

# Montgomery Independent School District

Comprehensive Annual Financial Report  
For the Ten Months Ended June 30, 2019

Prepared By

The Montgomery Independent School District

Finance Department

Montgomery, Texas



**Montgomery Independent School District**  
 Comprehensive Annual Financial Report  
 For the Ten Months Ended June 30, 2019  
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# Introductory Section

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## Certificate of the Board

Montgomery Independent  
School District  
Name of Local Education Agency

Montgomery  
County

170-903  
County-District-Number

We, the undersigned, certify that the attached annual financial report of the above named school district was reviewed and

approved      disapproved  
  ✓                    

for the ten months ended June 30, 2019 at a meeting of the Board of Trustees of such school district on the 19<sup>th</sup> day of November, 2019.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

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# Montgomery Independent School District

20774 Eva St.

P. O. Box 1475 Montgomery, TX 77356

Telephone: (936) 276-2000

**Beau Rees, Ed.D.**

*Superintendent*

**Bobby Morris**

*Chief Operating Officer*

**Kristy Conrad**

*Executive Director of Finance*

November 19, 2019

Mr. Jim Dossey, President, and  
Members of the Board of Trustees  
Montgomery Independent School District  
20774 Eva Street  
Montgomery, TX 77356

Dear Members of the Board of Trustees and Citizens:

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Montgomery Independent School District (the District) for the ten months ended June 30, 2019.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to, fairly, present the financial position and results, of operation of the various funds and account groups of the District. Included are all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

Management of the District is responsible for establishing and maintaining internal control structures designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The financial statements of the District have been audited by Weaver and Tidwell, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the ten months ended June 30, 2019, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the ten months ended June 30, 2019, are presented, fairly, and in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special need of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit section of this report. The results of the District's Single Audit for the ten months ended June 30, 2019, provided no instances of material weaknesses in the internal control structures pertaining to federal awards or material violations of applicable laws and regulations.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

### ***Profile of the District***

Residents of the District elect a seven-member Board of Trustees (the Board), each of which serves for three years. Monthly meetings of the Board are posted and advertised as prescribed under state laws so that the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or workshops are scheduled as needed. The Board has final control over all school matters except as limited by state law.

Serving the community of Montgomery, the District's boundaries encompass approximately 218 square miles in Montgomery County. During the 2018-2019 fiscal year, the District operated two senior high schools, two junior high schools, and six elementary schools. The District serves approximately 9,000 students, and provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and enriched academic education, special education for children with special needs, career and technology education, and programs for students with limited English proficiency. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics.

The District's vision of where it is headed is the culmination of months of study, collective thought, and thoughtful activities by all constituent groups in the District.

### ***A Vision for MISD***

Montgomery Independent School District, with an unyielding commitment to excellence, will provide a premier academic program that recognizes the unique potential of each student and integrates the intellectual, social, cultural, and physical aspects of learning. This program will empower each student to become an eager, lifelong-learner, committed to academic excellence, integrity, responsible citizenship, and service to others.

Montgomery ISD students are prepared academically to successfully pursue their chosen careers or advanced studies. The District's focus is on academics, with a locally-developed, pre-kindergarten–grade 12 aligned curriculum that is implemented in the classroom through the use of a variety of professionally sound teaching practices. Students are proficient in reading, English, mathematics, science, technology, foreign language, and social studies. Parents participate as full partners in students' education at school and continue the learning process in the home and in the community.

Campuses provide a positive and safe learning environment that promotes good discipline and respect for fellow students and adults. Caring, effective, dedicated teachers strengthen the learning environment. Students display self-reliance; a positive work ethic; a strong desire to learn; respect for people, their country, and property; and the ability to work as members of a team. Through participation in varied curricular and extracurricular activities, students develop personally, culturally, and physically, and develop a civic awareness.

Service to the customer is the evident operating philosophy of all District programs and staff. The District's resource management and planning for improvement, growth and operations is exemplary. Competitive compensation and positive work conditions attract and retain proficient and committed employees. Community trust, support, and pride are a result of student achievement, timely and open communication, and prudent use of the taxpayer's dollar.

The District attracts highly-qualified personnel because of its commitment to excellence. During the 2018-2019 school year, the District employed 1097 employees consisting of professionals, office professionals, paraprofessionals, and auxiliary staff. Professional employees include 677 classroom teachers.

## ***Economic Condition and Outlook***

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates.

Located just north of Houston, Texas, in Montgomery County, the Montgomery Independent School District covers 218 square miles and is a dynamic factor in the quality of life and economic development efforts of the area. In the last five years, the District has added over 1,000 students. The student population for the 2019-2020 school year increased to over 9,000 students. The 105 West area has had a significant boom in the last few years and is set to see even more commercial growth with HEB, Target, and Margareville set to open in the next few years. On the residential side, the District has seen several new subdivisions break ground with many more on the way. With the combination of the rapid influx of people and new business opportunities becoming available, the future of our community looks prosperous.

## ***Long-Term Financial Planning***

Due to the growth of the student population and the growth of businesses north of Houston, including Montgomery County, the District formed a Community Advisory Board (CAB) to study and assess the facility needs in the District. MISD has facilities at various stages of their life cycle. Some facilities are over 40 years old, and thus, in need of repair and/or enhancements. In order to accommodate both the growth and the renovations needed, the Board decided to call for a bond referendum.

Based on the CAB recommendation, voters passed this referendum in May 2015. The bond authorization Series 2015, for \$256,750,000, provides for renovation and additions at each campus for safety, security and capital improvements. These funds have not only been used to support the growing needs of the District with a beautiful new junior high and elementary school which opened in 2017-2018, but have also been used to improve the technological infrastructure of the District as well as the physical facilities themselves. Lake Creek High School opened at the beginning of the 2018-2019 school year. This state-of-the-art campus is complete with only the highest of qualities that represent the standard we strive to achieve in MISD. Not to be outdone, the Board has ensured that both high schools have remained comparable with upgrades to the library, classrooms, and cafeteria of the original high school. Currently, MISD does not anticipate any significant expansion needs for the next few years.

## ***Financial Information***

**Accounting Systems** – The Board of Trustees maintains a system of accounting controls designed to assist the administration in meeting its responsibility for accurately reporting the financial condition of the District. The system is designed to provide reasonable assurance that assets are safeguarded against loss, theft, or misuse so activities can be recorded and transacted by the administration for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The cost of operating the District's schools and the revenues to cover these costs are accounted for through the General Fund. Special programs funded by state or federal government grants are accounted for in Special Revenue Funds. The Child Nutrition program is accounted for as an Enterprise Fund.

The District accounts for school construction financed by bond sales through a Capital Projects Fund. A specific portion of the tax rate is dedicated to payment of bond principal and interest. These transactions are recorded in the Debt Service Fund.

Financial schedules for student activity funds are included in the CAFR as Agency Funds.

The District's accounting records are maintained on a modified accrual basis for governmental fund types and a full accrual basis for the proprietary fund types as prescribed by Texas Education Agency Financial Accountability System Resource Guide (FASRG). Additionally, the District has prepared the government-wide financial statements on the full accrual basis as required by GASB Statement No. 34.

Financial data is submitted by the District to the Texas Education Agency through the Public Education Information Management System (PEIMS). The data is analyzed, reviewed and presented to the State Board of Education.

**Budgetary Process** – State law requires that every local education agency in Texas prepare and file an annual budget of anticipated revenues and expenditures with the Texas Education Agency. The budget itself is prepared utilizing a detailed line item approach for governmental fund types and is prepared in accordance with the budgeting requirements as outlined in the FASRG. The annual budget serves as the foundation for the District’s financial planning and control. The District maintains budgetary controls throughout all of its financial systems. The objective of these controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the Board of Trustees. Activities of the general fund, child nutrition fund, debt service fund and capital projects funds are included in the annually appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function within each individual fund. The District also maintains an encumbrance accounting system, as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, they are generally re-appropriated as part of the next year’s budget through a Board-adopted budget amendment. The budget may be amended during the year to address unanticipated or changing needs of the District. Changes to functional expenditures categories, revenue objects, or other sources and uses require Board approval.

**Significant Financial Activities** - Montgomery ISD has historically maintained a conservative spending philosophy and will continue to do so. The District decided going into the 2017-2018 to change its fiscal year to end June 30, 2019. This allowed the District to have a balanced budget of \$71,461,590 with \$4,000,000 committed from unassigned fund balance. The District recognized that the balanced budget was partially attributed to the 10-month budget year and hoped to be able to finish the year ahead of budget. Due to various cost saving efforts, a hiring freeze, and some unplanned income from TEA, MISD was able to beat their expectations and was able to place money in fund balance at the end of the 10-month fiscal year. This has allowed the District to enter the 2019-2020 in a much stronger financial position as we adjust to the changes associated with HB3. With the passage of HB3, the District has seen the largest change in school finance in the last ten years. One of the biggest and most notable changes is the reduction in property taxes that the district was able to give the taxpayers with a reduction in M&O taxes of 7 cents.

| Year             | 2014-2015   | 2015-2016   | 2016-2017   | 2017-2018   | 2018-2019   | 2019-2020     |
|------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| <b>M &amp; O</b> | <b>1.04</b> | <b>1.04</b> | <b>1.04</b> | <b>1.04</b> | <b>1.04</b> | <b>0.97</b>   |
| <b>I &amp; S</b> | <b>.30</b>  | <b>.30</b>  | <b>.33</b>  | <b>.33</b>  | <b>.33</b>  | <b>0.3375</b> |

Each school year, Texas school districts are rated by the Texas Education Agency’s Schools Financial Integrity Rating System of Texas (FIRST), a financial accountability system developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of Schools FIRST is to ensure quality performance in the management of school districts’ financial resources, a goal made more significant due to the complexity of accounting associated with Texas’ school finance system. For the 2018-2019 Schools FIRST rating, which is based on data from 2017-2018, the District scored the second highest possible rating of “Above Standard”.

**Major Indicators**

There are common indicators of quality in a school system, and the following are MISD highlights.

**TEA Rating of Texas Districts** – In the second year of TEA rating Texas Districts on the A through F scale, Montgomery ISD has achieved a district rating of A. MISD is the only school district in Montgomery County that has achieved this rating. In the first year of TEA rating Texas School Campuses on the A through F scale, Montgomery ISD has 6 of 10 campuses rated with an A. Montgomery ISD campuses also achieved 13 Distinction Designations from TEA as well. This is more Distinction Designations than ever before for Montgomery ISD.

Since the inception of the statewide testing and accountability program, Montgomery Independent School District has consistently outperformed the State in student performance scores in every subject and in every grade level tested. Montgomery Independent School District was rated as an “A” for the 2018-2019 school year. The campus ratings were:

|                                 |   |
|---------------------------------|---|
| Lake Creek High School          | A |
| Montgomery High School          | A |
| Montgomery Junior High School   | B |
| Oak Hills Junior High School    | A |
| Keenan Elementary School        | A |
| Lincoln Elementary School       | C |
| Lone Star Elementary School     | A |
| Madeley Ranch Elementary School | A |
| Montgomery Elementary School    | B |
| Stewart Creek Elementary School | B |

In 2018, the average score for the Scholastic Aptitude Test (SAT) for MISD was 1131, 95 points above the national state average of 1036. The average ACT score was 24.0, which was above the state average of 20.6. The District had the most ACT test-takers and the highest composite scores in our district’s history. There were 5 students recognized in the 2018 National Merit Program.

**Advanced Placement Exams-** In 2018-2019, Montgomery High School gave 554 advanced placement exams and Lake Creek High School gave 142 exams. Montgomery ISD was named to the AP Honor Roll for the first time.

**Attendance Rate** – Despite the rapid growth in the District and the problems facing families today, the attendance rate in the District remains in the 95.4% range.

**Completion and Dropout Rate** –97% of MISD 12<sup>th</sup> grade students graduated within 4 years, with no exclusions during the 2018-2019 school year. The dropout rate for the year was 0.7%, 1.2% below the state average. MISD continues to look for ways to improve these numbers in order to ensure the success of our students.

**Public Support** – Parents and community members continue to be extremely supportive of the District’s efforts.

**Acknowledgments** – We would like to express appreciation to the Board of Trustees for providing fiscal accountability to the patrons of our District and for its leadership in the development of one of the best educational operations within the State of Texas. Teachers, principals, administrators, and support staff have devoted many hours to this District. Gratitude is extended to the entire Montgomery Independent School District team who have worked so hard to provide a high quality, cost-efficient education to the students we serve. Additionally, the preparation of this report was accomplished through much time and effort on the part of the District Finance Department and special appreciation is expressed to them.



