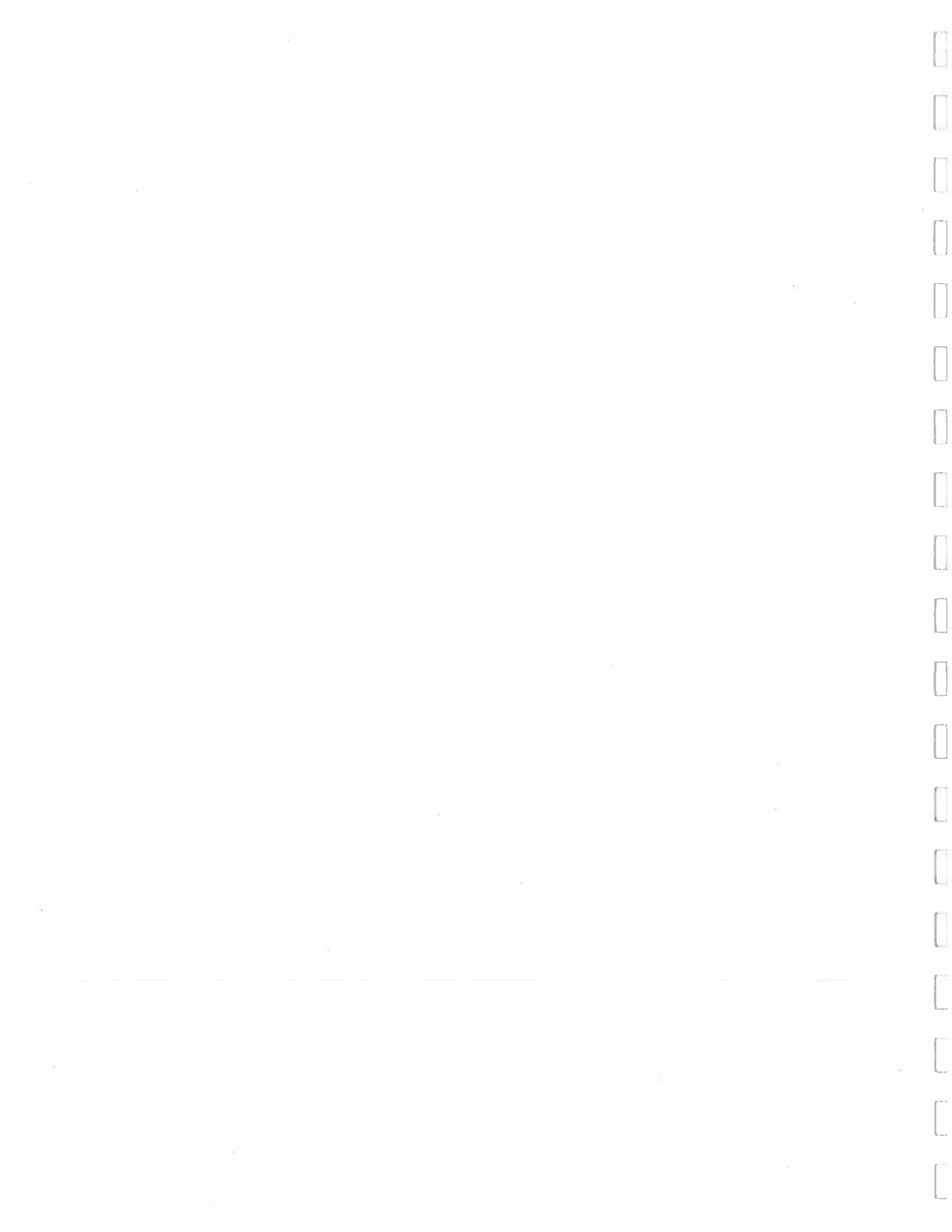


MENARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2018



MENARD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
for the Year Ended August 31, 2018

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CERTIFICATE OF BOARD

Menard Independent School District
Name of School District

Menard
County

164-901
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 24TH day of January, 2019.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is(are):

(attach list as necessary)

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EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

P. O. Box 219
Knippa, Texas 78870
Telephone (830) 934-2148
Fax (830) 934-2799
Email: edecpa@hotmail.com

UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

Board of Trustees
Menard Independent School District
P. O. Box 729
Menard, TX 76859

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 Menard Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Menard 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, the District adopted new accounting guidance, GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's proportionate share of the net pension liability, the schedule of District contributions to TRS, the schedule of District's proportionate share of the net OPEB liability, and the schedule of District contributions to TRS OPEB plan, as listed 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 Menard Independent School District's basic financial statements. The exhibits identified in the Table of Contents as J-1 and J-4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These 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. These exhibits have 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 them. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019, on our consideration of the Menard Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Menard Independent School District's internal control over financial reporting and compliance.


Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

January 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Menard 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 was \$2,544,112 at August 31, 2018.
- During the year, the District's expenses were \$850,997 less than the \$4,618.5 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$2,407.4.

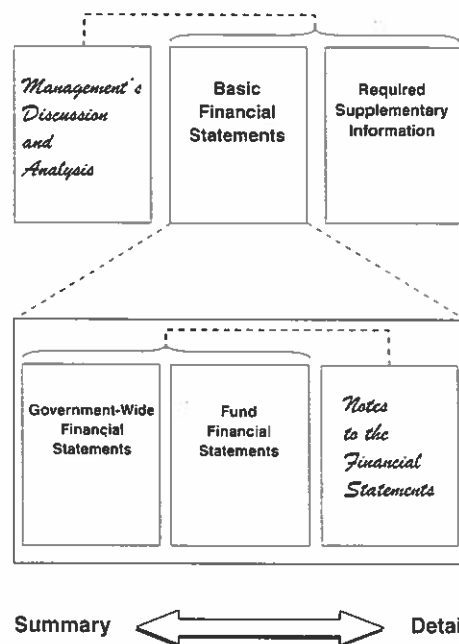
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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-1, Required Components of the District's Annual Financial Report



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 position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs 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 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 kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position were \$2,544.2 thousand at August 31, 2018. (See Table A-1).

