

MEDINA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2012

MEDINA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2012

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF THE BOARD	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-11
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Assets	12
B-1 Statement of Activities	13
Governmental Fund Financial Statements:	
C-1 Balance Sheet	14
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	16
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Assets	18
E-2 Statement of Changes in Fiduciary Fund Net Assets	19
Notes to Financial Statements	20-32
<u>Required Supplementary Information</u>	
G-1 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	33
<u>Combining and Other Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	34-35
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Agency Fund:	36-37
H-3 Statement of Changes in Assets and Liabilities	38
<u>T.E.A. Required Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	39-40
J-2 Fund Balance and Cash Flow Calculation Worksheet	41
J-3 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program	42

TABLE OF CONTENTS (CONTINUED)

<u>Exhibit</u>	<u>Page</u>
<u>Reports on Internal Control, Compliance and Federal Awards</u>	
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>Governmental Auditing Standards</i>	43-44
Schedule of Findings and Questioned Costs	45
Summary Schedule of Prior Audit Findings	46
Corrective Action Plan	47
K-1 Schedule of Expenditures of Federal Awards	48
Notes on Accounting Policies for Federal Awards	49
L-1 Schools First Questionnaire	

CERTIFICATE OF BOARD

Medina Independent School District
Name of School District

Bandera
County

010901
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, 2012 at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2012.

Andy Lautzenheiser
Signature of Board Secretary

Terri Rose
Signature of Board President

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

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

400 E. ND PAL ST.
UVALDE, TEXAS 78801-5305

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
JAMES C. GRUENWALD, CPA
DEREK L. WALKER, CPA

830-278-6276
FAX 830-278-6868
chc@colemanhortoncpa.com

Independent Auditor's Report

Board of Trustees
Medina Independent School District
P.O. Box 1470
Medina, Texas 78805-1470

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Independent School District (the District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Independent School District as of August 31, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 33 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medina Independent School District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. Except for Exhibit J-2 (Fund Balance and Cash Flow Calculation Worksheet) which is marked **UNAUDITED** and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Coleman, Horton + Company, LLP

Certified Public Accountants
November 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of Medina Independent School District (the District) is presented in six sections, management's discussion and analysis (this part), basic financial statements, required supplementary information, combining and other statements, T.E.A. required schedules and the federal section. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending August 31, 2012. Please read it in conjunction with the District's financial section, which follows.

Overview of the Basic Financial Statements

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

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

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

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 nonfinancial 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.
- * 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 two kinds of funds:

- * *Governmental funds*-Most of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.
- * *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that because of a trust agreement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net 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 Highlights

- * The District’s combined net assets were \$4,435,583 at August 31, 2012, a decrease of \$227,106.
- * During the year, the District’s revenue was \$3,853,052 as reflected below:

		<u>Governmental Activities</u>	
		<u>Current Year</u>	<u>Prior Year</u>
a)	Taxes	\$2,103,781	\$1,962,944
b)	State Aid	1,298,160	1,509,611
c)	Federal Aid	317,027	384,678
d)	Investment Earnings	7,936	12,164
e)	Other	<u>126,148</u>	<u>253,642</u>
	Total	<u>\$3,853,052</u>	<u>\$4,123,039</u>

* During the year, the District's expenses were \$4,080,158 as reflected below:

		<u>Governmental Activities</u>	
		<u>Current Year</u>	<u>Prior Year</u>
a)	Instruction	\$2,144,536	\$2,375,470
b)	Instructional resources & media services	62,292	77,127
c)	Curriculum and staff development	5,283	4,352
d)	School leadership	249,449	286,586
e)	Guidance, counseling & evaluation services	94,809	118,500
f)	Health services	31,705	52,700
g)	Student (pupil) transportation	206,530	202,851
h)	Food services	169,546	180,722
i)	Extracurricular activities	244,339	222,344
j)	General administration	324,811	346,984
k)	Plant maintenance and operations	487,035	461,774
l)	Data processing services	<u>59,823</u>	<u>61,149</u>
	Total Expenses	<u>\$4,080,158</u>	<u>\$4,390,559</u>

* The general fund reported a fund balance this year of \$1,822,520, a decrease of \$11,908 from the prior year.

* The capital projects fund reported a fund balance of \$570,369, an increase of \$1,121 from the prior year.

* The general fund transferred \$51,009 to the food service fund for the year.