Beau Rees, Ed.D.  
Superintendent



Kristy Conrad  
Executive Director of Finance

## List of Principal Officials

### Board of Trustees

| <b>Name</b>                  | <b>Elected to Board</b> | <b>Term Expires</b> | <b>Occupation</b>   |
|------------------------------|-------------------------|---------------------|---|
| Jim Dossey, Board President  | May 2017                | 2020                | Tax Attorney Partner  |
| Adam Simmons, Vice President | May 2017                | 2020                | Self-employed Business Owner                                |
| Trey Kirby, Board Secretary  | May 2015                | 2021                | Texas Regional Manager<br>for DRC Emergency Services        |
| David Eargle, Board Member   | May 2011                | 2020                | Retired Oil & Gas Executive                                 |
| Linda Porten, Board Member   | May 2018                | 2021                | Retired Speech Pathology Therapist                          |
| Matt Fuller, Board Member    | May 2019                | 2022                | Associate Professor of<br>Educational Leadership            |
| Gary Hammons, Board Member   | May 2019                | 2022                | Chief Financial Officer for<br>QES Directional Drilling LLC |

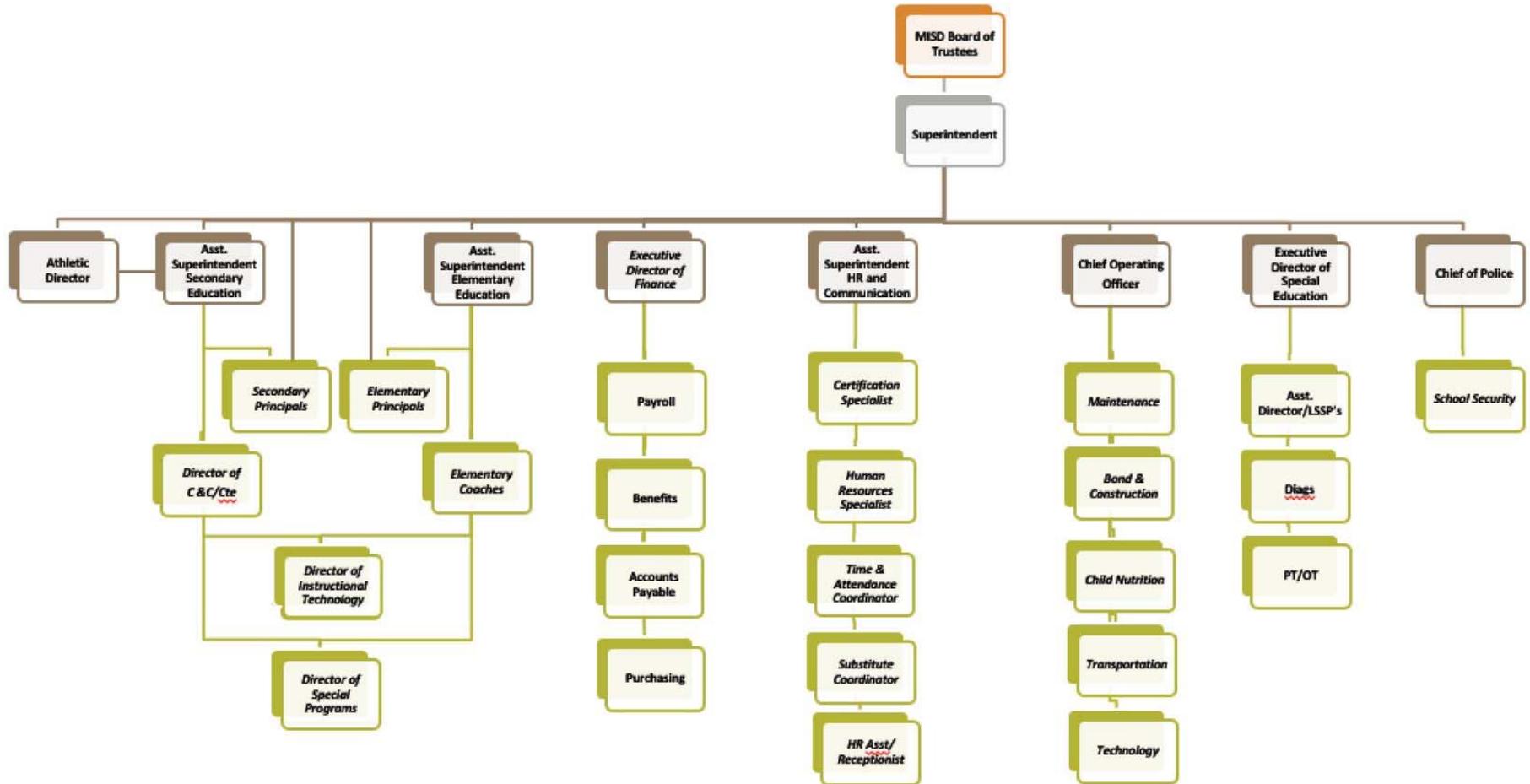
### Administrative Officials

| <b>Name</b>       | <b>Position</b>               |
|-------------------|-------------------------------|
| Beau Rees, Ed. D. | Superintendent                |
| Bobby Morris      | Chief Operating Officer       |
| Ms. Kristy Conrad | Executive Director of Finance |

### Consultants and Advisors

|  |                      |
|--|----------------------|
| Weaver and Tidwell, LLP<br>Houston, Texas                | Independent Auditors |
| Thompson & Horton LLP<br>Houston, Texas                  | District Counsel     |
| Walsh Gallegos Trevino Russo & Kyle PC<br>Houston, Texas | District Counsel     |
| Orrick, Herrington & Sutcliffe LLP<br>Houston, Texas     | Bond Counsel         |
| Post Oak Municipal Advisors LLC<br>Houston, Texas        | Financial Advisor    |
| Woodforest Bank<br>Houston, Texas                        | Official Depository  |

# Montgomery Independent School District Organizational Chart





The Certificate of Excellence in Financial Reporting  
is presented to

## Montgomery Independent School District

for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended August 31, 2018.

The CAFR meets the criteria established for  
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, appearing to read 'Tom Wohlleber'.

---

Tom Wohlleber, CSRM  
President

A handwritten signature in black ink, appearing to read 'David J. Lewis'.

---

David J. Lewis  
Executive Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Montgomery Independent School  
District, Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2018**

*Christopher P. Morill*

Executive Director/CEO

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# Financial Section

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## Independent Auditor's Report

To the Board of Trustees of  
Montgomery Independent School District  
Montgomery, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Montgomery Independent School District (the District), as of and for the ten months ended June 30, 2019, 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*

The District's 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Board of Trustees of  
Montgomery Independent School District

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Montgomery Independent School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Change in Fiscal Year End*

As discussed in Note 1 to the basic financial statements, the District changed its fiscal year end from August 31 to June 30 effective for the 2018-2019 reporting period. Therefore the basic financial statements present the ten-month period from September 1, 2018 through June 30, 2019. 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 Management's Discussion and Analysis and the Required Supplementary Information, 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.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Supplementary Information, Required TEA Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The Board of Trustees of  
Montgomery Independent School District

The Supplementary Information, Required TEA Schedules, and 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 19, 2019

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## Management's Discussion and Analysis (Unaudited)

As management of the Montgomery Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the ten months ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial condition.

### Financial Highlights

- The District elected to change its fiscal year end from August 31 to June 30 effective for the 2018-2019 reporting period; therefore, only 10 months is presented for 2019.
- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$51,344,430. Of this amount, (\$51,736,717) is from Governmental Activities and \$392,287 is from Business-Type Activities.
- The District reported negative unrestricted net position of (\$44,699,029), which includes the net pension and OPEB liabilities and related deferred outflows and inflows of resources amounting to (\$43,016,195).
- The District's total net position increased by \$69,479 from current operations, of which (\$146,219) is from Governmental Activities and \$215,698 is from Business-Type Activities.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$34,350,379, an increase of \$6,119,490 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,723,592 or 28.1% of total current period General Fund expenditures.
- The District's total long-term bonded debt decreased by \$7,701,147, or 2% for the ten months ended June 30, 2019 due to scheduled payments and maturities of principal balances.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's 1) assets and deferred outflows of resources, and 2) liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The government-wide financial statements can be found on pages 18 through 20 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seventeen (17) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and food service enterprise fund.

The basic governmental fund financial statements can be found on pages 21 through 27 of this report.

**Proprietary Funds.** The District maintains two types of proprietary funds: internal service funds and enterprise funds. *Internal service funds* are an accounting device used to account for revenues and expenses related to services provided to parties inside the District. The District uses an internal service fund to account for its Workers Compensation. *Enterprise funds* are similar to businesses in the private sector where net income and capital maintenance are measured. The District uses an enterprise fund for Child Nutrition. The financial statements for the internal service fund and enterprise fund can be found on pages 28 through 30 of this report.

**Fiduciary Funds.** *Fiduciary funds* are used to report assets held in a trustee or agency capacity. The fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs.

One of the District's fiduciary funds is a *private purpose trust fund*. Private purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District's private purpose trust fund provides scholarships to students and the financial statements can be found on pages 31 and 32 of this report.

The District's other fiduciary funds are *agency funds* used to account for resources held for the benefit of students. The agency funds are *the student activity funds*. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The basic fiduciary fund financial statement for student activity funds can be found on page 31 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 34 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes a comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information also provides information on the District's cost-sharing multiple employer pension and OPEB plan of which the District is a participant. The required supplementary information is referenced as Exhibits G-1 through G-5, and the associated notes immediately follow the exhibits in this report.

**Other Information.** The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found beginning on page 77 of this report.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$51,736,717 for Governmental Activities and assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$392,287 for Business-Type Activities at June 30, 2019.

### Montgomery Independent School District's Net Position

|                                      | Governmental Activities |                       | Business-type Activities |                   | Totals                |                       |
|--------------------------------------|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|
|                                      | 2019                    | 2018                  | 2019                     | 2018              | 2019                  | 2018                  |
| Current and other assets             | \$ 50,959,968           | \$ 43,838,128         | \$2,189,368              | \$1,616,755       | \$ 53,149,336         | \$ 45,454,883         |
| Capital assets, net of depreciation  | 318,766,582             | 323,677,887           | 241,592                  | 252,621           | 319,008,174           | 323,930,508           |
| <b>Total assets</b>                  | <b>369,726,550</b>      | <b>367,516,015</b>    | <b>2,430,960</b>         | <b>1,869,376</b>  | <b>372,157,510</b>    | <b>369,385,391</b>    |
| Total deferred outflows of resources | 22,657,732              | 14,498,278            | 746,635                  | 234,477           | 23,404,367            | 14,732,755            |
| Current and other liabilities        | 19,228,331              | 14,097,989            | 209,165                  | 253,654           | 19,437,496            | 14,351,643            |
| Long-term liabilities outstanding    | 415,322,193             | 408,540,762           | 2,151,024                | 1,264,935         | 417,473,217           | 409,805,697           |
| <b>Total liabilities</b>             | <b>434,550,524</b>      | <b>422,638,751</b>    | <b>2,360,189</b>         | <b>1,518,589</b>  | <b>436,910,713</b>    | <b>424,157,340</b>    |
| Total deferred inflows of resources  | 9,570,475               | 10,966,040            | 425,119                  | 408,675           | 9,995,594             | 11,374,715            |
| Net position:                        |                         |                       |                          |                   |                       |                       |
| Net investment in capital assets     | (14,166,642)            | (11,248,500)          | 241,592                  | 252,621           | (13,925,050)          | (10,995,879)          |
| Restricted                           | 5,299,446               | 4,237,832             | 1,980,203                | 1,363,101         | 7,279,649             | 5,600,933             |
| Unrestricted                         | (42,869,521)            | (44,579,830)          | (1,829,508)              | (1,439,133)       | (44,699,029)          | (46,018,963)          |
| <b>Total net position</b>            | <b>\$(51,736,717)</b>   | <b>\$(51,590,498)</b> | <b>\$ 392,287</b>        | <b>\$ 176,589</b> | <b>\$(51,344,430)</b> | <b>\$(51,413,909)</b> |

The District's unrestricted net position for Governmental Activities is a deficit of \$42,869,521, which includes a net amount of (\$41,186,687) related to the recognition of the net pension and net OPEB liabilities and associated deferred outflows and inflows of resources. The deficit in the District's unrestricted net position for Business-Type Activities represents the net amount of (\$1,829,508) related to the recognition of the net pension and net OPEB liabilities and associated deferred outflows and inflows of resources which are recognized in the District's Business-Type Activities. A deficit of \$14,166,642 for Governmental Activities reflects its net investment in capital assets (e.g., land, buildings and improvements, furniture and equipment and construction in progress), less any outstanding related debt used to acquire those assets. The investment in capital assets for Business-Type Activities is \$241,592. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position in governmental activities of \$5,299,446 is restricted for grants and debt service activities and net position of \$1,980,203 in business-type activities is restricted for Child Nutrition.