Table A-1
Menard Independent School District's Net Position
(in thousands dollars)

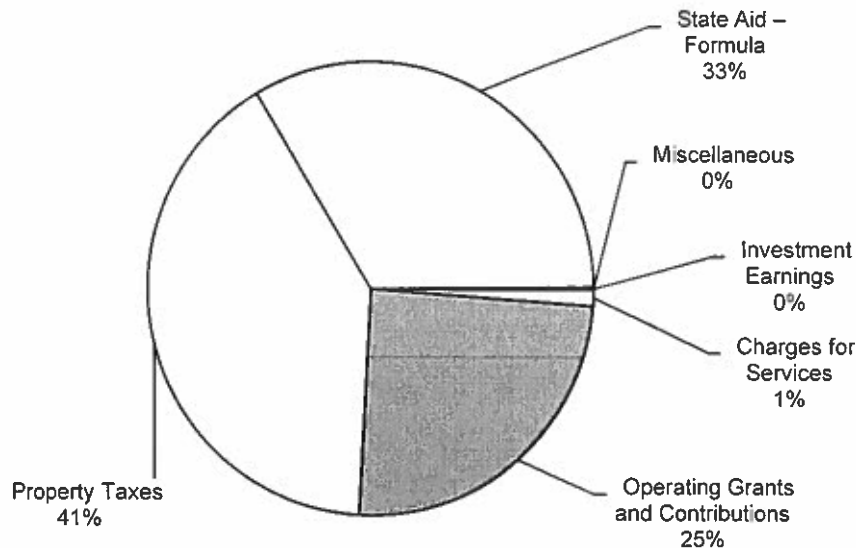
	Governmental Activities		Total Percentage Change 2018-2017
	2018	2017	
Current assets:			
Cash and cash equivalents	\$ 2,809.3	\$ 2,354.0	19.3%
Property taxes receivable	114.0	119.2	-4.4%
Allowance for uncollectible taxes	(3.4)	(3.6)	-5.6%
Due from other governments	370.4	353.7	4.7%
Accrued Interest	0.1	-	100.0%
Due from fiduciary fund	1.1	1.1	0.0%
Other receivables	-	-	0.0%
Total current assets	3,291.5	2,824.4	16.5%

Total noncurrent assets	3,084.0	3,219.9	-4.2%
Total Assets	6,375.5	6,044.3	5.5%
Deferred Outflows of Resources			
Deferred Outflow - Pensions	323.2	518.6	-37.7%
Deferred Outflow - OPEB	24.2	-	100.0%
Total Deferred Outflows of Resources	347.4	518.6	-33.0%
Current liabilities:			
Accounts payable	11.8	25.2	-53.2%
Payroll Deductions & Withholdings	2.4	2.3	4.3%
Accrued wages payable	150.5	131.3	14.6%
Due to other governments	599.7	576.6	4.0%
Accrued expenses	5.4	4.6	17.4%
Total current liabilities	769.8	740.0	4.0%
Long-term liabilities:			
Notes payable	245.5	290.0	-15.3%
Net Pension Liability	777.7	892.6	-12.9%
Net OPEB Liability	1,548.0	-	100.0%
Total Long-term liabilities	2,571.2	1,182.6	117.4%
Total Liabilities	3,341.0	1,922.6	73.8%
Deferred Inflows of Resources			
Deferred Inflow - Pensions	190.2	234.1	-18.8%
Deferred OPEB - Pensions	647.5	-	100.0%
Total Deferred Inflows of Resources	837.7	234.1	257.8%
Net Position:			
Invested in capital assets	2,838.5	2,929.9	-3.1%
Restricted for Federal and State Programs	(6.2)	1.7	-464.7%
Unrestricted	(288.1)	1,474.8	-119.5%
Total Net Position	\$ 2,544.2	\$ 4,406.4	-42.3%

Changes in net position. The District's total revenues were \$4,618.5 thousand. A significant portion, 41 percent, of the District's revenue comes from taxes. (See Figure A-3.) 33 percent comes from state aid – formula grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$3,767.4 thousand 35 percent of these costs are for instructional and student services.

Figure A-3 2018 Revenue Sources



Governmental Activities

- Property tax rates remained the same in 2017, and assessed values increased 12.7%, resulting in an increase of tax revenues from \$1,664.1 thousand to \$1,874.0 thousand.

Table A-2
Changes in Menard Independent School District's Net Position
(In thousands dollars)

	Governmental Activities		Percentage Change 2018 - 2017
	2018	2017	
Program Revenues:			
Charges for Services	\$ 54.6	\$ 49.5	10.3%
Operating Grants and Contributions	1,139.6	1,675.5	-32.0%
General Revenue			
Property Taxes	1,874.0	1,664.1	12.6%
State Aid - Formula	1,543.7	1,445.6	6.8%
Investment Earnings	3.7	2.3	60.9%
Other	2.9	38.0	-92.4%
Total Revenue	<u>4,618.5</u>	<u>4,875.0</u>	<u>-5.3%</u>
Instruction	1,245.5	1,689.7	-26.3%
Instructional Resources and Media Services	5.2	6.5	-20.0%
Curriculum and Instructional Staff Development	19.6	11.3	73.5%
Instructional Leadership	181.5	265.3	-31.6%
School Leadership	174.8	236.1	-26.0%
Guidance Counseling and Evaluation Services	734.1	943.9	-22.2%
Health Services	3.6	5.1	-29.4%
Student (Pupil) Transportation	124.1	151.4	-18.0%
Food Services	178.7	180.8	-1.2%
Cocurricular/Extracurricular Activities	201.2	229.9	-12.5%
General Administration	172.9	231.1	-25.2%
Plant Maintenance and Operations	491.6	542.8	-9.4%
Data Processing Service	75.0	99.6	-24.7%
Debt Service - Interest on Long Term Debt	0.7	0.8	-12.5%
Facilities Acquisition and Construction	-	-	0.0%
Payments to Fiscal Agent	61.7	104.5	-41.0%
Other Intergovernmental Charges	97.2	94.9	2.4%
Total Expense	<u>3,767.4</u>	<u>4,793.7</u>	<u>-21.4%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	<u>851.1</u>	<u>81.3</u>	<u>946.9%</u>
Increase (Decrease) in Net Position	<u>\$ 851.1</u>	<u>\$ 81.3</u>	<u>-946.9%</u>