* The District's combined net assets were \$4,435,583 at August 31, 2012, as reflected below:

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Current and other assets	\$2,730,275	\$3,345,568
Capital and non-current assets	<u>1,983,607</u>	<u>2,145,373</u>
Total Assets	<u>\$4,713,882</u>	<u>\$5,490,941</u>
Current liabilities	\$ 278,299	\$ 828,252
Long term liabilities	-	-
Total Liabilities	<u>\$ 278,299</u>	<u>\$ 828,252</u>
Net assets:		
Invested in capital assets net of related debt	\$1,983,607	\$2,145,373
Restricted	570,369	569,248
Unrestricted	<u>1,881,607</u>	<u>1,948,068</u>
Total Net Assets	<u>\$4,435,583</u>	<u>\$4,662,689</u>

* Property tax rates did not change for the past year. The tax value increased during the past year by \$8,737,200. The tax levy increased by \$90,867.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$7,932 below final budget amounts. The most significant positive variance resulted from staffing and budget efficiencies. Also, resources available were \$27,116 above the final budgeted amount.

- * Local revenue sources were more than expected.
- * State revenue was significantly less than expected.

Capital Assets and Debt Administration

Capital Assets

Capital assets for the District at the end of the fiscal year August 31, 2012 amounted to \$1,983,607. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and capital lease items as reflected below:

	District's Capital Assets	
	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Land	\$ 219,041	\$ 219,041
Buildings and improvements	5,505,378	5,505,378
Equipment	<u>960,475</u>	<u>960,475</u>
Totals at historical cost	6,684,894	6,684,894
Total accumulated depreciation	<u>(4,701,287)</u>	<u>(4,539,521)</u>
Net capital assets	<u><u>\$1,983,607</u></u>	<u><u>\$2,145,373</u></u>

Contacting the District's Financial Management

This financial report is designed for customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services department.

BASIC FINANCIAL STATEMENTS

MEDINA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 298,416
1120 Current Investments	2,313,178
1220 Property Taxes Receivable (Delinquent)	55,753
1230 Allowance for Uncollectible Taxes	(10,036)
1240 Due from Other Governments	72,964
Capital Assets:	
1510 Land	219,041
1520 Buildings, Net	1,593,492
1530 Furniture and Equipment, Net	171,074
1000 Total Assets	4,713,882
LIABILITIES	
2110 Accounts Payable	23,979
2160 Accrued Wages Payable	140,358
2177 Due to Fiduciary Funds	406
2200 Accrued Expenses	2,891
2300 Deferred Revenues	110,665
2000 Total Liabilities	278,299
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	1,983,607
3860 Restricted for Capital Projects	570,369
3900 Unrestricted Net Assets	1,881,607
3000 Total Net Assets	\$ 4,435,583

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

MEDINA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 2,144,536	\$ 12,499	\$ 316,195	\$ (1,815,842)
12 Instructional Resources and Media Services	62,292	-	24,201	(38,091)
13 Curriculum and Staff Development	5,283	-	-	(5,283)
23 School Leadership	249,449	-	16,338	(233,111)
31 Guidance, Counseling and Evaluation Services	94,809	-	43,454	(51,355)
33 Health Services	31,705	-	15,938	(15,767)
34 Student (Pupil) Transportation	206,530	-	-	(206,530)
35 Food Services	169,546	30,857	87,680	(51,009)
36 Extracurricular Activities	244,339	27,631	-	(216,708)
41 General Administration	324,811	-	-	(324,811)
51 Facilities Maintenance and Operations	487,035	-	-	(487,035)
53 Data Processing Services	59,823	-	-	(59,823)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 4,080,158	\$ 70,987	\$ 503,806	(3,505,365)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		2,103,781
SF	State Aid - Formula Grants		1,110,981
GC	Grants and Contributions not Restricted		400
IE	Investment Earnings		7,936
MI	Miscellaneous Local and Intermediate Revenue		55,161
TR	Total General Revenues		3,278,259
CN	Change in Net Assets		(227,106)
NB	Net Assets--Beginning		4,662,689
NE	Net Assets--Ending		\$ 4,435,583