**Montgomery Independent School District's Changes in Net Position**

|  | Governmental Activities |                        | Business-type Activities |                   | Totals                 |                        |
|--|-------------------------|------------------------|--------------------------|-------------------|------------------------|------------------------|
|  | 2019                    | 2018                   | 2019                     | 2018              | 2019                   | 2018                   |
| Program revenues:  |                         |                        |                          |                   |                        |                        |
| Charges for services   | \$ 793,386              | \$ 557,928             | \$ 2,646,435             | \$ 2,672,598      | \$ 3,439,821           | \$ 3,230,526           |
| Operating grants and contributions                                     | 8,568,641               | (6,286,877)            | 2,074,868                | 1,265,326         | 10,643,509             | (5,021,551)            |
| General revenues:  |                         |                        |                          |                   |                        |                        |
| Property taxes, levied for general purposes                            | 59,987,287              | 58,095,394             | -                        | -                 | 59,987,287             | 58,095,394             |
| Property taxes, levied for debt service                                | 19,021,953              | 18,414,544             | -                        | -                 | 19,021,953             | 18,414,544             |
| State aid-grants and contributions not restricted to specific programs | 10,973,022              | 5,749,759              | -                        | -                 | 10,973,022             | 5,749,759              |
| Investment earnings  | 996,392                 | 1,839,580              | 42,463                   | 29,515            | 1,038,855              | 1,869,095              |
| SHARS/MAC  | 1,221,159               | 623,568                | -                        | -                 | 1,221,159              | 623,568                |
| Miscellaneous  | 2,093,326               | 1,385,708              | -                        | -                 | 2,093,326              | 1,385,708              |
| <b>Total revenues</b>  | <b>103,655,166</b>      | <b>80,379,604</b>      | <b>4,763,766</b>         | <b>3,967,439</b>  | <b>108,418,932</b>     | <b>84,347,043</b>      |
| Expenses:  |                         |                        |                          |                   |                        |                        |
| Instruction  | 56,465,370              | 42,232,319             | -                        | -                 | 56,465,370             | 42,232,319             |
| Instructional resources and media services                             | 699,662                 | 741,461                | -                        | -                 | 699,662                | 741,461                |
| Curriculum and staff development                                       | 297,330                 | 314,072                | -                        | -                 | 297,330                | 314,072                |
| Instructional leadership   | 664,615                 | 489,629                | -                        | -                 | 664,615                | 489,629                |
| School leadership  | 3,921,052               | 3,142,591              | -                        | -                 | 3,921,052              | 3,142,591              |
| Guidance, counseling and evaluation services                           | 2,794,493               | 2,059,970              | -                        | -                 | 2,794,493              | 2,059,970              |
| Health services  | 713,174                 | 627,393                | -                        | -                 | 713,174                | 627,393                |
| Student (pupil) transportation   | 4,356,578               | 4,566,421              | -                        | -                 | 4,356,578              | 4,566,421              |
| Food services  | 113,958                 | 273,001                | 4,548,068                | 3,369,106         | 4,662,026              | 3,642,107              |
| Cocurricular/extracurricular activities                                | 2,849,297               | 2,675,969              | -                        | -                 | 2,849,297              | 2,675,969              |
| General administration   | 1,874,007               | 2,004,303              | -                        | -                 | 1,874,007              | 2,004,303              |
| Plant maintenance and operations                                       | 8,929,773               | 9,312,700              | -                        | -                 | 8,929,773              | 9,312,700              |
| Security and monitoring services                                       | 834,941                 | 638,029                | -                        | -                 | 834,941                | 638,029                |
| Data processing services   | 1,214,565               | 1,100,648              | -                        | -                 | 1,214,565              | 1,100,648              |
| Community services   | 262,405                 | 322,251                | -                        | -                 | 262,405                | 322,251                |
| Debt service - interest and fees                                       | 13,195,111              | 14,082,628             | -                        | -                 | 13,195,111             | 14,082,628             |
| Contracted instructional services                                      | 3,896,789               | 2,398,456              | -                        | -                 | 3,896,789              | 2,398,456              |
| Payments to juvenile justice alternative education program             | 19,540                  | 22,015                 | -                        | -                 | 19,540                 | 22,015                 |
| Other intergovernmental charges  | 698,725                 | 655,968                | -                        | -                 | 698,725                | 655,968                |
| <b>Total expenses</b>  | <b>103,801,385</b>      | <b>87,659,824</b>      | <b>4,548,068</b>         | <b>3,369,106</b>  | <b>108,349,453</b>     | <b>91,028,930</b>      |
| Change in net position before transfers                                | (146,219)               | (7,280,220)            | 215,698                  | 598,333           | 69,479                 | (6,681,887)            |
| Transfers in (out)   | -                       | 32,399                 | -                        | (32,399)          | -                      | -                      |
| <b>Increase (decrease) in net position</b>                             | <b>(146,219)</b>        | <b>(7,247,821)</b>     | <b>215,698</b>           | <b>565,934</b>    | <b>69,479</b>          | <b>(6,681,887)</b>     |
| Net position - beginning, as originally reported                       | (51,590,498)            | (6,182,120)            | 176,589                  | 1,032,797         | (51,413,909)           | (5,149,323)            |
| Prior period adjustment - implement GASB 75 for OPEB                   | -                       | (38,160,557)           | -                        | (1,422,142)       | -                      | (39,582,699)           |
| <b>Net position - beginning, as restated</b>                           | <b>(51,590,498)</b>     | <b>(44,342,677)</b>    | <b>176,589</b>           | <b>(389,345)</b>  | <b>(51,413,909)</b>    | <b>(44,732,022)</b>    |
| <b>Net position - ending</b>   | <b>\$ (51,736,717)</b>  | <b>\$ (51,590,498)</b> | <b>\$ 392,287</b>        | <b>\$ 176,589</b> | <b>\$ (51,344,430)</b> | <b>\$ (51,413,909)</b> |

**Governmental Activities.** For the ten months ended June 30, 2019, governmental activities decreased the District's net position by \$146,219. Business-type activities increased by \$215,698 due to current operations for the 10 months ended June 30, 2019.

Revenues from governmental activities are generated primarily from three sources: Property taxes of \$79,009,240, operating grants and contributions totaling \$8,568,641, and state funding of \$10,973,022. The remaining \$5,104,263 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction, \$56,465,370, which represents 54.4% of total governmental activities expenses. Debt Service – interest and fees, \$13,195,111, represents 12.7% of total governmental activities expenses. The remaining functional expenses are individually less than 10% of total expenses.

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the District's governmental funds reported combined ending fund balances of \$34,350,379, an increase of \$6,119,490 in comparison with the prior year. The general fund balance increased by \$8,119,156, the debt service fund balance increased by \$5,675,762, and the capital projects fund balance decreased by \$7,751,222.

At June 30, 2019, unassigned fund balance for the general fund was \$19,723,592, or 28.1% of total general fund expenditures.

The debt service fund has a total fund balance of \$10,053,709, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current period of \$5,675,762 was primarily due to the change in fiscal year end from August 31 to June 30, resulting in a ten month reporting period that does not include the August principal and interest payments on outstanding bonds.

The capital projects fund has a total fund balance of \$4,089,515, all of which is restricted for authorized construction, plant maintenance and technology projects/enhancements. The net decrease in the capital projects fund balance during the current period of \$7,751,222 was primarily attributable to the expenditures on authorized construction projects.

### **General Fund Budgetary Highlights**

The original expenditure budget for the general fund was amended during the current period to decrease budgeted expenditures by \$1.9 million, primarily to refine estimated expenditures to align with the 10 month reporting period for 2018-2019. The difference between the final amended budget and actual expenditures of the general fund was a favorable variance of \$3.3 million, primarily related to the actual expenditures incurred by period end for anticipated instruction, plant maintenance and operation, and Chapter 41 recapture costs being less than the budgeted amount.

The original revenue budget for the general fund was amended during the current period to increase budgeted revenues by \$3.3 million, primarily due to refined projections for property tax revenues, legal settlements and interest earnings. The difference between the final amended budget and actual revenues of the general fund was a positive variance of \$3.6 million, primarily related supplemental state funding.

## Capital Assets and Long-term Liabilities

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$318,766,582 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment. A comparison of capital asset balances at the end of the current period and the prior fiscal year end follows:

### Montgomery Independent School District's Capital Assets (net of depreciation)

|                            | Governmental Activities |                       | Business-type Activities |                   | Totals                |                       |
|----------------------------|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|
|                            | 2019                    | 2018                  | 2019                     | 2018              | 2019                  | 2018                  |
| Land                       | \$ 8,638,457            | \$ 8,638,457          | \$ -                     | \$ -              | \$ 8,638,457          | \$ 8,638,457          |
| Construction in progress   | 856,129                 | 2,123,897             | -                        | -                 | 856,129               | 2,123,897             |
| Buildings and improvements | 389,546,659             | 382,666,309           | -                        | -                 | 389,546,659           | 382,666,309           |
| Furniture and equipment    | 12,241,354              | 11,770,168            | 451,835                  | 438,364           | 12,693,189            | 12,208,532            |
| Total historical cost      | 411,282,599             | 405,198,831           | 451,835                  | 438,364           | 411,734,434           | 405,637,195           |
| Accumulated depreciation   | (92,516,017)            | (81,520,944)          | (210,243)                | (185,743)         | (92,726,260)          | (81,706,687)          |
| <b>Net capital assets</b>  | <b>\$ 318,766,582</b>   | <b>\$ 323,677,887</b> | <b>\$ 241,592</b>        | <b>\$ 252,621</b> | <b>\$ 319,008,174</b> | <b>\$ 323,930,508</b> |

The total decrease in the District's investment in capital assets for the ten months ended June 30, 2019 was a \$4,911,305 decrease for Governmental Activities and a \$11,029 decrease for Business-Type Activities. The decrease in the District's capital assets during the year was primarily due to depreciation for major projects and renovations that were in service in the fall of 2018. Additional information on the District's capital assets can be found in note 6 of the notes to the financial statements.

**Long-term Liabilities.** At June 30, 2019, the District had \$366,897,424 in net bonded debt and \$417,473,217 in total long-term liabilities including the net pension and OPEB liabilities, a net increase of \$7,667,520 as compared to the previous year. This increase is primarily due to changes in actuarial assumptions and estimates for the actuarial valuation of the net pension and OPEB liabilities, offset by decreases in net bonded debt due to maturities of debt and scheduled principal payments. The underlying ratings of the general obligation debt of the District are "AA-" from Standard and Poor's and "Aa3" from Moody's Investors Service, and the ratings of the bonds guaranteed through the Texas Permanent School Fund Guarantee Program are "AAA" and "Aaa" from Standard and Poor's and Moody's, respectively. A comparison of long-term debt as of the end of the current period and the prior fiscal year end follows:

### Montgomery Independent School District's Long-term Liabilities Outstanding

|                                    | Governmental Activities |                       | Business-type Activities |                     | Totals                |                       |
|------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
|                                    | 2019                    | 2018                  | 2019                     | 2018                | 2019                  | 2018                  |
| General obligation bonds payable   | \$ 337,175,000          | \$ 343,550,000        | \$ -                     | \$ -                | \$ 337,175,000        | \$ 343,550,000        |
| Bond premiums                      | 29,722,424              | 31,048,571            | -                        | -                   | 29,722,424            | 31,048,571            |
|                                    | 366,897,424             | 374,598,571           | -                        | -                   | 366,897,424           | 374,598,571           |
| Net pension liability              | 21,966,321              | 12,179,570            | 975,742                  | 453,900             | 22,942,063            | 12,633,470            |
| Net OPEB liability                 | 26,458,448              | 21,762,621            | 1,175,282                | 811,035             | 27,633,730            | 22,573,656            |
| <b>Total long-term liabilities</b> | <b>\$ 415,322,193</b>   | <b>\$ 408,540,762</b> | <b>\$ 2,151,024</b>      | <b>\$ 1,264,935</b> | <b>\$ 417,473,217</b> | <b>\$ 409,805,697</b> |

Additional information on the District's bonds can be found in notes 7 and 8 of the notes to the financial statements. Additional information on the District's pension and OPEB liabilities can be found in note 12 and note 13, respectively, of the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Tax Rates**

The following are highlights of the 2019-2020 General Operating Budget:

#### **Expenditures:**

- Continuation of successful instructional plans and activities of the District.
- Supports the Board Goals as established by the Board of Trustees.
- Supports the Campus Improvement Plans of the campuses.
- Satisfies all state requirements and mandates.
- Lake Creek High School now has a senior class
- \$1,000 increase in compensation for all teachers, counselors, librarians, and nurses with 5 years of experience or less
- \$1,300 increase in compensation for all teachers, counselors, librarians, and nurses with 6 years of experience or more
- \$975 increase in compensation for all other full time employees except administration

#### **Revenues:**

- 2019 Certified Values (Freeze adjusted taxable) of \$4,824,842,273
- 100% Current and Delinquent collection of local taxes
- Estimated enrollment of students of 9,051
- Tax rate: \$0.97 for Maintenance & Operations and \$0.3375 for Debt Service for a combined total of \$1.3075, which is a reduction from the prior year
- The most significant change in funding with the passing of HB3 in ten years.

In preparing the 2019-2020 budget, the District faced a number of challenges, both internally and externally. The passing of HB3 late in the budget preparation cycle required MISD to make quick adjustments. This budget anticipates a \$4.4 million shortfall; however, the district plans to work to make this a one year anomaly. District administration felt like a one year shortfall was necessary to avoid compromising the safety and education of our students.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Montgomery Independent School District Administration Office at 936-276-2000.

# Basic Financial Statements

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Montgomery Independent School District  
Statement of Net Position  
June 30, 2019

Exhibit A-1

| Data<br>Control<br>Codes               |   | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|--|---|----------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>                          |   |                            |                             |                        |
| Current assets:                        |   |                            |                             |                        |
| 1110                                   | Cash and cash equivalents                           | \$ 25,733,009              | \$ 1,712,016                | \$ 27,445,025          |
| 1120                                   | Current investments                                 | 16,646,868                 | 530,503                     | 17,177,371             |
| 1220                                   | Property taxes receivables                          | 3,170,943                  | -                           | 3,170,943              |
| 1230                                   | Allowance for uncollectible taxes                   | (634,188)                  | -                           | (634,188)              |
| 1240                                   | Due from other governments                          | 5,928,754                  | -                           | 5,928,754              |
| 1260                                   | Internal balances                                   | 103,409                    | (103,409)                   | -                      |
| 1300                                   | Inventories   | -                          | 50,258                      | 50,258                 |
| 1410                                   | Prepaid items                                       | 1,773                      | -                           | 1,773                  |
| 1990                                   | Other assets  | 9,400                      | -                           | 9,400                  |
|  | Total current and other assets                      | 50,959,968                 | 2,189,368                   | 53,149,336             |
| Capital assets, not being depreciated: |   |                            |                             |                        |
| 1510                                   | Land  | 8,638,457                  | -                           | 8,638,457              |
| 1580                                   | Construction in progress                            | 856,129                    | -                           | 856,129                |
| Capital assets, being depreciated:     |   |                            |                             |                        |
| 1520                                   | Buildings and improvements                          | 389,546,659                | -                           | 389,546,659            |
| 1530                                   | Furniture and equipment                             | 12,241,354                 | 451,835                     | 12,693,189             |
| 1570                                   | Less accumulated depreciation                       | (92,516,017)               | (210,243)                   | (92,726,260)           |
|  | Total capital assets (net)                          | 318,766,582                | 241,592                     | 319,008,174            |
| 1000                                   | Total assets  | 369,726,550                | 2,430,960                   | 372,157,510            |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |   |                            |                             |                        |
| 1700                                   | Deferred loss on issuance of refunding bonds        | 5,849,175                  | -                           | 5,849,175              |
| 1705                                   | Deferred outflows - pension                         | 12,819,912                 | 569,460                     | 13,389,372             |
| 1706                                   | Deferred outflows - OPEB                            | 3,988,645                  | 177,175                     | 4,165,820              |
| 1700                                   | Total deferred outflows of resources                | 22,657,732                 | 746,635                     | 23,404,367             |
|  | Total assets and deferred outflows of resources     | 392,384,282                | 3,177,595                   | 395,561,877            |
| <b>LIABILITIES</b>                     |   |                            |                             |                        |
| Current liabilities:                   |   |                            |                             |                        |
| 2110                                   | Accounts payable                                    | 4,863,311                  | -                           | 4,863,311              |
| 2140                                   | Interest payable                                    | 5,386,307                  | -                           | 5,386,307              |
| 2150                                   | Payroll deductions and withholdings                 | 558,523                    | -                           | 558,523                |
| 2160                                   | Accrued wages payable                               | 7,261,327                  | 209,165                     | 7,470,492              |
| 2180                                   | Due to other governments                            | 1,113,358                  | -                           | 1,113,358              |
| 2190                                   | Due to student groups                               | 22,895                     | -                           | 22,895                 |
| 2300                                   | Unearned revenue                                    | 22,610                     | -                           | 22,610                 |
|  | Total current liabilities                           | 19,228,331                 | 209,165                     | 19,437,496             |
| Noncurrent liabilities:                |   |                            |                             |                        |
| 2501                                   | Due within one year                                 | 9,233,090                  | -                           | 9,233,090              |
| 2502                                   | Due in more than one year                           | 357,664,334                | -                           | 357,664,334            |
| 2540                                   | Net pension liability                               | 21,966,321                 | 975,742                     | 22,942,063             |
| 2545                                   | Net OPEB liability                                  | 26,458,448                 | 1,175,282                   | 27,633,730             |
|  | Total noncurrent liabilities                        | 415,322,193                | 2,151,024                   | 417,473,217            |
| 2000                                   | Total liabilities                                   | 434,550,524                | 2,360,189                   | 436,910,713            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |   |                            |                             |                        |
| 2605                                   | Deferred inflows - pension                          | 1,203,676                  | 53,467                      | 1,257,143              |
| 2606                                   | Deferred inflows - OPEB                             | 8,366,799                  | 371,652                     | 8,738,451              |
| 2600                                   | Total deferred inflows of resources                 | 9,570,475                  | 425,119                     | 9,995,594              |
|  | Total liabilities and deferred inflows of resources | 444,120,999                | 2,785,308                   | 446,906,307            |
| <b>NET POSITION</b>                    |   |                            |                             |                        |
| 3200                                   | Net investment in capital assets                    | (14,166,642)               | 241,592                     | (13,925,050)           |
| Restricted for:                        |   |                            |                             |                        |
| 3890                                   | Food services                                       | -                          | 1,980,203                   | 1,980,203              |
| 3850                                   | Debt service  | 5,255,191                  | -                           | 5,255,191              |
| 3860                                   | Grants  | 44,255                     | -                           | 44,255                 |
| 3900                                   | Unrestricted  | (42,869,521)               | (1,829,508)                 | (44,699,029)           |
| 3000                                   | <b>TOTAL NET POSITION</b>                           | <b>\$ (51,736,717)</b>     | <b>\$ 392,287</b>           | <b>\$ (51,344,430)</b> |