Figure A-4 2018 Expenses by Function

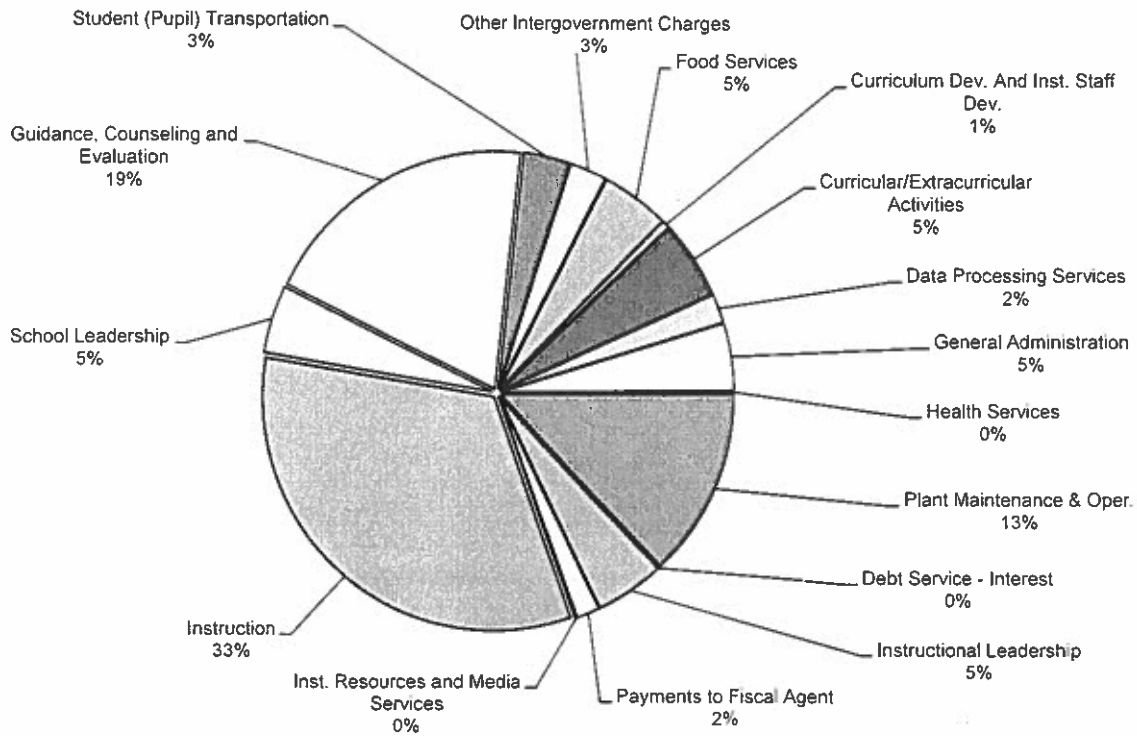


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$3,767.4 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,874.0 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$54.6 thousand, or
- By grants and contributions \$1,543.6 thousand.

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Costs of Services			Net Cost of Services		
	2018	2017	Percent Change	2018	2017	Percent Change
Instructional	\$ 1,245.5	\$ 1,689.7	-26.3%	\$ 1,158.9	\$ 1,370.6	-15.4%
Guidance Counseling	734.1	944.0	-22.2%	(105.8)	83.9	-226.1%
Payments to Fiscal Agent	61.7	104.5	-41.0%	72.7	44.5	63.4%
Plant Maintenance	491.6	542.8	-9.4%	507.6	525.6	-3.4%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$4,618.5 compared to \$4,875.0 thousand, in the prior year.

General Fund Budgetary Highlights

Over the course of the year, the District amended its budget as needed, with these adjustments, actual expenditures were \$303,771 below final budget amounts. Also, resources available were \$136,445 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$8,090.3 thousand in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a \$81.5 thousand increase (including additions and deductions) over last year.

Table A-4
District's Capital Assets
(in thousands of dollars)

	Governmental Activities		Percentage
	2018	2017	Change 2018-2017
Land	\$ 99.5	\$ 99.5	0.0%
Construction in Progress	-	-	0.0%
Building and Improvements	6,891.9	6,851.2	0.6%
Furniture & Equipment	1,098.9	1,058.1	3.9%
Totals at historical cost	8,090.3	8,008.8	1.0%
Total Accumulated Depreciation	(5,006.3)	(4,788.9)	4.5%
Net Capital Assets	\$ 3,084.0	\$ 3,219.9	-4.2%

Long Term Debt

At the end of the year the District had two long-term note payable, with a balances as of August 31, 2018 of \$245,549.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Tax rates remained the same in 2017 at \$1.04.
- Appraised values will decrease approximately 3.89%
- State funding is subject to legislative cuts.
- Average daily attendance is projected to remain constant.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for appropriation in the general fund budget are approximately \$3.3 million, with no major increase over the final 2018

Expenditures are budgeted remain constant at approximately \$3.3 million. The District continues to coordinate local funds with federal funds to optimize instructional programs.

If these estimates are realized, the District's budgetary general fund fund balance is expected to remain the same by the close of 2018

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

MENARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes	1	Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 2,809,295
1220	Property Taxes Receivable (Delinquent)	113,992
1230	Allowance for Uncollectible Taxes (Credit)	(3,420)
1240	Due from Other Governments	370,410
1250	Accrued Interest	145
1267	Due from Fiduciary Funds	1,114
Capital Assets:		
1510	Land	99,497
1520	Buildings (Net)	2,735,327
1530	Furniture & Fixtures (Net)	249,177
1000	Total Assets	<u>6,375,537</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflows - Pension	323,156
1706	Deferred Outflows - OPEB	24,208
1700	Total Deferred Outflow of Resources	<u>347,364</u>
LIABILITIES		
2110	Accounts Payable	11,762
2150	Payroll Deductions & Withholdings	2,377
2160	Accrued Wages Payable	150,493
2180	Due to Other Government	599,715
2200	Accrued Expenditures/Expenses	5,407
2300	Unearned Revenue	2
Noncurrent Liabilities		
2501	Due Within One Year	44,539
2502	Due in More Than One Year	201,010
2540	Net Pension Liability	777,732
2545	Net OPEB Liability (proportionate Share)	1,547,987
2000	Total Liabilities	<u>3,341,024</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflows - Pension	190,200
2545	Net OPEB Liability (proportionate Share)	647,525
1700	Total Deferred Inflow of Resources	<u>837,725</u>
NET POSITION		
3200	Invested in Capital Assets, Net of Related Debt Restricted for:	2,838,452
3820	Restricted for Federal and State Programs	(6,214)
3900	Unrestricted	<u>(288,086)</u>
3000	Total Net Position	<u>\$ 2,544,152</u>

The accompanying notes are an integral part of this statement.

MENARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 1,245,490	\$ 11,177	\$ 75,365	\$ (1,158,948)
12	Instructional Resources and Media Services	5,203	-	-	(5,203)
13	Curriculum and Staff Development	19,615	-	277	(19,338)
21	Instructional Leadership	181,548	-	207,220	25,672
23	School Leadership	174,814	-	(33,124)	(207,938)
31	Guidance Counseling and Evaluation Services	734,071	-	839,846	105,775
33	Health Services	3,634	-	(804)	(4,438)
34	Student (Pupil) Transportation	124,095	-	(9,801)	(133,896)
35	Food Services	178,699	22,204	123,288	(33,207)
36	Extracurricular Activities	201,191	21,213	(19,108)	(199,086)
41	General Administration	172,932	-	(31,529)	(204,461)
51	Facilities Maintenance and Operations	491,571	-	(16,023)	(507,594)
53	Data Processing Services	75,002	-	-	(75,002)
72	Debt Service - Interest on Long Term Debt	684	-	-	(684)
93	Payments to Fiscal Agent/Member Districts of SSA	61,726	-	(11,011)	(72,737)
99	Other Intergovernmental Charges	97,164	-	15,039	(82,125)
	TG Total governmental activities	<u>3,767,439</u>	<u>54,594</u>	<u>1,139,635</u>	<u>(2,573,210)</u>
Data Control Codes	General Revenues: Taxes:				
MT	Property Taxes, Levied for General Purposes				1,874,023
DT	Property Taxes, Levied for Debt Service				
SF	State Aid - Formula Grants				1,543,633
IE	Investment Earnings				3,686
MI	Miscellaneous Local and Intermediate Revenue				2,865
TR	Total General Revenues and Transfers				<u>3,424,207</u>
CN			Change in Net Position		850,997
NB	Net Position—Beginning				4,407,538
	Prior Period Adjustment				(2,714,383)
NE	Net Position—Ending				<u>\$ 2,544,152</u>

The accompanying notes are an integral part of this statement.

MENARD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	20 Special Revenue Funds
ASSETS		
1110	\$ 2,195,120	\$ 614,175
1220	113,992	-
1230	(3,420)	-
1240	228,711	141,699
1250	145	-
1260	87,836	-
1410	-	-
1000	<u>\$ 2,622,384</u>	<u>\$ 755,874</u>
LIABILITIES		
2110	\$ 8,395	\$ 3,367
2150	2,377	-
2160	91,770	58,723
2170	-	86,722
2180	-	599,715
2200	1,846	3,561
2300	-	-
2000	<u>104,388</u>	<u>752,088</u>
DEFERRED INFLOWS OF RESOURCES		
2601	110,574	-
2600	<u>110,574</u>	<u>-</u>
FUND BALANCE		
Restricted Fund Balance:		
3450	-	3,786
3470	-	-
3480	-	-
Assigned Fund Balance:		
3590	1,116,500	-
Unassigned Fund Balance:		
3600	1,290,922	-
3000	<u>2,407,422</u>	<u>3,786</u>
4000	<u>\$ 2,622,384</u>	<u>\$ 755,874</u>

The accompanying notes are an integral part of this statement.

98
 Total Governmental
 Funds

\$ 2,809,295
 113,992
 (3,420)
 370,410
 145
 87,836
 -
\$ 3,378,258

\$ 11,762
 2,377
 150,493
 86,722
 599,715
 5,407
 -
856,476

110,574
110,574

3,786
 -
 -

1,116,500
1,290,922
2,411,208
\$ 3,378,258

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

Total Fund Balances - Governmental Funds		\$ 2,411,208
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 \$8,008,769 and accumulate depreciation was \$4,788,884. In addition, long-term liabilities including notes payable that are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The long -term debt was \$289,977. The net effect of including the beginning balances for the capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	2,929,908
2	Current year capital outlays and long-term debt principal payments are expended in the fund financial statements, but the should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays, and debt principal payments was to decrease net position.	157,689
3	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$518,571, a Deferred Resource Inflow in the amount of \$234,052 and a net pension liability in the amount of \$892,556. The impact of this on Net Position is (608,037). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of \$36,739. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$644,776).	(644,776)
4	The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. Since this is the first year of implementation, a prior period adjustment had to be made in the amount of (\$2,171,304). The District's share of the TRS plan resulted in a net OPEB liability of \$1,547,987, a deferred resources outflow of \$24,208, and a defered inflow of \$647,525. This resulted in an decrease in net position of \$2,171,304.	(2,171,304)
5	The 2018 depreciation expense increased accumulate depreciation. The net effect on the current year's depreciation is to decrease net position.	(249,145)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	110,572
19	Net Position of Governmental Activities	<u><u>\$ 2,544,152</u></u>

The accompanying notes are an integral part of this statement.

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

Data	10	20
Control	General	Special Revenue
Codes	Fund	Funds
REVENUES:		
5700	\$ 2,003,238	\$ 454,977
5800	1,688,271	61,006
5900	-	1,044,461
5020	<u>3,691,509</u>	<u>1,560,444</u>
EXPENDITURES:		
Current:		
0011	\$ 1,492,974	231,901
0012	5,203	-
0013	19,371	378
0021	-	253,154
0023	247,217	-
0031	69,717	888,671
0033	5,118	-
0034	178,461	-
0035	-	207,164
0036	239,920	-
0041	253,793	-
0051	360,983	7,593
0053	98,857	4,401
Debt Service:		
0071	44,428	-
0072	684	-
Capital Outlay:		
0081	40,716	-
Intergovernmental:		
0093	46,687	15,039
0099	97,164	-
6030	<u>3,201,293</u>	<u>1,608,301</u>
1100	<u>490,216</u>	<u>(47,857)</u>
OTHER FINANCING SOURCES (USES):		
7915	-	50,000
7914	-	-
8911	(50,000)	-
7080	<u>(50,000)</u>	<u>50,000</u>
1200	440,216	2,143
0100	1,967,206	1,643
3000	<u>\$ 2,407,422</u>	<u>\$ 3,786</u>

The accompanying notes are an integral part of this statement.

98
 Total Governmental
Funds

\$ 2,458,215
 1,749,277
 1,044,461
5,251,953

1,724,875
 5,203
 19,749
 253,154
 247,217
 958,388
 5,118
 178,461
 207,164
 239,920
 253,793
 368,576
 103,258

44,428
 684

40,716

61,726
 97,164

4,809,594

442,359

50,000

-

(50,000)

-

442,359

1,968,849

\$ 2,411,208

MENARD INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ 442,359
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to decrease net position.	157,689
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect on the current year's depreciation is to decrease net position.	(249,145)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(6,246)
Current year changes due to GASB 68 decreased revenues in the amount of \$34,244 but also decreased expenditures in the amount of \$2,495. The net effect on the change in the ending net position was an increase in the amount of \$36,739.	(36,739)
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in a prior period adjustment in the amount of (\$2,171,304). The changes in the ending net position as a result of reporting the OPEB items was an increase in the change in net position in the amount of \$543,079.	543,079
Change in Net Position of Governmental Activities	<u>\$ 850,997</u>

The accompanying notes are an integral part of this statement.