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

MEDINA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 250,680	\$ 14,509	\$ 33,227	\$ 298,416
1120 Investments - Current	1,757,318	555,860	-	2,313,178
1220 Property Taxes - Delinquent	55,753	-	-	55,753
1230 Allowance for Uncollectible Taxes (Credit)	(10,036)	-	-	(10,036)
1240 Receivables from Other Governments	71,546	-	1,418	72,964
1260 Due from Other Funds	22,635	-	1,360	23,995
1000 Total Assets	<u>\$ 2,147,896</u>	<u>\$ 570,369</u>	<u>\$ 36,005</u>	<u>\$ 2,754,270</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 23,979	\$ -	\$ -	\$ 23,979
2160 Accrued Wages Payable	140,358	-	-	140,358
2170 Due to Other Funds	1,766	-	22,635	24,401
2200 Accrued Expenditures	2,891	-	-	2,891
2300 Deferred Revenues	156,382	-	-	156,382
2000 Total Liabilities	<u>325,376</u>	<u>-</u>	<u>22,635</u>	<u>348,011</u>
Fund Balances:				
Restricted Fund Balance:				
3470 Capital Acquisition	-	570,369	-	570,369
Committed Fund Balance:				
3510 Construction	1,200,000	-	-	1,200,000
3530 Capital Expenditures for Equipment	250,000	-	-	250,000
3600 Unassigned Fund Balance	372,520	-	13,370	385,890
3000 Total Fund Balances	<u>1,822,520</u>	<u>570,369</u>	<u>13,370</u>	<u>2,406,259</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,147,896</u>	<u>\$ 570,369</u>	<u>\$ 36,005</u>	<u>\$ 2,754,270</u>

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

MEDINA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2012

Total Fund Balances - Governmental Funds	\$	2,406,259
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$6,684,894 and the accumulated depreciation was \$(4,539,521). The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net assets.		2,145,373
2 The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(161,766)
3 Other recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred tax revenue as revenue. The net effect of this recognition is to increase net assets.		45,717
19 Net Assets of Governmental Activities	<u>\$</u>	<u>4,435,583</u>

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

MEDINA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,206,259	\$ 1,121	\$ 47,975	\$ 2,255,355
5800 State Program Revenues	1,297,174	-	986	1,298,160
5900 Federal Program Revenues	-	-	317,027	317,027
5020 Total Revenues	<u>3,503,433</u>	<u>1,121</u>	<u>365,988</u>	<u>3,870,542</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,935,596	-	130,604	2,066,200
0012 Instructional Resources and Media Services	35,153	-	24,201	59,354
0013 Curriculum and Instructional Staff Development	4,968	-	-	4,968
0023 School Leadership	221,898	-	16,338	238,236
0031 Guidance, Counseling and Evaluation Services	45,856	-	43,454	89,310
0033 Health Services	14,160	-	15,938	30,098
0034 Student (Pupil) Transportation	176,529	-	-	176,529
0035 Food Services	-	-	169,546	169,546
0036 Extracurricular Activities	185,506	-	53,979	239,485
0041 General Administration	313,842	-	-	313,842
0051 Facilities Maintenance and Operations	471,001	-	-	471,001
0053 Data Processing Services	59,823	-	-	59,823
6030 Total Expenditures	<u>3,464,332</u>	<u>-</u>	<u>454,060</u>	<u>3,918,392</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>39,101</u>	<u>1,121</u>	<u>(88,072)</u>	<u>(47,850)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	51,009	51,009
8911 Transfers Out (Use)	(51,009)	-	-	(51,009)
7080 Total Other Financing Sources (Uses)	<u>(51,009)</u>	<u>-</u>	<u>51,009</u>	<u>-</u>
1200 Net Change in Fund Balances	(11,908)	1,121	(37,063)	(47,850)
0100 Fund Balance - September 1 (Beginning)	<u>1,834,428</u>	<u>569,248</u>	<u>50,433</u>	<u>2,454,109</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,822,520</u>	<u>\$ 570,369</u>	<u>\$ 13,370</u>	<u>\$ 2,406,259</u>

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

MEDINA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	(47,850)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(161,766)
Other recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred tax revenue. The net effect of this recognition is to decrease net assets.		(17,490)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(227,106)</u>

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

MEDINA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2012

	836-849 Investment Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ (9,109)	\$ 5,715
Investments - Current	86,875	-
Due from Other Funds	20,711	-
Total Assets	<u>98,477</u>	<u>\$ 5,715</u>
LIABILITIES		
Due to Other Funds	20,305	\$ -
Due to Student Groups	-	5,715
Total Liabilities	<u>20,305</u>	<u>\$ 5,715</u>
NET ASSETS		
Unrestricted Net Assets	<u>78,172</u>	
Total Net Assets	<u>\$ 78,172</u>	

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

MEDINA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

	836-849 Investment Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 220
Total Additions	220
DEDUCTIONS:	
Other Operating Costs	655
Total Deductions	655
Change in Net Assets	(435)
Total Net Assets - September 1 (Beginning)	78,607
Total Net Assets - August 31 (Ending)	\$ 78,172

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

**MEDINA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Medina Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types:

Governmental Funds:

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

Fiduciary Funds:

2. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.
3. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

E. FUND BALANCE POLICY

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

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

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

The Board has delegated the responsibility to assign funds to the Superintendent or his/her designee.