The Notes to the Financial Statements are an integral part of this statement.

# Montgomery Independent School District

## Statement of Activities

For the Ten Months Ended June 30, 2019

| Data Control Codes | Functions/Programs   | Expenses              | Program Revenues     |                                    |
|--------------------|--|-----------------------|----------------------|------------------------------------|
|                    |  |                       | Charges for Services | Operating Grants and Contributions |
|                    | <b>PRIMARY GOVERNMENT</b>  |                       |                      |                                    |
|                    | Governmental activities:   |                       |                      |                                    |
| 11                 | Instruction  | \$ 56,465,370         | \$ 406,548           | \$ 5,568,668                       |
| 12                 | Instructional resources and media services                             | 699,662               | -                    | 45,451                             |
| 13                 | Curriculum and staff development                                       | 297,330               | -                    | 20,013                             |
| 21                 | Instructional leadership   | 664,615               | -                    | 114,969                            |
| 23                 | School leadership  | 3,921,052             | -                    | 326,595                            |
| 31                 | Guidance, counseling, and evaluation services                          | 2,794,493             | -                    | 806,639                            |
| 33                 | Health services  | 713,174               | -                    | 58,728                             |
| 34                 | Student (pupil) transportation   | 4,356,578             | -                    | 174,938                            |
| 35                 | Food services  | 113,958               | -                    | -                                  |
| 36                 | Cocurricular/extracurricular activities                                | 2,849,297             | 386,838              | 698,515                            |
| 41                 | General administration   | 1,874,007             | -                    | 125,754                            |
| 51                 | Plant maintenance and operations                                       | 8,929,773             | -                    | 89,873                             |
| 52                 | Security and monitoring services                                       | 834,941               | -                    | 57,765                             |
| 53                 | Data processing services   | 1,214,565             | -                    | 49,119                             |
| 61                 | Community services   | 262,405               | -                    | 2,315                              |
| 72                 | Debt service - interest and fees                                       | 13,195,111            | -                    | 429,299                            |
| 91                 | Contracted instructional services                                      | 3,896,789             | -                    | -                                  |
| 95                 | Payments to juvenile justice alternative education program             | 19,540                | -                    | -                                  |
| 99                 | Other intergovernmental charges  | 698,725               | -                    | -                                  |
| TG                 | Total governmental activities  | 103,801,385           | 793,386              | 8,568,641                          |
|                    | Business-type activities:  |                       |                      |                                    |
| 05                 | Food services  | 4,548,068             | 2,646,435            | 2,074,868                          |
| TB                 | Total business-type activities   | 4,548,068             | 2,646,435            | 2,074,868                          |
| TP                 | <b>TOTAL PRIMARY GOVERNMENT</b>  | <b>\$ 108,349,453</b> | <b>\$ 3,439,821</b>  | <b>\$ 10,643,509</b>               |
|                    | General revenues:  |                       |                      |                                    |
|                    | Taxes:   |                       |                      |                                    |
| MT                 | Property taxes, levied for general purposes                            |                       |                      |                                    |
| DT                 | Property taxes, levied for debt service                                |                       |                      |                                    |
| SF                 | State aid-grants and contributions not restricted to specific programs |                       |                      |                                    |
| IE                 | Investment earnings  |                       |                      |                                    |
| S1                 | SHARS/MAC  |                       |                      |                                    |
| MI                 | Miscellaneous  |                       |                      |                                    |
| TR                 | Total general revenues   |                       |                      |                                    |
| CN                 | Change in net position   |                       |                      |                                    |
| NB                 | Net position - beginning   |                       |                      |                                    |
| NE                 | <b>NET POSITION - ENDING</b>   |                       |                      |                                    |

The Notes to the Financial Statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net Position**

| <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>           |
|------------------------------------|-------------------------------------|------------------------|
| \$ (50,490,154)                    | \$ -                                | \$ (50,490,154)        |
| (654,211)                          | -                                   | (654,211)              |
| (277,317)                          | -                                   | (277,317)              |
| (549,646)                          | -                                   | (549,646)              |
| (3,594,457)                        | -                                   | (3,594,457)            |
| (1,987,854)                        | -                                   | (1,987,854)            |
| (654,446)                          | -                                   | (654,446)              |
| (4,181,640)                        | -                                   | (4,181,640)            |
| (113,958)                          | -                                   | (113,958)              |
| (1,763,944)                        | -                                   | (1,763,944)            |
| (1,748,253)                        | -                                   | (1,748,253)            |
| (8,839,900)                        | -                                   | (8,839,900)            |
| (777,176)                          | -                                   | (777,176)              |
| (1,165,446)                        | -                                   | (1,165,446)            |
| (260,090)                          | -                                   | (260,090)              |
| (12,765,812)                       | -                                   | (12,765,812)           |
| (3,896,789)                        | -                                   | (3,896,789)            |
| (19,540)                           | -                                   | (19,540)               |
| (698,725)                          | -                                   | (698,725)              |
| (94,439,358)                       | -                                   | (94,439,358)           |
| -                                  | 173,235                             | 173,235                |
| -                                  | 173,235                             | 173,235                |
| (94,439,358)                       | 173,235                             | (94,266,123)           |
| 59,987,287                         | -                                   | 59,987,287             |
| 19,021,953                         | -                                   | 19,021,953             |
| 10,973,022                         | -                                   | 10,973,022             |
| 996,392                            | 42,463                              | 1,038,855              |
| 1,221,159                          | -                                   | 1,221,159              |
| 2,093,326                          | -                                   | 2,093,326              |
| 94,293,139                         | 42,463                              | 94,335,602             |
| (146,219)                          | 215,698                             | 69,479                 |
| (51,590,498)                       | 176,589                             | (51,413,909)           |
| <u>\$ (51,736,717)</u>             | <u>\$ 392,287</u>                   | <u>\$ (51,344,430)</u> |

# Montgomery Independent School District

Balance Sheet

Governmental Funds

June 30, 2019

| <u>Data<br/>Control<br/>Codes</u>                                   |  | <u>General<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> |
|---|--|-------------------------|----------------------------------|
| <b>ASSETS</b>   |  |                         |                                  |
| 1110  | Cash and cash equivalents  | \$ 18,890,729           | \$ 5,954,881                     |
| 1120  | Current investments  | 4,323,289               | 3,980,719                        |
|   | Receivables:   |                         |                                  |
| 1220  | Property taxes - delinquent  | 2,436,207               | 734,736                          |
| 1230  | Allowance for uncollectible taxes  | (487,241)               | (146,947)                        |
| 1240  | Due from other governments   | 5,040,683               | -                                |
| 1260  | Due from other funds   | 1,018,804               | 118,109                          |
| 1900  | Other assets   | 9,400                   | -                                |
|   |  | <hr/>                   | <hr/>                            |
| 1000  | Total assets   | <u>\$ 31,231,871</u>    | <u>\$ 10,641,498</u>             |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> |  |                         |                                  |
| <b>LIABILITIES</b>  |  |                         |                                  |
| 2110  | Accounts payable   | \$ 475,701              | \$ -                             |
| 2150  | Payroll deductions and withholdings  | 558,523                 | -                                |
| 2160  | Accrued wages payable  | 7,261,327               | -                                |
| 2170  | Due to other funds   | 141,004                 | -                                |
| 2180  | Due to other governments   | 1,113,358               | -                                |
| 2300  | Unearned revenue   | -                       | -                                |
|   |  | <hr/>                   | <hr/>                            |
| 2000  | Total liabilities  | 9,549,913               | -                                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |  |                         |                                  |
| 2600  | Unavailable revenue - property taxes   | 1,948,966               | 587,789                          |
|   |  | <hr/>                   | <hr/>                            |
|   | Total deferred inflows of resources  | 1,948,966               | 587,789                          |
| <b>FUND BALANCES</b>  |  |                         |                                  |
|   | Non-spendable:   |                         |                                  |
| 3445  | Other assets   | 9,400                   | -                                |
|   | Restricted for:  |                         |                                  |
| 3450  | Grant funds  | -                       | -                                |
| 3470  | Capital acquisitions and contractual obligations                               | -                       | -                                |
| 3480  | Retirement of long-term debt   | -                       | 10,053,709                       |
|   | Committed for:   |                         |                                  |
| 3545  | Local special revenue funds  | -                       | -                                |
| 3600  | Unassigned:  |                         |                                  |
|   | General fund   | 19,723,592              | -                                |
|   |  | <hr/>                   | <hr/>                            |
| 3000  | Total fund balances  | 19,732,992              | 10,053,709                       |
|   |  | <hr/>                   | <hr/>                            |
| 4000  | <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b> | <u>\$ 31,231,871</u>    | <u>\$ 10,641,498</u>             |

The Notes to the Financial Statements are an integral part of this statement.

| Capital<br>Projects<br>Fund | Non-major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------|------------------------------------|--------------------------------|
| \$ 122,693                  | \$ 507,848                         | \$ 25,476,151                  |
| 8,342,860                   | -                                  | 16,646,868                     |
| -                           | -                                  | 3,170,943                      |
| -                           | -                                  | (634,188)                      |
| -                           | 888,071                            | 5,928,754                      |
| -                           | -                                  | 1,136,913                      |
| -                           | -                                  | 9,400                          |
| <u>\$ 8,465,553</u>         | <u>\$ 1,395,919</u>                | <u>\$ 51,734,841</u>           |
| <br>                        |                                    |                                |
| \$ 4,350,189                | \$ 11,600                          | \$ 4,837,490                   |
| -                           | -                                  | 558,523                        |
| -                           | -                                  | 7,261,327                      |
| 25,849                      | 887,546                            | 1,054,399                      |
| -                           | -                                  | 1,113,358                      |
| -                           | 22,610                             | 22,610                         |
| <u>4,376,038</u>            | <u>921,756</u>                     | <u>14,847,707</u>              |
| <br>                        |                                    |                                |
| -                           | -                                  | 2,536,755                      |
| <u>-</u>                    | <u>-</u>                           | <u>2,536,755</u>               |
| <br>                        |                                    |                                |
| -                           | -                                  | 9,400                          |
| -                           | 44,255                             | 44,255                         |
| 4,089,515                   | -                                  | 4,089,515                      |
| -                           | -                                  | 10,053,709                     |
| -                           | 429,908                            | 429,908                        |
| -                           | -                                  | 19,723,592                     |
| <u>4,089,515</u>            | <u>474,163</u>                     | <u>34,350,379</u>              |
| <br>                        |                                    |                                |
| <u>\$ 8,465,553</u>         | <u>\$ 1,395,919</u>                | <u>\$ 51,734,841</u>           |

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**Montgomery Independent School District**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2019

**Exhibit C-2**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 34,350,379

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

|                          |                     |             |
|--------------------------|---------------------|-------------|
| Historical cost          | \$ 411,282,599      |             |
| Accumulated depreciation | <u>(92,516,017)</u> | 318,766,582 |

Property taxes have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, and therefore are recorded as deferred inflows of resources in the funds. 2,536,755

Internal service funds are used by the District's management to charge the costs of the District's insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 230,810

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

|                               |                    |               |
|-------------------------------|--------------------|---------------|
| Bonds payable at par          | \$(337,175,000)    |               |
| Premiums on issuance of bonds | (29,722,424)       |               |
| Accrued interest payable      | <u>(5,386,307)</u> | (372,283,731) |

Deferred losses on issuances of refunding bonds are recorded as deferred outflows of resources in the statement of net position. This is the difference between the reacquisition price and the net carrying amount of refunded bonds, net of amortization. 5,849,175

