	Net OPEB Liabilities (object 2545) at fiscal year-end.	\$ 7,326,066