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

Restricted

Capital acquisition	<u>\$ 570,369</u>
Total restricted	<u>570,369</u>

Committed

Construction	1,200,000
Capital expenditures for equipment	<u>250,000</u>
Total committed	<u>1,450,000</u>

Unassigned 385,890

Total Fund Balances \$2,406,259

F. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments in money market accounts and investment pools, at cost.
3. Deferred revenue accounted for on the balance sheet of the general fund relates to uncollected property taxes less the amount of doubtful accounts and the remainder, if any, relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from the Texas Association of School Boards Property/Casualty Modified Self-Funded Plan. Risk of loss is not retained by the District.
5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
7. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government.

8. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	15
Vehicles and equipment	5-7

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” for the General Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the Food Service Fund budget report is in Exhibit J-3. As noted on Exhibit G-1, the general fund has three expenditure functions over budget for a total of \$200,327.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

<u>August 31, 2012</u>	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ -
Nonappropriated Budget Funds	<u>13,370</u>
All Special Revenue Funds	<u>\$ 13,370</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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

Foreign Currency Risk The District has no foreign currency risk for deposits or investments.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Medina Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2012, Medina Independent School District had the following investments:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Lonestar Investment Pool	<u>\$2,313,178</u>	<u>\$2,313,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	AAAm+ AAAf/S1+
Total	<u>\$2,313,178</u>	<u>\$2,313,178</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

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

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

Lone Star Investment Pool (the Pool): The Pool's liquidity fund operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940, which allows the fund to use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the District's position in the Pool is similar as the value of the Pool's shares and does not include any unrealized gains and losses.

The Pool is governed by an eleven member board of trustees (Board) made up of active participants in the Pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring performance of the Pool. Financial information for the Pool can be obtained by writing to Post Office Box 400, Austin, Texas, 78767-0400 or by calling 1-800-758-3927.

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

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in governmental obligations, certificates of deposit, and public funds investment pools.

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

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District utilizes governmental obligations, certificates of deposit and public investment pools.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are collected based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2012 consisted of the following amounts:

Due to General Fund From:

Intrafund	\$ -
Special Revenue Fund	<u>22,635</u>
Total Due to General Fund From Other Funds	<u>\$ 22,635</u>

Due to Nonmajor Governmental Funds From:

General Fund	<u>\$ 1,360</u>
Total Due to Nonmajor Governmental Funds	<u>\$ 1,360</u>

Due to Fiduciary Funds From:

Intrafund	\$ 20,305
General Fund	<u>406</u>
Total Due to Fiduciary Funds	<u>\$ 20,711</u>

Interfund balances are primarily for payroll clearing and the general business activities.

Transfers to Nonmajor Governmental Funds From:

General Fund	<u>\$ 51,009</u>
Total Transferred to Nonmajor Governmental Funds	<u>\$ 51,009</u>

Interfund transfers are in support of the food service fund.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2012 were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities					
General Fund	\$ 55,753	\$ 71,546	\$ 22,635	\$ -	\$ 149,934
Nonmajor Governmental Funds	<u>-</u>	<u>1,418</u>	<u>1,360</u>	<u>-</u>	<u>2,778</u>
Total - Governmental Activities	<u>\$ 55,753</u>	<u>\$ 72,964</u>	<u>\$ 23,995</u>	<u>\$ -0-</u>	<u>\$ 152,712</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 10,036</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,036</u>