The District's proportionate share of the Teachers Retirement System net pension liability, deferred outflows of resources, and deferred inflows of resources are recognized in the statement of net position.

|                             |                    |              |
|-----------------------------|--------------------|--------------|
| Net pension liability       | \$ (21,966,321)    |              |
| Deferred outflows - pension | 12,819,912         |              |
| Deferred inflows - pension  | <u>(1,203,676)</u> | (10,350,085) |

The District's proportionate share of the Teachers Retirement System net OPEB liability, deferred outflows of resources, and deferred inflows of resources are recognized in the statement of net position.

|                          |                    |                     |
|--------------------------|--------------------|---------------------|
| Net OPEB liability       | \$ (26,458,448)    |                     |
| Deferred outflows - OPEB | 3,988,645          |                     |
| Deferred inflows - OPEB  | <u>(8,366,799)</u> | <u>(30,836,602)</u> |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ (51,736,717)

**Montgomery Independent School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
Governmental Funds  
For the Ten Months Ended June 30, 2019

| <u>Data<br/>Control<br/>Codes</u> |  | <u>General<br/>Fund</u>     | <u>Debt<br/>Service<br/>Fund</u> |
|-----------------------------------|--|-----------------------------|----------------------------------|
| <b>REVENUES</b>                   |  |                             |                                  |
| 5700                              | Local and intermediate sources                                 | \$ 62,972,490               | \$ 19,015,179                    |
| 5800                              | State program revenues   | 14,220,259                  | 429,299                          |
| 5900                              | Federal program revenues                                       | 1,221,159                   | -                                |
| 5020                              | Total revenues   | <u>78,413,908</u>           | <u>19,444,478</u>                |
| <b>EXPENDITURES</b>               |  |                             |                                  |
| Current:                          |  |                             |                                  |
| 0011                              | Instruction  | 41,496,809                  | -                                |
| 0012                              | Instructional resources and media services                     | 512,235                     | -                                |
| 0013                              | Curriculum and instructional staff development                 | 242,434                     | -                                |
| 0021                              | Instructional administration                                   | 516,512                     | -                                |
| 0023                              | School administration  | 3,456,568                   | -                                |
| 0031                              | Guidance, counseling and evaluation services                   | 1,861,203                   | -                                |
| 0033                              | Health services  | 612,722                     | -                                |
| 0034                              | Student (pupil) transportation                                 | 3,653,350                   | -                                |
| 0036                              | Cocurricular/extracurricular activities                        | 1,749,714                   | -                                |
| 0041                              | General administration   | 1,657,786                   | -                                |
| 0051                              | Plant maintenance and operations                               | 7,791,942                   | -                                |
| 0052                              | Security and monitoring services                               | 869,898                     | -                                |
| 0053                              | Data processing services                                       | 1,165,949                   | -                                |
| 0061                              | Community services   | 92,576                      | -                                |
| 0070                              | Debt service:  |                             |                                  |
| 0071                              | Principal  | -                           | 6,375,000                        |
| 0072                              | Interest   | -                           | 7,392,966                        |
| 0073                              | Bond issuance cost and fees                                    | -                           | 750                              |
| Capital outlay:                   |  |                             |                                  |
| 0081                              | Facilities acquisition and construction                        | -                           | -                                |
| Intergovernmental:                |  |                             |                                  |
| 0091                              | Contracted instructional services between public schools       | 3,896,789                   | -                                |
| 0095                              | Payments to juvenile justice alternative<br>education programs | 19,540                      | -                                |
| 0099                              | Other intergovernmental charges                                | 698,725                     | -                                |
| 6030                              | Total expenditures   | <u>70,294,752</u>           | <u>13,768,716</u>                |
| 1200                              | Net change in fund balances                                    | 8,119,156                   | 5,675,762                        |
| 0100                              | Fund balance - beginning                                       | 11,613,836                  | 4,377,947                        |
| 3000                              | <b>FUND BALANCE - ENDING</b>                                   | <u><u>\$ 19,732,992</u></u> | <u><u>\$ 10,053,709</u></u>      |

The Notes to the Financial Statements are an integral part of this statement.

| Capital<br>Projects<br>Fund | Non-major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------|------------------------------------|--------------------------------|
| \$ 261,243                  | \$ 697,219                         | \$ 82,946,131                  |
| 7,970                       | 161,828                            | 14,819,356                     |
| -                           | 1,973,623                          | 3,194,782                      |
| 269,213                     | 2,832,670                          | 100,960,269                    |
| -                           | 1,619,694                          | 43,116,503                     |
| -                           | -                                  | 512,235                        |
| -                           | 1,518                              | 243,952                        |
| -                           | 34,356                             | 550,868                        |
| -                           | 1,288                              | 3,457,856                      |
| -                           | 480,222                            | 2,341,425                      |
| -                           | -                                  | 612,722                        |
| 225,294                     | -                                  | 3,878,644                      |
| -                           | 619,798                            | 2,369,512                      |
| 48,225                      | -                                  | 1,706,011                      |
| -                           | -                                  | 7,791,942                      |
| -                           | -                                  | 869,898                        |
| -                           | -                                  | 1,165,949                      |
| -                           | -                                  | 92,576                         |
| -                           | -                                  | 6,375,000                      |
| -                           | -                                  | 7,392,966                      |
| -                           | -                                  | 750                            |
| 7,746,916                   | -                                  | 7,746,916                      |
| -                           | -                                  | 3,896,789                      |
| -                           | -                                  | 19,540                         |
| -                           | -                                  | 698,725                        |
| 8,020,435                   | 2,756,876                          | 94,840,779                     |
| (7,751,222)                 | 75,794                             | 6,119,490                      |
| 11,840,737                  | 398,369                            | 28,230,889                     |
| \$ 4,089,515                | \$ 474,163                         | \$ 34,350,379                  |

**Montgomery Independent School District**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balances to the Statement of Activities  
 For the Ten Months Ended June 30, 2019

**Exhibit C-4**

|  |                     |                     |
|--|---------------------|---------------------|
| <b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>  |                     | \$ 6,119,490        |
| Amounts reported for governmental activities in the statement of activities are different because:   |                     |                     |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.  |                     |                     |
| Capital assets increased   | \$ 6,083,768        |                     |
| Depreciation expense   | <u>(10,995,073)</u> | (4,911,305)         |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the statement of activities, a portion of the current year property tax is recognized as income in the current year along with the related penalty and interest. The difference between the fund basis and full accrual basis on property taxes was:   |                     |                     |
|  |                     | 635,063             |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The change reported in the statement of activities consist of the following: |                     |                     |
| Accrued interest on current interest bonds increased   | \$ (4,770,227)      |                     |
| Amortization of deferred loss on refunding bonds   | (2,357,315)         |                     |
| Amortization of premium on bonds payable   | 1,326,147           |                     |
| Repayment of bond principal  | <u>6,375,000</u>    | 573,605             |
| The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:  |                     |                     |
| Deferred outflows increased (decreased)  | \$ 6,899,588        |                     |
| Deferred inflows (increased) decreased   | 659,018             |                     |
| Net pension liability (increased) decreased  | <u>(9,786,751)</u>  | (2,228,145)         |
| The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:   |                     |                     |
| Deferred outflows increased (decreased)  | \$ 3,617,181        |                     |
| Deferred inflows (increased) decreased   | 736,547             |                     |
| Net OPEB liability (increased) decreased   | <u>(4,695,827)</u>  | (342,099)           |
| The net revenue (expense) of internal service funds is reported with governmental activities.  |                     |                     |
|  |                     | <u>7,172</u>        |
| <b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>  |                     | <u>\$ (146,219)</u> |

The Notes to the Financial Statements are an integral part of this statement.

Montgomery Independent School District  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

Exhibit D-1

| Data<br>Control<br>Codes              |   | Business-Type<br>Activities | Governmental<br>Activities  |
|---------------------------------------|---|-----------------------------|-----------------------------|
|                                       |   | Enterprise<br>Fund          | Internal<br>Service<br>Fund |
| <b>ASSETS</b>                         |   |                             |                             |
|                                       | Current assets:                                     |                             |                             |
| 1110                                  | Cash and cash equivalents                           | \$ 1,712,016                | \$ 256,858                  |
| 1120                                  | Current investments                                 | 530,503                     | -                           |
| 1310                                  | Inventories, at cost                                | 50,258                      | -                           |
| 1410                                  | Prepaid items                                       | -                           | 1,773                       |
|                                       | Total current assets                                | 2,292,777                   | 258,631                     |
|                                       | Noncurrent assets:                                  |                             |                             |
| 1530                                  | Furniture and equipment                             | 451,835                     | -                           |
| 1570                                  | Accumulated depreciation                            | (210,243)                   | -                           |
|                                       | Total noncurrent assets                             | 241,592                     | -                           |
| 1000                                  | Total assets  | 2,534,369                   | 258,631                     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |   |                             |                             |
| 1705                                  | Deferred outflows - pension                         | 569,460                     | -                           |
| 1706                                  | Deferred outflows - OPEB                            | 177,175                     | -                           |
|                                       | Total deferred outflows of resources                | 746,635                     | -                           |
|                                       | Total assets and deferred outflows of resources     | 3,281,004                   | 258,631                     |
| <b>LIABILITIES</b>                    |   |                             |                             |
|                                       | Current liabilities:                                |                             |                             |
| 2110                                  | Accounts payable                                    | -                           | 25,821                      |
| 2160                                  | Accrued wages payable                               | 209,165                     | -                           |
| 2170                                  | Due to other funds                                  | 103,409                     | 2,000                       |
|                                       | Total current liabilities                           | 312,574                     | 27,821                      |
|                                       | Noncurrent liabilities:                             |                             |                             |
| 2540                                  | Net pension liability                               | 975,742                     | -                           |
| 2541                                  | Net OPEB liability                                  | 1,175,282                   | -                           |
|                                       | Total noncurrent liabilities                        | 2,151,024                   | -                           |
| 2000                                  | Total liabilities                                   | 2,463,598                   | 27,821                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |                             |                             |
| 2605                                  | Deferred inflows - pension                          | 53,467                      | -                           |
| 2606                                  | Deferred inflows - OPEB                             | 371,652                     | -                           |
|                                       | Total deferred inflows of resources                 | 425,119                     | -                           |
|                                       | Total liabilities and deferred inflows of resources | 2,888,717                   | 27,821                      |
| <b>NET POSITION</b>                   |   |                             |                             |
| 3200                                  | Investment in capital assets                        | 241,592                     | -                           |
|                                       | Restricted for:                                     |                             |                             |
| 3890                                  | Food services                                       | 1,980,203                   | -                           |
| 3300                                  | Unrestricted  | (1,829,508)                 | 230,810                     |
| 3000                                  | <b>TOTAL NET POSITION</b>                           | <b>\$ 392,287</b>           | <b>\$ 230,810</b>           |

The Notes to the Financial Statements are an integral part of this statement.

**Montgomery Independent School District**  
Statement of Revenues, Expenses, and Changes  
in Fund Net Position  
Proprietary Funds  
For the Ten Months Ended June 30, 2019

**Exhibit D-2**

| Data<br>Control<br>Codes      |                                      | Business-Type<br>Activities | Governmental<br>Activities  |
|-------------------------------|--------------------------------------|-----------------------------|-----------------------------|
|                               |                                      | Enterprise<br>Fund          | Internal<br>Service<br>Fund |
| <b>OPERATING REVENUES</b>     |                                      |                             |                             |
| 5700                          | Local and intermediate sources       | \$ 2,646,435                | \$ -                        |
| 5020                          | Total operating revenues             | 2,646,435                   | -                           |
| <b>OPERATING EXPENSES</b>     |                                      |                             |                             |
| 6100                          | Payroll costs                        | 2,446,849                   | -                           |
| 6200                          | Professional and contracted services | 161,570                     | -                           |
| 6300                          | Supplies and materials               | 1,909,204                   | -                           |
| 6449                          | Depreciation                         | 24,500                      | -                           |
| 6400                          | Other operating costs                | 5,945                       | -                           |
| 6030                          | Total operating expenses             | 4,548,068                   | -                           |
|                               | Operating loss                       | (1,901,633)                 | -                           |
| <b>NON-OPERATING REVENUES</b> |                                      |                             |                             |
| 5800                          | State program revenues               | 361,835                     | -                           |
| 7952                          | National school breakfast program    | 347,761                     | -                           |
| 7953                          | National school lunch program        | 1,101,507                   | -                           |
| 7954                          | USDA commodities                     | 263,765                     | -                           |
| 7955                          | Interest income                      | 42,463                      | 4,922                       |
| 7989                          | Other non-operating revenues         | -                           | 2,250                       |
| 7020                          | Total non-operating revenues         | 2,117,331                   | 7,172                       |
| 1200                          | Change in net position               | 215,698                     | 7,172                       |
| 0100                          | Net position - beginning             | 176,589                     | 223,638                     |
| 3300                          | <b>NET POSITION - ENDING</b>         | <b>\$ 392,287</b>           | <b>\$ 230,810</b>           |

The Notes to the Financial Statements are an integral part of this statement.