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

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents	\$ 94,569
Receivable	-
Total Assets	<u>\$ 94,569</u>
LIABILITIES:	
Payroll Deductions	\$ 24,024
Accrued Wages Payable	-
Due to Other Funds	1,114
Due to Student Groups	69,431
Total Liabilities	<u>\$ 94,569</u>

The accompanying notes are an integral part of this statement.

**MENARD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Menard 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. Additionally, 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 Position and the Statement of Activities are government-wide financial statements. They report information on all of the Menard 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 net position of the District is segregated into three categories: to include net investment in capital assets, restrict net position and unrestricted net position.

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 school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from 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 from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the 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 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 expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. 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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

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. **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

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

Fiduciary Funds:

1. **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.

Fiduciary funds are reported in the fiduciary 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.

E. FUND BALANCES

In the fund financial statements, the District uses the following criteria when classifying fund balance amounts:

Nonspendable – amounts not available for appropriation or legally earmarked for a specific use. Examples include inventories and prepaid items.

Restricted – amounts that have been legally separated for a specific purpose: such as, grants and long-term debt.

Committed – amounts that require Board action to be used for a specific purpose: such as, certain amounts for construction and capital acquisition. Formal action to commit funds must occur prior to fiscal year end and can only be modified or removed by the same formal action.

Assigned – amounts that do not require Board approval but are intended to be used for a specific purpose, as determined by an official or body to which the Board has delegated authority: such as, the Superintendent. These amounts do not meet the criteria to be classified as restricted or committed.

Unassigned – residual amount in the general fund that is available to finance operating expenditures. In other funds this classification is used only to report a deficit balance resulting from over spending for specific purposes for which amounts had been restricted, committed, or assigned.

Spending Order – Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when an expenditure is incurred for the respective purpose. If an expenditure is incurred that meets the criteria in more than one fund balance category, then the District considers that the fund balance is relieved in the following order: restricted, committed, assigned, and then unassigned.

F. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments in bank Certificates of Deposit and Local Government Investment Cooperative at cost, which approximates fair value.
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 relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the district.

5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. 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 District.
7. 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 assets are recorded at estimated fair market value at the date of donation.

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

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40
Building Improvements	20
Vehicles	5
Furniture and Equipment	5

8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
9. Other Post Employment Benefits – The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.
10. 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.

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 Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other reports are in Exhibit J-4.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose 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.

II. 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 limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

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. Menard Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2018, Menard Independent School District had the following investments which are reported as cash and cash equivalents on the balance sheet.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> (in years)	<u>Credit Rating</u>
		<u>Less Than 1</u>	
Certificates of Deposit	\$ 1,758,870	\$ 1,758,870	
	<u>\$ 1,758,870</u>	<u>\$ 1,758,870</u>	

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

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to depository bank certificates of deposits and state sponsored 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. All of the securities are in the District's name and held by the District or its 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 investments in both depository bank certificates of deposits and state sponsored 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.

Foreign Currency Risk for investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General 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 RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2018 and Interfund transfers for the year ended August 31, 2018 consisted of the following individual fund balances:

Interfund Balance	<u>From Other Funds</u>	<u>To Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 86.722	-
Trust and Agency Fund	1.114	
Total General Fund	<u>87.836</u>	<u>-</u>
Special Revenue Fund:		
General Fund	<u>-</u>	86.722
Total Special Revenue Fund:	<u>-</u>	<u>86.722</u>
Trust and Agency Fund:		
General Fund	<u>-</u>	1.114
Total Trust and Agency Fund	<u>-</u>	<u>1.114</u>
Total Interfund Balances	<u><u>\$ 87.836</u></u>	<u><u>\$ 87.836</u></u>
Interfund Transfers		
General Fund:		
Special Revenue Fund	<u>\$ -</u>	<u>\$ 50.000</u>
Total General Fund	<u>-</u>	<u>50.000</u>
Special Revenue Fund:		
General Fund	<u>50.000</u>	<u>-</u>
Total Special Revenue Fund	<u>50.000</u>	<u>-</u>
TOTAL	<u><u>\$ 50.000</u></u>	<u><u>\$ 50.000</u></u>

All interfund balances are scheduled to be repaid within one year.

E. CAPITAL ASSET ACTIVITY

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 99,497	\$ -	\$ -	\$ 99,497
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>99,497</u>	<u>-</u>	<u>-</u>	<u>99,497</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	6,851,164	40,716	-	6,891,880
Furniture and Equipment	1,058,108	83,280	42,513	1,098,875
Total capital assets being depreciated	<u>7,909,272</u>	<u>123,996</u>	<u>42,513</u>	<u>7,990,755</u>
Less accumulated depreciation for:				
Buildings and Improvements	3,959,841	196,712	-	4,156,553
Furniture and Equipment	829,043	52,433	31,778	849,698
Total accumulated depreciation	<u>4,788,884</u>	<u>249,145</u>	<u>31,778</u>	<u>5,006,251</u>
Total capital assets being depreciated, net	<u>3,120,388</u>	<u>(125,149)</u>	<u>10,735</u>	<u>2,984,504</u>
Governmental activities capital assets, net	<u>\$ 3,219,885</u>	<u>\$ (125,149)</u>	<u>\$ 10,735</u>	<u>\$ 3,084,001</u>

Depreciation was charged to functions as follows:

Instruction	\$ 28,175
Student Transportation	46,784
Food Services	1,293
Cocurricular/Extracurricular	2,471
General Administration	1,649
Plant Maintenance and Operations	168,774
	<u>\$ 249,146</u>

F. CHANGES IN LONG-TERM LIABILITIES

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:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
<i>Notes Payable:</i>					
SECO - CL261	\$ 191,770	\$ -	\$ 30,496	\$ 161,274	\$ 30,572
SECO - CL279	98,207	-	13,932	84,275	13,967
Total Notes Payable	<u>289,977</u>	<u>-</u>	<u>44,428</u>	<u>245,549</u>	<u>44,539</u>
Total governmental activities	<u>\$ 289,977</u>	<u>\$ -</u>	<u>\$ 44,428</u>	<u>\$ 245,549</u>	<u>\$ 44,539</u>

G. NOTES PAYABLE

Current requirements for principal and interest are accounted for in the General Fund.