Payables at August 31, 2012 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due To Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 23,979	\$ 143,249	\$ 1,766	\$ -	\$ -	\$ 168,994
Nonmajor Gov. Funds	<u>-</u>	<u>-</u>	<u>22,635</u>	<u>-</u>	<u>-</u>	<u>22,635</u>
Total - Gov. Activities	<u>\$ 23,979</u>	<u>\$ 143,249</u>	<u>\$ 24,401</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 191,629</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2012 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental activities:				
Land	\$ 219,041	\$ -	\$ -	\$ 219,041
Buildings and improvements	5,505,378	-	-	5,505,378
Equipment	<u>960,475</u>	<u>-</u>	<u>-</u>	<u>960,475</u>
Total at historical cost	<u>6,684,894</u>	<u>-0-</u>	<u>-0-</u>	<u>6,684,894</u>
Less accumulated depreciation				
Buildings and improvements	3,783,155	128,731	-	3,911,886
Equipment	<u>756,366</u>	<u>33,035</u>	<u>-</u>	<u>789,401</u>
Total accumulated depreciation	<u>4,539,521</u>	<u>161,766</u>	<u>-0-</u>	<u>4,701,287</u>
Governmental activities capital assets, net	<u>\$ 2,145,373</u>	<u>\$ (161,766)</u>	<u>\$ -0-</u>	<u>\$ 1,983,607</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 78,336
Instructional Resources & Media Services	2,938
Curriculum & Instructional Staff Development	315
School Leadership	11,213
Guidance, Counseling & Evaluation Services	5,499
Health Services	1,607
Student (Pupil) Transportation	30,001
Cocurricular/Extracurricular Activities	4,854
General Administration	10,969
Plant Maintenance and Operations	<u>16,034</u>
Total depreciation expense	<u>\$ 161,766</u>

G. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

Each district's local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Medina Independent School District provides two leave days above the state granted five days per year. Local leave is not vested, therefore, upon resignation, termination or nonrenewal of contract, accumulated personal leave is not paid.

H. DEFINED BENEFIT PENSION PLAN

Plan Description. The Medina Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2010, 2011 and 2012 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the Medina Independent School District's employees for the years ended August 31, 2010, 2011 and 2012 were \$203,238, \$169,837, and \$185,793, respectively. The Medina Independent School District paid additional state contributions for the years ended August 31, 2010, 2011 and 2012 in the amount of \$10,456, \$10,656, and \$9,799, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

I. MEDICARE PART D - ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf to Medina Independent School District for fiscal years 2010, 2011, and 2012 were \$7,305, \$6,643 and \$6,859, respectively.

J. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal year 2012. Historical data will be provided in future years.

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	.65%	\$ 17,130	1.0%	\$ 26,354	.55%	\$ 14,495

K. CONTINGENCIES

The District participates in numerous state and Federal 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, if any, refunds or any money received may be required and the collectability of any related receivable at August 31, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

L. GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District did not recognize in the General Fund any such revenues for the year ended August 31, 2012.

M. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 45,717	\$ -	\$ 45,717
State Entitlements	<u>110,665</u>	<u>-</u>	<u>110,665</u>
Total Deferred Revenue	<u>\$ 156,382</u>	<u>\$ -0-</u>	<u>\$ 156,382</u>

N. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 71,546	\$ -	\$ 71,546
Special Revenue	<u>-</u>	<u>1,418</u>	<u>1,418</u>
Total	<u>\$ 71,546</u>	<u>\$ 1,418</u>	<u>\$ 72,964</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$2,121,271	\$ -	\$ -	\$2,121,271
Penalties, Interest and Other Tax-related Income	28,895	-	-	28,895
Investment Income	6,815	-	1,121	7,936
Food Sales	-	30,857	-	30,857
Co-curricular Student Activities	36,880	17,118	-	53,998
Other	<u>12,398</u>	<u>-</u>	<u>-</u>	<u>12,398</u>
Total	<u>\$2,206,259</u>	<u>\$ 47,975</u>	<u>\$ 1,121</u>	<u>\$2,255,355</u>