**Montgomery Independent School District**  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Ten Months Ended June 30, 2019

**Exhibit D-3**

|  | <b>Business-Type<br/>Activities</b> | <b>Governmental<br/>Activities</b>   |
|--|-------------------------------------|--------------------------------------|
|  | <b>Enterprise<br/>Fund</b>          | <b>Internal<br/>Service<br/>Fund</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                     |                                      |
| Cash received from customers   | \$ 2,646,435                        | \$ -                                 |
| Cash payments to employees for services  | (1,613,085)                         | -                                    |
| Cash payments to other suppliers for goods and services                              | (1,981,845)                         | -                                    |
| Net cash provided by (used) in operating activities                                  | (948,495)                           | -                                    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                               |                                     |                                      |
| Cash received from operating grants  | 1,537,220                           | -                                    |
| Net cash provided by noncapital financing activities                                 | 1,537,220                           | -                                    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                      |                                     |                                      |
| Purchase of capital assets   | (13,471)                            | -                                    |
| Net cash used in noncapital financing activities                                     | (13,471)                            | -                                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                     |                                      |
| Interest income  | 42,463                              | 4,922                                |
| Purchases of investments, net  | (10,915)                            | -                                    |
| Net cash provided by investing activities  | 31,548                              | 4,922                                |
| Net change in cash and cash equivalents  | 606,802                             | 4,922                                |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING</b>   | 1,105,214                           | 251,936                              |
| <b>CASH AND CASH EQUIVALENTS - ENDING</b>  | <b>\$ 1,712,016</b>                 | <b>\$ 256,858</b>                    |
| <b>RECONCILIATION OF OPERATING LOSS<br/>TO NET CASH USED IN OPERATING ACTIVITIES</b> |                                     |                                      |
| Operating loss   | \$ (1,901,633)                      | \$ -                                 |
| Adjustments to reconcile operating loss<br>to net cash used in operating activities: |                                     |                                      |
| USDA donated commodities - noncash   | 263,765                             | -                                    |
| TRS on-behalf and NECE contributions - noncash                                       | 342,757                             | -                                    |
| Pension and OPEB expense   | 390,375                             | -                                    |
| Depreciation expense   | 24,500                              | -                                    |
| Effect of increases and decreases in assets and liabilities:                         |                                     |                                      |
| Increase in inventory  | (14,430)                            | -                                    |
| Increase in prepaid items  | -                                   | (147)                                |
| Decrease in accounts payable   | (145,121)                           | (1,853)                              |
| Increase in accrued wages payable and accrued liabilities                            | 100,632                             | -                                    |
| Increase (decrease) in due to other funds  | (9,340)                             | 2,000                                |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>\$ (948,495)</b>                 | <b>\$ -</b>                          |

The Notes to the Financial Statements are an integral part of this statement.

**Montgomery Independent School District**  
 Statement of Fiduciary Net Position  
 June 30, 2019

**Exhibit E-1**

|                                  | <u>Private-Purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|----------------------------------|--|-------------------------|
| <b>ASSETS</b>                    |  |                         |
| Cash and cash equivalents        | \$ 1,229,479                           | \$ 762,735              |
| Due from other funds             | -                                      | 22,895                  |
|                                  | <hr/>                                  | <hr/>                   |
| <b>TOTAL ASSETS</b>              | 1,229,479                              | 785,630                 |
| <b>LIABILITIES</b>               |  |                         |
| Due to student groups            | -                                      | 785,630                 |
|                                  | <hr/>                                  | <hr/>                   |
| <b>TOTAL LIABILITIES</b>         | -                                      | <u>\$ 785,630</u>       |
| <b>NET POSITION</b>              |  |                         |
| Held in trust for other purposes | 1,229,479                              |                         |
|                                  | <hr/>                                  |                         |
| <b>TOTAL NET POSITION</b>        | <u>\$ 1,229,479</u>                    |                         |

The Notes to the Financial Statements are an integral part of this statement.

**Montgomery Independent School District**  
Statement of Changes in Fiduciary Net Position  
For the Ten Months Ended June 30, 2019

**Exhibit E-2**

|                              | <u>Private-Purpose<br/>Trust Funds</u> |
|------------------------------|--|
| <b>ADDITIONS</b>             |  |
| Gifts and contributions      | \$ 57,367                              |
| Investment income            | 25,131                                 |
|                              | <hr/>                                  |
| Total additions              | 82,498                                 |
| <b>DEDUCTIONS</b>            |  |
| Scholarships awarded         | 26,350                                 |
| Administrative expenses      | 8,385                                  |
|                              | <hr/>                                  |
| Total deductions             | 34,735                                 |
|                              | <hr/>                                  |
| Net increase in net position | 47,763                                 |
| Net position - beginning     | 1,181,716                              |
|                              | <hr/>                                  |
| <b>NET POSITION - ENDING</b> | <u><u>\$ 1,229,479</u></u>             |

The Notes to the Financial Statements are an integral part of this statement.

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# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Note 1. Significant Accounting Policies

Montgomery 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 that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the significant accounting policies of the District.

House Bill 98 enacted by the 76th Legislature of the state of Texas allowed school districts to change their fiscal year-end from August 31 to June 30 beginning with the 2001-2002 fiscal year. The District elected to take advantage of this opportunity and chose to change its fiscal year beginning with the 2018-2019 reporting period. As such, the financial statements are presented for a ten-month period of September 1, 2018 through June 30, 2019.

#### A. Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by GAAP, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Therefore as a primary government, the District's activities are not considered a part of any other governmental or other type of reporting entity.

Additionally, prescribed criteria under GAAP include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these considerations, the Montgomery Independent School District Education Foundation (the Foundation) has been identified as a related organization to the District, but is not included as part of the District's reporting entity.

The Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to provide grants designed to encourage, facilitate, recognize, and reward innovative and creative instructional approaches that will enhance the education of the students of the District. The Foundation was formed in 2015 and is governed by an eleven member board of directors. In addition, the Superintendent of the District serves as an Ex-Officio member of the board but has no voting privileges. Vacancies to the board of directors are appointed by the District's Board of Trustees, but the District's accountability for the Foundation does not extend beyond making the appointments.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### 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 District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Interfund activities between governmental funds and between governmental and proprietary funds appear as *due to other funds* or *due from other funds* on the governmental funds Balance Sheet and proprietary funds Statement of Net Position and as *transfers in* or *transfers out* on the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and on the proprietary funds Statement of Revenues, Expenses, and Changes in Net Position. All interfund transactions between governmental funds and between governmental funds and proprietary funds are eliminated on the government-wide statements. Interfund services provided and used are not eliminated in the process of consolidation.

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 emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is the accounting convention which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements (with the exception of Agency funds, which are custodial in nature and thus do not have a measurement focus). 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.

## Montgomery Independent School District

### Notes to the Basic Financial Statements

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 claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Investment earnings are recognized as revenues of the current fiscal period when earned. Property tax revenues are considered available when collected, and the District generally considers other revenues to be available if they are collectible within 120 days after year end. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amounts.

The proprietary and fiduciary fund types 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. Net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. All other revenues and expenses are nonoperating items.

#### **D. Fund Accounting**

The District's accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

The District reports the following major funds:

### **Governmental Funds**

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. Major revenue sources include local property taxes, state funding under the Foundation School Program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.

Debt service fund – The debt service fund is utilized to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital projects fund – The capital projects fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived from proceeds of general obligation bonds and interest earned on such monies and local sources designated for such purposes.

### **Proprietary Funds**

Enterprise fund – The District accounts for activities with established fees and charges designed to recover the costs, including capital costs, of the activity in the enterprise fund. The District accounts for its food service activities in the enterprise fund.

Additionally, the District reports the following non-major fund types:

### **Governmental Funds**

Special revenue funds – The District accounts for resources restricted to, or committed for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

### **Proprietary Funds**

Internal service funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in internal service funds. The District's internal service fund is a worker's compensation insurance fund.

### **Fiduciary Funds**

Agency funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency funds are student activity funds.

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types. The District's trust fund is a scholarship fund.

## Montgomery Independent School District

### Notes to the Basic Financial Statements

#### **E. Budgets and Budgetary Accounting**

The District facilitates budgeting and budgetary control by preparing annual budgets for the general, child nutrition, and debt service funds and appropriately amending the budgets as circumstances dictate; the annual budgets are an integral part of the accounting system, providing appropriate budgetary control over revenues, expenditures, and transfers through comparison of actual data and encumbrances to budgetary data.

The Superintendent of Schools is designated as the budget officer of the District and is responsible for preparing and submitting to the Board a proposed budget and administering the budget.

The Board may approve amendments to the budget, which are required when a change is made to any one of the functional expenditure categories or revenue object accounts defined by the TEA. Such amendments must be reflected in the official minutes of the Board, and may not, by law, occur after June 30. Therefore, the legal level of budgetary control is at the function level within each budgeted fund. Management may transfer appropriations between objects, sub-objects, organizations, programs, and projects without approval from the Board, as long as appropriations are not increased at the function level.

The TEA requires the budgets to be filed with them through regular submissions to the Public Education Information Management System (PEIMS). The budget should not be exceeded in any functional expenditure category under TEA requirements. The final amended versions of these budgets are used in this report.

Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year appropriations by an amount equal to outstanding encumbrances. Supplemental appropriations were not significant to the original budget for the fiscal year ended June 30, 2019.

Budgets for the general fund, child nutrition fund, and debt service fund are adopted on a basis consistent with the modified accrual basis of GAAP.

#### **F. Account Code Reporting**

In accordance with the Texas Education Code, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by the TEA in the FASRG. Mandatory codes are recorded in the order provided in that section.

#### **G. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures/expenses during the reporting period. Actual results could differ materially from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of June 30, 2019 will change, and that change could be material to the District's financial statements.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Cash and Cash Equivalents

The District's cash is comprised of demand accounts and imprest funds. All daily receipts are deposited to the demand accounts until the funds are invested under the terms of the District's depository contract. The District considers cash equivalents to be all highly liquid investments with initial maturities of ninety days or less from the date of purchase.

### H. Investments

The District's investments consist of local government investment pools. The carrying value of these investments in local government investment pools is based on the valuation policy of the investment pool; either at amortized cost or fair value (i.e. net asset value) of the underlying pool shares.

Investments with a maturity of less than one year from June 30, 2019 are reported as current investments. Any investments with longer maturities are reported as long-term investments.

### I. Interfund Transactions

During the course of normal operations, it is necessary for the District to enter into transactions among its various funds. These transactions consist of one or more of the following types:

- Reimbursements to a fund, which are generally reflected through the allocation of pooled cash accounts, for expenditures or expenses initially made from it that are properly applicable to another fund.
- Transfers of equity balances from one fund to another.
- Transfers in and out, as appropriate, which are shown as other financing sources or uses in the fund financial statements.
- All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements.

### J. Inventory and Prepaid Items

The District records purchases of supplies as expenditures in the governmental funds, utilizing the purchase method of accounting for inventory in accordance with the FASRG. The District accounts for inventories in the child nutrition fund (business-type) utilizing the consumption method of accounting whereby inventories are recorded as assets when acquired and as expenses when consumed, in a manner consistent with the weighted average cost method. The District accounts for prepaid items utilizing the consumption method of accounting whereby expenses are recorded when used.

### K. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are collected.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general fund and debt service fund are based upon historical experience in collecting property taxes. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District expects to collect all significant receivables within one year of June 30, 2019.

### L. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

| Capital Asset Classes      | Lives |
|----------------------------|-------|
| Buildings and improvements | 15-40 |
| Furniture and equipment    | 5-20  |

### M. Long-Term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as *other financing sources*. Premiums received on debt issuances are reported as *other financing sources*, while discounts on debt issuances are reported as *other financing uses*. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### N. Compensated Absences

State law entitles all employees to five days of paid personal leave per year. Paraprofessionals and professional employees earn five days of local leave per school year at the same rate as state personal leave. All part-time employees, whether contract or non-contract, earn 2.5 days of local leave per school year, at the same rate as state personal leave. The District's compensatory time policy requires that compensatory time be taken by the end of the school year in which it was earned.

Any unused leave accumulates without monetary value and is not paid upon termination, and as such, no liability for compensated absences is accrued in the District's financial statements.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Deferred Inflows and Deferred Outflows of Resources

The District presents deferred outflows of resources and deferred inflows of resources in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities.

In accordance with GASB 65, deferred inflows of resources represent an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows/inflows of resources are amortized as follows:

Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.

District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.

Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.

Property taxes are recognized in the period the amount becomes available.

### O. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's Pension Plan fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### P. Other Postemployment 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.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Q. Fund Balances and Net Position

#### Government-Wide Financial Statements

*Net position* on the Statement of Net Position includes the following categories:

*Net investment in capital assets* – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

*Restricted for debt service* – the component of net position that reports the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with constraints placed on use by law.

*Restricted for food services* – the component of net position that reports the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with constraints placed on their use by the United States Department of Agriculture.

*Restricted for grants* – the component of net position that reports the residual fund balance of special revenue funds, with constraints placed on their use by grantors.

*Unrestricted* – the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources that is not reported in any of the classifications above.

#### Governmental Fund Financial Statements

The District classifies governmental fund balances as follows:

*Non-spendable* – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, other assets and long term receivables.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long term debt, construction programs and other federal and state grants.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action in an open meeting of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes amounts in the non-major governmental funds committed for local special revenue funds.

*Assigned* – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Superintendent's designee pursuant to the District's fund balance policy. At June 30, 2019, the District had no assigned fund balance classifications.

*Unassigned* – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. The general fund should be the only fund that reports a positive unassigned balance. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are available.

### Note 2. Deposits and Investments

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

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 the District 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.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy.

- Obligations of, or guaranteed by governmental entities as permitted by Government Code 2256.009
- Certificates of deposit and share certificates as permitted by Government Code 2256.010
- Fully collateralized repurchase agreements permitted by Government Code 2256.011
- A securities lending program as permitted by Government Code 2256.0115
- Banker's acceptances as permitted by Government Code 2256.012
- Commercial paper as permitted by Government Code 2256.013
- No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
- A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015
- Public funds investment pools as permitted by Government Code 2256.016.