A summary of general long-term debt for the year ended August 31, 2018 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Interest Current Year	Payable	Outstanding
				Amounts Outstanding 09/01/2017	Outstanding 08/31/2018
SECO - CL261	0.25%	\$ 244,955	\$ 233	\$ 191,770	\$ 161,274
SECO - CL279	0.25%	112,104	451	98,207	84,275
		<u>\$ 357,059</u>	<u>\$ 684</u>	<u>\$ 289,977</u>	<u>\$ 245,549</u>

Debt Service Requirements

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

Year Ending August 31	Governmental Activities	
	Principal	Interest
2019	44,539	572
2020	44,651	461
2021	44,762	349
2022	44,875	237
2023	44,987	125
2024	21,735	27
Totals	<u>\$ 245,549</u>	<u>\$ 1,771</u>

H. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$179,336,534.819
Less: Plan Fiduciary Net Position	<u>(147,361,922.120)</u>
Net Pension Liability	<u>\$ 31,974,612.699</u>
Net Position as percentage of Total Pension Liability	82.170%

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018. Contribution Rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

Contribution Rates

	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Menard ISD 2017 Employer Contributions	\$	76,062
Menard ISD 2017 Member Contributions	\$	189,554
Menard ISD 2017 NECE On-Behalf Contributions	\$	123,023

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

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

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

In addition to the employer contributions listed above, 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.

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Menard ISD's proportionate share of the net pension liability:	\$ 1,311,103	\$ 777,732	\$ 333,615

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Menard Independent School District reported a liability of \$777,732 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Menard Independent School District. The amount recognized by Menard Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Menard Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 777,732
State's proportionate share that is associated with the District	<u>1,202,740</u>
Total	<u>\$ 1,980,472</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was .0024323427% which was a .0000703654% increase from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, Menard Independent School District recognized pension expense of \$204,541 and revenue of \$91,740 for support provided by the State.

At August 31, 2018, Menard Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,379	\$ 41,942
Changes in actuarial assumptions	35,427	20,281
Difference between projected and actual investment earnings		56,680
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	200,288	71,297
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	76,062	
Total	\$323,156	\$190,200

The net amounts of the employer'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	\$ 9,260
2020	58,904
2021	5,444
2022	(10,816)
2023	(7,864)
Thereafter	1,966

I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

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

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

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

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

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

TRS-Care Standard Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

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

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

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employer	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding by employer	1.00%	1.25%
Menard ISD 2017 Employer Contributions	\$	23,966
Menard ISD 2017 Member Contributions	\$	16,001
Menard ISD 2017 NECE On-Behalf Contributions	\$	19,632

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

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

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82.*

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.

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal

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

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the 2017 Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Menard ISD's proportionate share of the net OPEB liability:	\$1,827,009	\$1,547,987	\$1,323,716

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Menard ISD's proportionate share of the net OPEB liability:	\$1,288,854	\$1,547,987	\$1,888,002

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, Menard Independent School District reported a liability of \$1,547,987 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to Menard Independent School District. The amount recognized by Menard Independent School District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net pension liability that was associated with Menard Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 1,547,987
State's proportionate share that is associated with the District	<u>1,642,057</u>
Total	<u>\$ 3,190,044</u>

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

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.0035597154% which was the same proportion measured as of August 31, 2016.

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

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, Menard Independent School District recognized OPEB expense of \$(1,068,589) and revenue of \$(549,476) for support provided by the State.

At August 31, 2018, Menard Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$.	\$ 32,315
Changes in actuarial assumptions		615,210
Difference between projected and actual investment earnings	235	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	7	
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	23,966	
Total	\$24,208	\$ 647,525

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

Year ended August 31:	OPEB Expense Amount
2019	\$ (85,410)
2020	(85,410)
2021	(85,410)
2022	(85,410)
2023	(85,469)
Thereafter	(220,174)

J. MEDICARE PART D – ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (“TRS-Care”) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. These payments totaled \$7,720, \$7,253, and \$9,216 for fiscal years 2018, 2017, and 2016, respectively.

K. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff during the year ended August 31, 2018, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$214 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 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 licensed insurer is renewed September 1, 2019, and terms of coverage and premiums costs are included in the contractual provisions.

L. DUE FROM STATE AGENCIES

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

<u>Fund</u>	<u>State Entitlement</u>	<u>Federal Grant</u>	<u>Total</u>
General	\$ 210,111	\$ -	\$ 210,111
Special Revenue	4,337	137,362	141,699
	<u>\$ 214,448</u>	<u>\$ 137,362</u>	<u>\$ 351,810</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	Fund	Fund	Total
Property Taxes	\$ 1,880,269	\$ -	\$ 1,880,269
Penalties & Interest and Other			
Tax -related Income	54,101	-	54,101
Investment Income	3,567	119	3,686
Tuition	11,177		
Food Sales	-	22,204	22,204
Co-curricular Student Activities	21,213	-	21,213
Shared Service Arrangement		432,654	
Other	32,911	-	32,911
	<u>\$ 2,003,238</u>	<u>\$ 454,977</u>	<u>\$ 2,458,215</u>

N. SHARED SERVICE ARRANGEMENT

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) for special education with six other school districts. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in a special revenue fund using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts

Menard Independent School District - Fiscal Agent	\$ 48,132
Junction Independent School District	113,342
Rocksprings Independent School District	54,342
Crockett County Consolidated Common School District	93,157
Irion County Independent School District	27,947
Bront Independent School District	37,263
Schleicher County Independent School District	57,447
	<u>\$ 431,630</u>

In addition to the above, it was agreed to by the member districts that any excess contributions would be payable back to the individual member districts based upon their percentage participation for that year. Below is the total amounts payable back to the member districts as of August 31, 2018

Member Districts

Menard Independent School District - Fiscal Agent	\$ 86,722
Junction Independent School District	179,530
Rocksprings Independent School District	76,500
Crockett County Consolidated Common School District	96,849
Irion County Independent School District	57,468
Bront Independent School District	90,147
Schleicher County Independent School District	99,221
	<u>\$ 686,437</u>

O. SIGNIFICANT COMMITMENTS AND 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 of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there were no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

P. PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted GASB Statement 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 \$(2,714,383) which resulted in a restated beginning net position balance of \$1,693,155.