REQUIRED SUPPLEMENTARY INFORMATION

MEDINA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,987,300	\$ 1,987,300	\$ 2,206,259	\$ 218,959
5800	State Program Revenues	1,489,017	1,489,017	1,297,174	(191,843)
5020	Total Revenues	3,476,317	3,476,317	3,503,433	27,116
EXPENDITURES:					
Current:					
0011	Instruction	1,980,656	1,980,656	1,935,596	45,060
0012	Instructional Resources and Media Services	68,732	68,732	35,153	33,579
0013	Curriculum and Instructional Staff Development	6,200	6,200	4,968	1,232
0023	School Leadership	259,674	259,674	221,898	37,776
0031	Guidance, Counseling and Evaluation Services	90,191	90,191	45,856	44,335
0033	Health Services	47,473	47,473	14,160	33,313
0034	Student (Pupil) Transportation	130,202	130,202	176,529	(46,327)
0036	Extracurricular Activities	134,278	134,278	185,506	(51,228)
0041	General Administration	318,462	318,462	313,842	4,620
0051	Facilities Maintenance and Operations	368,229	368,229	471,001	(102,772)
0053	Data Processing Services	60,667	60,667	59,823	844
Capital Outlay:					
0081	Facilities Acquisition and Construction	7,500	7,500	-	7,500
6030	Total Expenditures	3,472,264	3,472,264	3,464,332	7,932
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	4,053	4,053	39,101	35,048
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(4,000)	(4,000)	(51,009)	(47,009)
7080	Total Other Financing Sources (Uses)	(4,000)	(4,000)	(51,009)	(47,009)
1200	Net Change in Fund Balances	53	53	(11,908)	(11,961)
0100	Fund Balance - September 1 (Beginning)	1,834,428	1,834,428	1,834,428	-
3000	Fund Balance - August 31 (Ending)	\$ 1,834,481	\$ 1,834,481	\$ 1,822,520	\$ (11,961)

COMBINING AND OTHER STATEMENTS

MEDINA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	266 Title XIV ARRA State Stabilization
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ (1,418)	\$ -	\$ -
1240 Receivables from Other Governments	-	1,418	-	-
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2170 Due to Other Funds	\$ -	\$ -	\$ -	\$ -
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
3600 Unassigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

270 ESEA VI, Pt B Rural & Low Income	287 Education Jobs Fund	461 Campus Activity Funds	486 Medina Garden Patch	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 34,306	\$ 339	\$ 33,227
-	-	-	-	1,418
-	-	1,360	-	1,360
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,666</u>	<u>\$ 339</u>	<u>\$ 36,005</u>
\$ -	\$ -	\$ 22,635	\$ -	\$ 22,635
-	-	22,635	-	22,635
-	-	13,031	339	13,370
-	-	13,031	339	13,370
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,666</u>	<u>\$ 339</u>	<u>\$ 36,005</u>

MEDINA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	266 Title XIV ARRA State Stabilization
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 30,857	\$ -	\$ -
5800 State Program Revenues	-	986	-	-
5900 Federal Program Revenues	107,838	86,694	16,338	-
5020 Total Revenues	<u>107,838</u>	<u>118,537</u>	<u>16,338</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	107,838	-	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0023 School Leadership	-	-	16,338	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	169,546	-	-
0036 Extracurricular Activities	-	-	-	-
6030 Total Expenditures	<u>107,838</u>	<u>169,546</u>	<u>16,338</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(51,009)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	51,009	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>51,009</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

270 ESEA VI, Pt B Rural & Low Income	287 Eucation Jobs Fund	461 Campus Activity Funds	486 Medina Garden Patch	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 17,118	\$ -	\$ 47,975
-	-	-	-	986
22,564	83,593	-	-	317,027
22,564	83,593	17,118	-	365,988
22,564	-	-	202	130,604
-	24,201	-	-	24,201
-	-	-	-	16,338
-	43,454	-	-	43,454
-	15,938	-	-	15,938
-	-	-	-	169,546
-	-	53,979	-	53,979
22,564	83,593	53,979	202	454,060
-	-	(36,861)	(202)	(88,072)
-	-	-	-	51,009
-	-	-	-	51,009
-	-	(36,861)	(202)	(37,063)
-	-	49,892	541	50,433
\$ -	\$ -	\$ 13,031	\$ 339	\$ 13,370

MEDINA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2012

	BALANCE SEPTEMBER 1 2011	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2012
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ (6,663)	\$ 47,740	\$ 35,362	\$ 5,715
Liabilities:				
Due to Student Groups	\$ (6,663)	\$ 47,740	\$ 35,362	\$ 5,715
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ (6,663)	\$ 47,740	\$ 35,362	\$ 5,715
Liabilities:				
Due to Student Groups	\$ (6,663)	\$ 47,740	\$ 35,362	\$ 5,715