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

|                                   |                      |
|-----------------------------------|----------------------|
| Governmental funds                | \$ 42,132,228        |
| Proprietary funds                 | 2,499,377            |
| Fiduciary funds                   | 1,992,214            |
|                                   | <hr/>                |
| <b>Total cash and investments</b> | <b>\$ 46,623,819</b> |
|                                   | <hr/>                |

# Montgomery Independent School District

## Notes to the Basic Financial Statements

Cash and investments as of June 30, 2019 consist of the following:

|   |                      |
|---|----------------------|
| Cash on deposit with financial institutions | \$ 29,446,448        |
| Investments                                 | 17,177,371           |
|   | <hr/>                |
| <b>Total cash and investments</b>           | <b>\$ 46,623,819</b> |
|   | <hr/> <hr/>          |

As of June 30, 2019, the District had the following investments:

|  | Value at<br>June 30, 2019 | Percent of<br>Total<br>Investments | Weighted<br>Average<br>Maturity<br>(Days) | Credit Risk<br>(S&P Rating) |
|--|---------------------------|------------------------------------|---|-----------------------------|
|  | <hr/>                     | <hr/>                              | <hr/>                                     |                             |
| Investments measured at amortized cost:  |                           |                                    |   |                             |
| Investment pools:                        |                           |                                    |   |                             |
| TexasTERM - TexasDAILY Portfolio         | \$ 11,341,842             | 66.03%                             | 34  | AAAm                        |
| Investments measured at net asset value: |                           |                                    |   |                             |
| Investment pools:                        |                           |                                    |   |                             |
| Texas CLASS                              | 5,835,529                 | 33.97%                             | 51  | AAAm                        |
| <b>Total investments</b>                 | <b>\$ 17,177,371</b>      | <b>100.00%</b>                     | <b>40</b>                                 |                             |
|  | <hr/> <hr/>               | <hr/> <hr/>                        | <hr/> <hr/>                               |                             |

Certain investment types are not required to be measured at fair value; these include certain investment pools in which the underlying portfolio is measured at amortized cost. Other investment pools, in which underlying portfolio investments are measured at fair value, are reported by the District at the net asset value (NAV) determined by the pool, which approximates fair value.

### Investments in State Investment Pools

The District is a voluntary participant in the Texas CLASS investment pool. Texas CLASS was established in 1996 pursuant to the Texas Public Funds Investment Act. The pool is governed by a seven-member board of trustees, who are elected by pool participants. Public Trust Advisors LLC serves as the pool's program administrator and Wells Fargo Bank Texas, NA, serves as custodian.

The District is also a voluntary participant in the TexasTERM investment pool. TexasTERM was established in 2000 pursuant to the Texas Public Funds Investment Act. The pool is governed by a six-member advisory board, who are elected by pool participants. PFM Asset Management LLC serves as the pool's program administrator and US Bank, NA, serves as custodian.

The investment pools do not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity fees or redemption gates, with the exception of the TexasTERM Portfolio, which imposes a fee for redemptions prior to the agreed-upon redemption date.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 90 days, thus reducing the interest rate risk. To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District uses final and weighted-average-maturity limits and diversification. During the year ended June 30, 2019, the District did not invest in any securities which were highly sensitive to interest rate fluctuations.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. During the year ended June 30, 2019, the District was not significantly exposed to credit risk. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

| <u>Investment or Investment Type</u> | <u>Minimum<br/>Legal<br/>Rating</u> | <u>Rating as of<br/>June 30, 2019</u> |
|--------------------------------------|-------------------------------------|---------------------------------------|
| Investment pools                     | AAA/AAAm                            | AAAm                                  |

### Concentration of Credit Risk

The investment policy of the District requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is 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 its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of June 30, 2019, the District's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

- Depository: Woodforest National Bank
- Largest cash, savings and time deposit combined account balance amounted to \$67,559,512 and occurred during the month of February 2019.
- Security pledged as of the date of the highest combined balance on deposit was \$70,000,000.
- Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Note 3. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita programs. Amounts due from other governments at June 30, 2019, are summarized below. All federal grants shown below are passed through the TEA or other local grantors and are reported on the combined financial statements as *due from other governments*.

| Fund            | Local Governments | State Entitlements  | Federal Grants    | Total               |
|-----------------|-------------------|---------------------|-------------------|---------------------|
| General         | \$ 138,842        | \$ 4,901,841        | \$ -              | \$ 5,040,683        |
| Non-major funds | -                 | 5,937               | 882,134           | 888,071             |
| <b>Total</b>    | <b>\$ 138,842</b> | <b>\$ 4,907,778</b> | <b>\$ 882,134</b> | <b>\$ 5,928,754</b> |

### Note 4. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue and deferred inflows of resources on the governmental funds balance sheet at June 30, 2019 consisted of the following:

|  | General Fund | Debt Service Fund | Non-Major Funds | Total        |
|--|--------------|-------------------|-----------------|--------------|
| Unearned revenue:                          |              |                   |                 |              |
| State program revenue received in advance  | \$ -         | \$ -              | \$ 22,610       | \$ 22,610    |
| Deferred inflows of resources:             |              |                   |                 |              |
| Property taxes levied for subsequent years | \$ 1,948,966 | \$ 587,789        | \$ -            | \$ 2,536,755 |

### Note 5. Interfund Balances

Interfund balances (net) at June 30, 2019 consisted of the following individual fund balances:

| Due to Fund       | Due from Fund         | Amount              | Purpose                       |
|-------------------|-----------------------|---------------------|-------------------------------|
| General fund      | Non-major funds       | \$ 864,651          | Reimbursement of expenditures |
| General fund      | Enterprise fund       | 103,409             | Reimbursement of expenditures |
| General fund      | Internal service fund | 2,000               | Reimbursement of expenditures |
| General fund      | Capital projects fund | 25,849              | Reimbursement of expenditures |
| Debt service fund | General fund          | 118,109             | I&S tax collections           |
|                   |                       | <b>\$ 1,114,018</b> |                               |

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

**Montgomery Independent School District**  
Notes to the Basic Financial Statements

**Note 6. Capital Asset Activity**

Capital asset activity for the District's governmental activities for the ten months ended June 30, 2019 was as follows:

|  | Beginning Balances    | Increases             | Retirements | Reclass and Transfers | Ending Balances       |
|--|-----------------------|-----------------------|-------------|-----------------------|-----------------------|
| Governmental activities:                           |                       |                       |             |                       |                       |
| Capital assets not being depreciated:              |                       |                       |             |                       |                       |
| Land   | \$ 8,638,457          | \$ -                  | \$ -        | \$ -                  | \$ 8,638,457          |
| Construction in progress                           | 2,123,897             | 5,429,924             | -           | (6,697,692)           | 856,129               |
| Total capital assets not being depreciated         | 10,762,354            | 5,429,924             | -           | (6,697,692)           | 9,494,586             |
| Capital assets being depreciated:                  |                       |                       |             |                       |                       |
| Buildings and improvements                         | 382,666,309           | 182,658               | -           | 6,697,692             | 389,546,659           |
| Furniture and equipment                            | 11,770,168            | 471,186               | -           | -                     | 12,241,354            |
| Total capital assets being depreciated             | 394,436,477           | 653,844               | -           | 6,697,692             | 401,788,013           |
| Less accumulated depreciation for:                 |                       |                       |             |                       |                       |
| Buildings and improvements                         | (72,946,550)          | (10,509,840)          | -           | -                     | (83,456,390)          |
| Furniture and equipment                            | (8,574,394)           | (485,233)             | -           | -                     | (9,059,627)           |
| Total accumulated depreciation                     | (81,520,944)          | (10,995,073)          | -           | -                     | (92,516,017)          |
| Total capital assets being depreciated, net        | 312,915,533           | (10,341,229)          | -           | 6,697,692             | 309,271,996           |
| <b>Governmental activities capital assets, net</b> | <b>\$ 323,677,887</b> | <b>\$ (4,911,305)</b> | <b>\$ -</b> | <b>\$ -</b>           | <b>\$ 318,766,582</b> |

Capital asset activity for the District's business-type activities for the ten months ended June 30, 2019 was as follows:

|   | Beginning Balances | Increases          | Retirements | Reclass and Transfers | Ending Balances   |
|---|--------------------|--------------------|-------------|-----------------------|-------------------|
| Business-type activities:                           |                    |                    |             |                       |                   |
| Capital assets being depreciated:                   |                    |                    |             |                       |                   |
| Furniture and equipment                             | \$ 438,364         | \$ 13,471          | \$ -        | \$ -                  | \$ 451,835        |
| Total capital assets, being depreciated             | 438,364            | 13,471             | -           | -                     | 451,835           |
| Less accumulated depreciation for:                  |                    |                    |             |                       |                   |
| Furniture and equipment                             | (185,743)          | (24,500)           | -           | -                     | (210,243)         |
| Total accumulated depreciation                      | (185,743)          | (24,500)           | -           | -                     | (210,243)         |
| Total capital assets, being depreciated, net        | 252,621            | (11,029)           | -           | -                     | 241,592           |
| <b>Business-type activities capital assets, net</b> | <b>\$ 252,621</b>  | <b>\$ (11,029)</b> | <b>\$ -</b> | <b>\$ -</b>           | <b>\$ 241,592</b> |

# Montgomery Independent School District

## Notes to the Basic Financial Statements

Depreciation expense was charged to functions as follows:

|  |  |                      |
|--|--|----------------------|
| Governmental activities:                                     |  |                      |
| 11 Instruction   |  | \$ 8,536,280         |
| 12 Instructional resources and media services                |  | 130,284              |
| 13 Curriculum and staff development                          |  | 29,599               |
| 23 School leadership   |  | 71,178               |
| 31 Guidance, counseling, and evaluation services             |  | 29,154               |
| 33 Health services   |  | 30,574               |
| 34 Student (pupil) transportation                            |  | 395,746              |
| 35 Food services   |  | 218,772              |
| 36 Extracurricular activities                                |  | 474,772              |
| 41 General Administration                                    |  | 1,404                |
| 51 Facilities maintenance and operations                     |  | 877,360              |
| 52 Security and monitoring services                          |  | 16,333               |
| 53 Data processing services                                  |  | 17,151               |
| 61 Community services  |  | 166,466              |
|  |  | <hr/>                |
| <b>Total depreciation expense - governmental activities</b>  |  | <b>\$ 10,995,073</b> |
|  |  | <hr/>                |
| Business-type activities:                                    |  |                      |
| Food services  |  | \$ 24,500            |
|  |  | <hr/>                |
| <b>Total depreciation expense - business-type activities</b> |  | <b>\$ 24,500</b>     |
|  |  | <hr/>                |

The District's construction in progress as of June 30, 2019 consists of the following projects, with remaining construction commitments shown below:

| Project            | Approved<br>Budget  | Construction<br>in Progress | Remaining<br>Commitment |
|--------------------|---------------------|-----------------------------|-------------------------|
| <hr/>              | <hr/>               | <hr/>                       | <hr/>                   |
| Madeley Renovation | \$ 1,399,997        | \$ 856,129                  | \$ 543,868              |
|                    | <hr/>               | <hr/>                       | <hr/>                   |
| <b>Totals</b>      | <b>\$ 1,399,997</b> | <b>\$ 856,129</b>           | <b>\$ 543,868</b>       |
|                    | <hr/>               | <hr/>                       | <hr/>                   |

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Note 7. Changes in Long-Term Liabilities

Long-term activity for the year ended June 30, 2019 was as follows:

|                                    | Beginning<br>Balance  | Additions            | Reductions            | Ending<br>Balance     | Due Within<br>One Year |
|------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|------------------------|
| Total general obligation bonds     | \$ 343,550,000        | \$ -                 | \$ (6,375,000)        | \$ 337,175,000        | \$ 7,755,000           |
| Premium on bonds                   | 31,048,571            | -                    | (1,326,147)           | 29,722,424            | 1,478,090              |
| Total bonds payable, net           | 374,598,571           | -                    | (7,701,147)           | 366,897,424           | 9,233,090              |
| Net pension liability              | 12,633,470            | 11,712,710           | (1,404,117)           | 22,942,063            | -                      |
| Net OPEB liability                 | 22,573,656            | 5,441,868            | (381,794)             | 27,633,730            | -                      |
| <b>Total long-term liabilities</b> | <b>\$ 409,805,697</b> | <b>\$ 17,154,578</b> | <b>\$ (9,487,058)</b> | <b>\$ 417,473,217</b> | <b>\$ 9,233,090</b>    |

Bonds payable obligations are liquidated from resources of the debt service fund, and net pension liability and net OPEB liability obligations are liquidated from resources of the general fund.

### Note 8. Bonded Debt Payable

The District issues general obligation bonds to provide funds for the construction and rehabilitation of school facilities and also to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District and are collateralized by revenue from the District's tax collections.

Bonded debt payable as of June 30, 2019 is as follows:

| Description   | Interest<br>Rate<br>Payable | Maturity | Amount of<br>Original<br>Issue | Amount<br>Outstanding<br>8/31/2018 | Issued<br>Current<br>Year | Retired<br>Current<br>Year | Amount<br>Outstanding<br>6/30/2019 |
|---|-----------------------------|----------|--------------------------------|------------------------------------|---------------------------|----------------------------|------------------------------------|
| Unlimited Tax<br>Refunding Bonds Series 2010                        | 3.00% to 4.00%              | 2026     | \$ 14,495,000                  | \$ 9,315,000                       | \$ -                      | \$ (1,430,000)             | \$ 7,885,000                       |
| Unlimited Tax<br>Refunding Bonds Series 2013                        | 1.70%                       | 2027     | 9,310,000                      | 6,125,000                          | -                         | (600,000)                  | 5,525,000                          |
| Unlimited Tax School<br>Building and Refunding Bonds<br>Series 2015 | 2.25% to 5.00%              | 2045     | 249,660,000                    | 245,955,000                        | -                         | (2,765,000)                | 243,190,000                        |
| Unlimited Tax<br>Refunding Bonds Series 2015A                       | 2.00% to 5.00%              | 2027     | 16,830,000                     | 15,445,000                         | -                         | (1,580,000)                | 13,865,000                         |
| Unlimited Tax School<br>Building and Refunding Bonds<br>Series 2016 | 2.00% to 5.00%              | 2046     | 66,710,000                     | 66,710,000                         | -                         | -                          | 66,710,000                         |
| <b>Total general obligation bonds</b>                               |                             |          |                                | <b>\$ 343,550,000</b>              | <b>\$ -</b>               | <b>\$ (6,375,000)</b>      | <b>\$ 337,175,000</b>              |

# Montgomery Independent School District

## Notes to the Basic Financial Statements

The debt service requirements on the above bonds are as follows:

| Due Fiscal<br>Years Ending<br>June 30, | Principal             | Interest              | Total                 |
|--|-----------------------|-----------------------|-----------------------|
| 2020                                   | \$ 7,755,000          | \$ 14,562,982         | \$ 22,317,982         |
| 2021                                   | 9,270,000             | 14,254,596            | 23,524,596            |
| 2022                                   | 9,835,000             | 13,826,642            | 23,661,642            |
| 2023                                   | 10,345,000            | 13,412,646            | 23,757,646            |
| 2024                                   | 10,665,000            | 12,980,622            | 23,645,622            |
| 2025-2029                              | 58,090,000            | 57,110,310            | 115,200,310           |
| 2030-2034                              | 66,160,000            | 44,104,450            | 110,264,450           |
| 2035-2039                              | 71,905,000            | 29,166,300            | 101,071,300           |
| 2040-2044                              | 73,445,000            | 13,103,900            | 86,548,900            |
| 2045-2046                              | 19,705,000            | 914,400               | 20,619,400            |
| <b>Total</b>                           | <b>\$ 337,175,000</b> | <b>\$ 213,436,848</b> | <b>\$ 550,611,848</b> |

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, there were no outstanding defeased bonds.