Q. NEGATIVE FUND BUDGET VARIANCES

At the end of the year the District had negative budget variances in the following :

Child Nutrition Program	
Function 35 Food Services	\$(6,444)

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REQUIRED SUPPLEMENTARY INFORMATION

MENARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		
	Original	Final	
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 1,931,948	\$ 1,931,948
5800	State Program Revenues	1,623,116	1,623,116
5900	Federal Program Revenues	-	-
5020	Total Revenue	<u>3,555,064</u>	<u>3,555,064</u>
EXPENDITURES:			
Current:			
0011	Instruction	1,618,030	1,618,030
0012	Instructional Resources and Media Services	7,090	7,090
0013	Curriculum and Instructional Staff Development	29,000	29,000
0021	Instructional Leadership	-	-
0023	School Leadership	256,069	256,069
0031	Guidance Counseling and Evaluation Services	71,284	71,284
0032	Social Work Services	200	200
0033	Health Services	6,392	6,392
0034	Student (Pupil) Transportation	215,977	215,977
0035	Food Services	-	-
0036	Extracurricular Activities	265,691	265,691
0041	General Administration	272,367	272,367
0051	Facilities Maintenance and Operations	419,275	419,275
0053	Data Processing Services	99,189	99,189
Debt Service:			
0071	Principal on Long Term Debt	45,000	45,000
0072	Interest on Long Term Debt	1,000	1,000
Capital Outlay:			
Intergovernmental:			
0081	Facilities Acquisition and Construction	44,000	44,000
0093	Payments to Fiscal Agent/Member Districts of SSA	56,500	56,500
0099	Other Intergovernmental Charges	98,000	98,000
6030	Total Expenditures	<u>3,505,064</u>	<u>3,505,064</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>50,000</u>	<u>50,000</u>
OTHER FINANCING SOURCES (USES):			
8911	Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>
7080	Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>
1200	Net Change in Fund Balances	-	-
0100	Fund Balance - September 1 (Beginning)	1,967,206	1,967,206
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,967,206</u>	<u>\$ 1,967,206</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
\$ 2,003,238	\$ 71,290
1,688,271	65,155
-	-
<u>3,691,509</u>	<u>136,445</u>
\$ 1,492,974	125,056
5,203	1,887
19,371	9,629
-	-
247,217	8,852
69,717	1,567
-	200
5,118	1,274
178,461	37,516
-	-
239,920	25,771
253,793	18,574
360,983	58,292
98,857	332
44,428	572
684	316
40,716	3,284
46,687	9,813
97,164	836
<u>3,201,293</u>	<u>303,771</u>
<u>490,216</u>	<u>440,216</u>
<u>(50,000)</u>	-
<u>(50,000)</u>	-
440,216	440,216
1,967,206	-
<u>\$ 2,407,422</u>	<u>\$ 440,216</u>

EXHIBIT G-2

MIENARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2018

	2017	2016	2015	2014
Districts Proportion of the Net Pension Liability (Asset)	0.0024323427%	0.0023619773%	0.0028181000%	0.0016285000%
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 777,732	\$ 892,556	\$ 996,161	\$ 434,995
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,202,740	1,497,293	1,513,468	1,406,356
Total	<u>\$ 1,980,472</u>	<u>\$ 2,389,849</u>	<u>\$ 2,509,629</u>	<u>\$ 1,841,351</u>
District's Covered-Employee Payroll	\$ 2,468,007	\$ 2,442,959	\$ 2,469,452	\$ 2,545,781
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	31.51%	36.54%	40.34%	17.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

EXHIBIT G-3

MENARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 76,062	\$ 79,743	\$ 75,020	\$ 83,444
Contribution in Relation to the Contractually Required Contribution	(76,062)	(79,743)	(75,020)	(83,444)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 2,461,734	\$ 2,468,007	\$ 2,442,959	\$ 2,469,452
Contributions as a percentage of covered-Employee Payroll	3.09%	3.23%	3.07%	3.38%

MENARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement year Ended August 31, 2017
Districts Proportion of the Net OPEB Liability (Asset)	0.0035597154%
Districts Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,547,987
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	1,642,057
Total	<u>\$ 3,190,044</u>
District's Covered-Employee Payroll	\$ 2,468,007
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	62.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.91%

MENARD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement year Ended August 31, <u>2018</u>
Contractually Required Contribution	\$ 23,966
Contribution in Relation to the Contractually Required Contribution	(23,966)
Contribution Deficiency (Excess)	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 2,461,734
Contributions as a percentage of covered-Employee Payroll	0.97%

**MENARD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018**

Changes of benefit terms.

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

Changes of assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

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

REQUIRED TEA SCHEDULES

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

For Years Ended August 31	(1)	(2)	(3)	(10)
	Tax Rates		Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2017
	Maintenance	Debt Service		
2009 and prior years	Various	Various	Various	\$ 10,603.31
2010	1.04000	-	132,663,950	1,088.70
2011	1.04000	-	160,798,879	995.78
2012	1.04000	-	162,506,918	1,253.09
2013	1.04000	-	175,358,630	1,991.25
2014	1.04000	-	175,998,406	5,663.61
2015	1.04000	-	182,405,485	7,917.07
2016	1.04000	-	160,310,276	14,472.11
2017	1.04000	-	160,229,767	75,246.83
2018 (School year under audit)	1.04000	-	180,580,948	
1000 TOTALS				<u>\$ 119,231.75</u>

(20) Current Year's Total Levy	(31) Maintenance Total Collections	(32) Debt Service Total Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
	\$ 75.81	\$ -	\$ 654.09	\$ 9,873.41
	58.35	-	24.02	1,006.33
	47.94	-	24.02	923.82
	148.83	-	24.02	1,080.24
	393.93	-	24.02	1,573.30
	605.77	-	24.02	5,033.82
	1,496.85	-	24.02	6,396.20
	6,495.08	-	24.02	7,953.01
	57,539.29	-	46.17	17,661.37
<u>1,878,041.86</u>	<u>1,813,407.31</u>	<u>-</u>	<u>2,144.12</u>	<u>62,490.43</u>
<u>\$1,878,041.86</u>	<u>\$1,880,269.16</u>	<u>\$0.00</u>	<u>\$3,012.52</u>	<u>\$ 113,991.93</u>

MENARD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		
	Original	Final	
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 20,817	\$ 20,817
5800	State Program Revenues	4,903	4,903
5900	Federal Program Revenues	125,000	125,000
5020	Total Revenue	<u>150,720</u>	<u>150,720</u>
EXPENDITURES:			
Current:			
0035	Food Services	<u>200,720</u>	<u>200,720</u>
6030	Total Expenditures	<u>200,720</u>	<u>200,720</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(50,000)</u>	<u>(50,000)</u>
OTHER FINANCING SOURCES (USES):			
7915	Operating Transfers In	<u>50,000</u>	<u>50,000</u>
	Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>
1200	Net Change in Fund Balances	<u>-</u>	<u>-</u>
0100	Fund Balance - September 1 (Beginning)	1,643	1,643
1300	Cumulative Effect - Change in Accounting	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,643</u>	<u>\$ 1,643</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Favorable (Unfavorable)
\$ 22,204	\$ 1,387
4,636	(267)
<u>132,467</u>	<u>7,467</u>
<u>159,307</u>	<u>8,587</u>
<u>207,164</u>	<u>(6,444)</u>
<u>207,164</u>	<u>(6,444)</u>
<u>(47,857)</u>	<u>2,143</u>
<u>50,000</u>	<u>-</u>
<u>50,000</u>	<u>-</u>
<u>2,143</u>	<u>2,143</u>
<u>1,643</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>\$ 3,786</u>	<u>\$ 2,143</u>

OVERALL COMPLIANCE, INTERNAL CONTROLS
AND FEDERAL AWARDS SECTION

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
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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
Menard Independent School District
P. O. Box 729
Menard, TX 76859

Members of the Board:

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 Menard Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Menard Independent School District's basic financial statements, and have issued our report thereon dated January 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Menard 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 Menard Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Menard Independent School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2018-01.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Menard Independent School 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 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*.