T.E.A. REQUIRED SCHEDULES

MEDINA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.330000	0.000000	111,843,355
2005	1.380000	0.000000	114,841,721
2006	1.380000	0.000000	122,290,518
2007	1.260000	0.000000	135,754,064
2008	0.960000	0.000000	153,215,750
2009	1.000000	0.000000	167,988,600
2010	1.000000	0.000000	179,160,700
2011	1.040000	0.000000	193,702,500
2012 (School year under audit)	1.040000	0.000000	202,439,700
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 3,364	\$ -	\$ -	\$ -	\$ 40	\$ 3,404
1,513	-	53	-	-	1,460
2,378	-	79	-	-	2,299
3,101	-	158	-	-	2,943
18,663	-	16,737	-	-	1,926
2,656	-	790	-	-	1,866
3,469	-	1,813	-	-	1,656
11,494	-	7,422	-	(155)	3,917
30,444	-	21,113	-	3,168	12,499
-	2,105,373	2,073,106	-	(8,484)	23,783
<u>\$ 77,082</u>	<u>\$ 2,105,373</u>	<u>\$ 2,121,271</u>	<u>\$ -</u>	<u>\$ (5,431)</u>	<u>\$ 55,753</u>

MEDINA INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUNDS AS OF AUGUST 31, 2012

EXHIBIT J-2

UNAUDITED

1	Total General Fund Balance as of 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 1,822,520
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ -	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	1,450,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - 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 month's average cash disbursements during the fiscal year.	660,000	
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	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>2,110,000</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ (287,480)</u></u>

MEDINA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 34,000	\$ 34,000	\$ 30,857	\$ (3,143)
5800 State Program Revenues	1,000	1,000	986	(14)
5900 Federal Program Revenues	82,000	82,000	86,694	4,694
5020 Total Revenues	<u>117,000</u>	<u>117,000</u>	<u>118,537</u>	<u>1,537</u>
EXPENDITURES:				
0035 Food Services	<u>194,700</u>	<u>194,700</u>	<u>169,546</u>	<u>25,154</u>
6030 Total Expenditures	<u>194,700</u>	<u>194,700</u>	<u>169,546</u>	<u>25,154</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,700)</u>	<u>(77,700)</u>	<u>(51,009)</u>	<u>26,691</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>4,000</u>	<u>4,000</u>	<u>51,009</u>	<u>47,009</u>
7080 Total Other Financing Sources (Uses)	<u>4,000</u>	<u>4,000</u>	<u>51,009</u>	<u>47,009</u>
1200 Net Change in Fund Balances	<u>(73,700)</u>	<u>(73,700)</u>	<u>-</u>	<u>73,700</u>
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ (73,700)</u>	<u>\$ (73,700)</u>	<u>\$ -</u>	<u>\$ 73,700</u>

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

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

400 E. NOPAL ST.
LIVELAND, TEXAS 78041-5305

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
JAMES C. GRUENWALD, CPA
DEREK L. WALKER, CPA

830-278-6276
FAX 830-278-6868
chc@colemanhortoncpa.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

Board of Trustees
Medina Independent School District
P.O. Box 1470
Medina, Texas 78805-1470

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina Independent School District (the District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements and we have issued our report thereon dated November 14, 2012. 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Medina Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Medina Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 accounts. 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*.

This report is intended solely for the information and use of the District's trustees, the audit committee, the administration, Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Coleman, Horton & Company, LLP

Certified Public Accountants
November 14, 2012

MEDINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

A. Financial Statement Findings

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

B. Federal Award Findings and Questioned Costs

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

MEDINA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

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

MEDINA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012

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

MEDINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Small, Rural School Achievement Program	84.358A	S358A111737	\$ 22,564
Total Direct Programs			\$ 22,564
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101010901	\$ 107,838
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501010901	16,338
Education Jobs Fund- ARRA	84.410	11550101010901	83,593
Total Passed Through State Department of Education			\$ 207,769
TOTAL DEPARTMENT OF EDUCATION			\$ 230,333
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	\$ 53,595
*National School Lunch Program - Cash Assistance	10.555	71301201	24,679
*National School Lunch Prog. - Non-Cash Assistance	10.555	010003A	8,420
Total CFDA Number 10.555			33,099
Total Child Nutrition Cluster			86,694
Total Passed Through the State Department of Agriculture			\$ 86,694
TOTAL DEPARTMENT OF AGRICULTURE			\$ 86,694
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ 317,027

*Clustered Programs

MEDINA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012

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

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

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Medina Independent School District fiscal year beginning September 1 2011, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

Medina Independent School District

Fiscal Year 2012

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	0