Menard Independent School District's Response to Findings

Menard Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Menard Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

January 22, 2019

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

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

Board of Trustees
Menard Independent School District
P. O. Box 729
Menard, TX 76859

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Menard 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 Menard Independent School District's major federal programs for the year ended August 31, 2018. Menard 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Menard 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 Menard 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 Menard Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Menard Independent School District's, 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-02. Our opinion on each major federal program is not modified with respect to these matters.

Menard Independent School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Menard Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

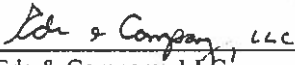
Report on Internal Control Over Compliance

Management of Menard 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 Menard 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 Menard Independent School District's internal control over compliance.

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

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

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



Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

January 22, 2019

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued: Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a) _____ yes X no

Identification of major programs:

Name of federal program CDFA Number

Special Education Cluster (IDEA Part B)

SSA IDEA, Part B Formula CFDA #84.027A

SSA IDEA, Part B Preschool CFDA #84.173A

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000.00

Auditee qualified as low risk? X yes _____ no

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

Section II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

2018-01 Significant Deficiency: Bank Reconciliation Process

- Condition:** Various bank statements were not completely reconciled on a timely basis.
- Criteria:** Reconciliation procedures would improve the District's control over transactions recorded in the general ledger accounts.
- Effect:** The effect of the lack of reconciling bank statements is such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected in a timely manner.
- Cause:** Reconciliation procedures were not being performed by business office personnel on a timely basis due to lack of familiarity with the districts accounting software.
- Recommendation:** The District should provide training of business office staff, and should place into effect procedures that will ensure these bank accounts are reconciled on a monthly basis.
- Managements Response:** The District concurs with this finding and will insure that business office staff receive training and insure the personnel responsible bank reconciliations understand the need for the need for reconciliations to be performed on a monthly basis.

Section III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

2018-02 CFDA 84.027A IDEA Part B Cluster

Reporting

- Condition:** During compliance testing we noticed a transposition error on the Final Expenditure Report submitted to the Texas Education Agency. Expenditure for Class Object Code 6200 and Code 6300 were transposed, the total federal expenditures were correct.
- Criteria:** OMB Uniform requires sub-recipients to use SF-270 or a similar form designated by the Pass Through Entity, to report federal expenditures and request reimbursement for those expenditures.
- Cause:** District's personnel failed to adequately verify that the report was prepared correctly.
- Questioned Cost:** None
- Recommendations:** The District should insure the personnel responsible for preparing of reports understand the need for the reports to be check for accuracy.
- Managements Response:** The District will insure the personnel responsible for preparing of reports understand the need for the reports to be check for accuracy.

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

There were no findings or questioned cost in the prior year.

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

2018-01 Significant Deficiency: Bank Reconciliation Process

Recommendation: The District should provide training of business office staff, and should place into effect procedures that will ensure these bank accounts are reconciled on a monthly basis.

Planned Corrective Actions: With the departure of our Business Manager, the District was significantly behind on bank reconciliations. The new Business Manager will receive proper training in using the TxEIS Software to perform bank reconciliations. Bank reconciliations will be completed by the Business Manager by the end of the following month.

2018-02 CFDA 84.027A IDEA, Part B Cluster

Recommendations: The District should insure the personnel responsible for preparing of reports understand the need for the reports to be check for accuracy

Planned Corrective Actions: The District will insure the personnel responsible for preparing of reports understand the need for the reports to be check for accuracy.

Current Status

1. Corrective action is being implemented.

Contact person for the above corrective plan is Amy Bannowsky.

Anticipated completion of the corrective action plan is January 31, 2019

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

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Title VI, Part B REAP	84.358A	S358A170628	\$ 12,308
Total Direct Programs			<u>\$ 12,308</u>
<u>Passed through State Dept. of Education</u>			
ESEA Title I, Part A, Improving Basis Programs	84.010	18610101164901	\$ 133,702
ESEA Title I, Part A, Improving Basis Programs	84.010	19610101164901	13,155
Total CFDA Number 84.010			<u>146,857</u>
* SSA IDEA Part B Formula	84.027A	186600011649016600	685,095
* SSA IDEA Part B Formula	84.027A	196600011649016600	29,541
Total CFDA Number 84.027A			<u>714,636</u>
* SSA IDEA Part B Preschool	84.173A	186610011649016610	13,788
Total CFDA Number 84.173A			<u>13,788</u>
ESEA Title II , Part A Teacher & Principal Training	84.367A	18694501164901	13,803
ESEA Title II , Part A Teacher & Principal Training	84.367A	19694501164901	601
Total CFDA Number 84.367A			<u>14,404</u>
ESEA Title IV Part A	84.424A	18680101164901	10,000
Total CFDA Number 84.424A			<u>10,000</u>
Total Passed Through State Dept. of Education			<u>\$ 899,685</u>
TOTAL DEPARTMENT OF EDUCATION			<u><u>\$ 911,993</u></u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Dept. of Education</u>			
* National School & Breakfast Program Cash	10.553	71400901	\$ 122,909
* Non Cash Assistance Lunch & Breakfast Programs	10.553	71400901	9,558
Total Passed Through State Dept. of Education			<u>132,467</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 132,467</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,044,460</u></u>

* Clustered Programs as required by Compliance Supplement March 2001.

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

1. For all Federal programs, the District utilizes the fund types specified in the 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.
2. The accounting and financial reporting treatment applied to a fund determined by its measurement focus. The governmental Fund types and Expendable Trust Fund are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities generally 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 a expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. 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 Availability of Federal Funds, Part 3. *OMB Circular A-133 Compliance Supplement-Provisional 6/97*.
4. 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 Menard 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

MENARD INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teacher Retirement System(TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Programs (FSP) funds as a result of a financial?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end..	N/A
SF11	Net Pension Assets (1920) at fiscal year end.	N/A
SF12	Net Pension Liabilities (2540) at fiscal year end.	\$777,732
SF13	Net OPEB Liabilities (2545) at fiscal year end.	\$1,547,987