### Note 9. Operating Leases

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses and are cancellable by the District. The District is therefore not obligated for minimum future rental payments as of June 30, 2019. The imputed interest on the leases is not readily determinable.

Rental expenditures for the ten months ended June 30, 2019 amounted to \$356,366.

### Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District is a participant in TRS-ActiveCare, a fully-insured statewide health coverage program for public education employees sponsored by the Teacher Retirement System of Texas.

During the ten months ended June 30, 2019, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the ten months ended June 30, 2019, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

In addition, during the ten months ended June 30, 2019, the District participated in the following TASB Risk Management Fund programs: Auto Liability, Auto Physical Damage, Legal Liability, Privacy & Information Security, and Property. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. For the ten months ended June 30, 2019, the Fund anticipates no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

The District has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

During previous years, the District participated in an interlocal agreement providing for pooled coverage of workers' compensation benefits for employees. Claims incurred by the employees of the District were handled by a third party administrator who was responsible for estimating losses to be incurred by the District and ultimately paid to the claimant. The District has accrued claims payable of \$25,821 as of June 30, 2019, which includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims and claims incurred but not yet reported is determined by estimating the amount that will ultimately be paid to each claimant and is calculated and provided by the District's third party administrator. Accrued claims payable have not been discounted to their present value as the District expects that any discount of the claims payable would not be material to the overall financial statements.

Changes in the fund's claims liability amount for the ten months ended June 30, 2019 and the fiscal year ended August 31, 2018 are as follows:

|  | 2019             | 2018             |
|--|------------------|------------------|
| Liability, beginning of year                 | \$ 29,924        | \$ 39,036        |
| Current year claims and changes in estimates | (2,250)          | (6,738)          |
| Claim payments                               | (1,853)          | (2,374)          |
| <b>Liability, end of year</b>                | <b>\$ 25,821</b> | <b>\$ 29,924</b> |

## Montgomery Independent School District

### Notes to the Basic Financial Statements

#### Note 11. Litigation and Contingencies

The District is a party to various legal actions, none of which is believed by the administration or its legal counsel to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

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

#### Note 12. Defined Benefit Pension Plan

##### Plan Description

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

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

##### 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, Texas 78701-2698; or by calling (512) 542-6592.

##### Benefits Provided

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

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for plan fiscal years 2018 and 2019 would remain the same. Rates for such plan fiscal years are as follows:

|  | Contribution Rates |      |      |
|--|--------------------|------|------|
|  | 2019               | 2018 | 2017 |
| Member                                   | 7.7%               | 7.7% | 7.7% |
| Non-employer contributing entity (state) | 6.8%               | 6.8% | 6.8% |
| Employers/District                       | 6.8%               | 6.8% | 6.8% |

The contribution amounts for the District's ten months ended June 30, 2019 are as follows:

|                                      |              |
|--------------------------------------|--------------|
| Employer / district contributions    | \$ 1,296,584 |
| Member / employee contributions      | 3,336,516    |
| NECE on-behalf contributions (State) | 2,188,291    |

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

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

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

# Montgomery Independent School District

## Notes to the Basic Financial Statements

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

### Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. The total pension liability as of August 31, 2018 was determined using the following actuarial assumptions:

|   |   |
|---|---|
| Valuation date  | August 31, 2017 rolled forward to August 31, 2018 |
| Actuarial cost method                                       | Individual entry age normal                       |
| Asset valuation method                                      | Market value                                      |
| Single discount rate  | 6.907%  |
| Long-term expected rate                                     | 7.25%   |
| Municipal bond rate as of August 2018                       | 3.69% *   |
| Last year ending August 31 in projection period (100 years) | 2116  |
| Inflation   | 2.30%   |
| Salary increases  | 3.05% to 9.05% including inflation                |
| Ad hoc post-employment benefit changes                      | None  |

\* Source for the rate is the Fixed Income Market Data/ Yield Curve/ Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

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

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2018 are summarized in the following table.

| Asset Class                   | Target Allocation* | Long-term Expected Geometric Real Rate of Return | Expected Contribution to Long-term Portfolio Returns |
|-------------------------------|--------------------|--|--|
| Global equity:                |                    |  |  |
| U.S.                          | 18.0%              | 5.7%   | 1.0%   |
| Non-U.S. developed            | 13.0%              | 6.9%   | 0.9%   |
| Emerging markets              | 9.0%               | 8.9%   | 0.8%   |
| Directional hedge funds       | 4.0%               | 3.5%   | 0.1%   |
| Private Equity                | 13.0%              | 10.2%  | 1.3%   |
| Stable value:                 |                    |  |  |
| U.S. Treasuries               | 11.0%              | 1.1%   | 0.1%   |
| Absolute return               | 0.0%               | 0.0%   | 0.0%   |
| Stable value hedge funds      | 4.0%               | 3.1%   | 0.1%   |
| Cash                          | 1.0%               | -0.3%  | 0.0%   |
| Real return:                  |                    |  |  |
| Global inflation linked bonds | 3.0%               | 0.7%   | 0.0%   |
| Real assets                   | 14.0%              | 5.2%   | 0.7%   |
| Energy and natural resources  | 5.0%               | 7.5%   | 0.4%   |
| Commodities                   | 0.0%               | 0.0%   | 0.0%   |
| Risk parity:                  |                    |  |  |
| Risk parity                   | 5.0%               | 3.7%   | 0.2%   |
| Inflation expectation         |                    |  | 2.3%   |
| Volatility drag**             |                    |  | -0.8%  |
| <b>Totals</b>                 | <b>100.0%</b>      |  | <b>7.25%</b>   |

\*Target allocations are based on the FY2016 policy model

\*\*The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the net pension liability.

|  | 1% Decrease<br>(5.907%) | Current<br>Discount Rate<br>(6.907%) | 1% Increase<br>(7.907%) |
|--|-------------------------|--------------------------------------|-------------------------|
| District's proportionate share<br>of the net pension liability | \$ 34,625,075           | \$ 22,942,063                        | \$ 13,483,973           |

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

At June 30, 2019, the District reported a liability of \$22,942,063 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

|  |                      |
|--|----------------------|
| District's proportionate share of the collective net pension liability | \$ 22,942,063        |
| State's proportionate share that is associated with the District       | 38,912,040           |
| <b>Total</b>   | <b>\$ 61,854,103</b> |

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.04168%, which was an increase of 0.00217% from its proportion measured as of August 31, 2017.

### Changes since the Prior Actuarial Valuation

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

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

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

## Montgomery Independent School District

### Notes to the Basic Financial Statements

For the ten months ended June 30, 2019, the District recognized total pension expense of \$7,533,019 and revenue of \$3,851,255 for support provided by the State.

At June 30, 2019, the District reported deferred outflows of resources for contributions made after the measurement date and for its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 143,002                           | \$ 562,908                          |
| Changes in actuarial assumptions   | 8,271,719                            | 258,491                             |
| Difference between projected and actual investment earnings  | -                                    | 435,309                             |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 3,678,067                            | 435                                 |
| Contributions paid to TRS subsequent to the measurement date   | 1,296,584                            | -                                   |
| <b>Total</b>   | <b>\$ 13,389,372</b>                 | <b>\$ 1,257,143</b>                 |

\$1,296,584 reported as deferred outflows or resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net amounts of the District's other balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended<br>June 30, | Pension<br>Expense<br>Amount |
|-------------------------|------------------------------|
| 2020                    | \$ 2,882,770                 |
| 2021                    | 1,966,690                    |
| 2022                    | 1,697,274                    |
| 2023                    | 1,743,863                    |
| 2024                    | 1,563,768                    |
| Thereafter              | 981,280                      |
| <b>Total</b>            | <b>\$ 10,835,645</b>         |

### Note 13. Defined Other Post-Employment Benefit Plan

#### Plan Description

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

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### 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 postemployment 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 a retiree with and without Medicare coverage.

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

|                       | <u>Medicare</u> | <u>Non-Medicare</u> |
|-----------------------|-----------------|---------------------|
| Retiree*              | \$ 135          | \$ 200              |
| Retiree and spouse    | 529             | 689                 |
| Retiree* and children | 468             | 408                 |
| Retiree and family    | 1,020           | 999                 |

\* or surviving spouse

### Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% 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.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

The following table shows contributions to the TRS-Care plan by type of contributor.

|   | 2019  | 2018  | 2017  |
|---|-------|-------|-------|
| Active employee                               | 0.65% | 0.65% | 0.65% |
| Non-employer contribution entity (state)      | 1.25% | 1.25% | 1.00% |
| Employers/District                            | 0.75% | 0.75% | 0.55% |
| Federal/private funding remitted by employers | 1.25% | 1.25% | 1.00% |

The contribution amounts for the District's ten months ended June 30, 2019 are as follows:

|                                      |            |
|--------------------------------------|------------|
| Employer / district contributions    | \$ 350,765 |
| Member / employee contributions      | 281,656    |
| NECE on-behalf contributions (state) | 527,464    |

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.

To alleviate a funding shortfall for the 2018-2019 biennium, Senate Bill 1, 85th Legislature, Regular Session provided a one-time supplemental contribution in the amount of \$182.6 million and also provided the increases in State and employer contribution rates for 2018-2019 shown above. House Bill 3976 made the 0.25 percent increase in the State contribution a permanent and ongoing increase of state funding to the program. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the 2018-19 biennium to continue to support the program. One-time supplemental contributions during fiscal 2018 totaled \$394.6 million.

In addition, The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the ten months ended June 30, 2019 and for the fiscal years ended August 31, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$153,200, \$143,200, and \$136,300, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

### Actuarial Assumptions

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan. All of the demographic assumptions and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2018 TRS annual pension actuarial valuation: rates of mortality, retirement, termination, disability, general inflation, wage inflation, expected payroll growth

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

## Montgomery Independent School District

### Notes to the Basic Financial Statements

The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. The total OPEB liability as of August 31, 2018 was determined using the following actuarial assumptions:

|  |  |
|--|--|
| Valuation date                         | August 31, 2017, rolled forward to August 31, 2018   |
| Actuarial cost method                  | Individual entry age normal  |
| Inflation                              | 2.30%  |
| Discount rate                          | 3.69% *  |
| Aging factors                          | Based on plan specific experience  |
| Election rates                         | Normal retirement: 70% participation prior to age 65 and 75% after age 65  |
| Expenses                               | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.   |
| Projected annual salary increases      | 3.05% to 9.05% including inflation   |
| Healthcare trend rates                 | Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and an initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. |
| Ad hoc post-employment benefit changes | None   |

\* Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of August 31, 2018.

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

# Montgomery Independent School District

## Notes to the Basic Financial Statements

### Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

### Sensitivity of the Net OPEB Liability

#### Discount Rate

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the net OPEB liability.

|   | 1% Decrease<br>(2.69%) | Current<br>Discount Rate<br>(3.69%) | 1% Increase<br>(4.69%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net OPEB liability | \$ 32,893,633          | \$ 27,663,730                       | \$ 23,472,808          |

#### Healthcare Cost Trend Rates

The following presents the net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

|   | 1% Decrease   | Current<br>Healthcare Cost<br>Trend Rate | 1% Increase   |
|---|---------------|--|---------------|
| District's proportionate share<br>of the net OPEB liability | \$ 22,950,263 | \$ 27,663,730                            | \$ 33,801,957 |

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

At June 30, 2019, the District reported a liability of \$27,663,730 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

|  |                             |
|--|-----------------------------|
| District's proportionate share of the net OPEB liability                           | \$ 27,663,730               |
| State's proportionate share of the net OPEB liability associated with the District | <u>42,093,469</u>           |
| <b>Total</b>   | <u><u>\$ 69,757,199</u></u> |

The net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District’s proportion of the net OPEB liability was based on the District’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

## Montgomery Independent School District

### Notes to the Basic Financial Statements

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.05534%, which was an increase of 0.00343% from its proportion measured as of August 31, 2017.

#### Changes Since the Prior Actuarial Valuation

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

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

The following were changes in benefit terms since the prior measurement date. The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

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

For the ten months ended June 30, 2019, the District recognized total OPEB expense of \$2,457,282 and revenue of \$1,531,108 for support provided by the State.

# Montgomery Independent School District

## Notes to the Basic Financial Statements

At June 30, 2019, the District reported deferred outflows of resources for contributions made after the measurement date and for its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 1,466,419                         | \$ 436,101                          |
| Changes of assumptions   | 461,132                              | 8,302,350                           |
| Net difference between projected and actual earnings on<br>OPEB plan investments   | 4,833                                | -                                   |
| Changes in proportion and differences between District contributions<br>and proportionate share of contributions (cost-sharing plan) | 1,882,671                            | -                                   |
| District contributions after measurement date  | 350,765                              | -                                   |
| <b>Totals</b>  | <b>\$ 4,165,820</b>                  | <b>\$ 8,738,451</b>                 |

\$350,765 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

| Years Ending<br>June 30, |                       |
|--------------------------|-----------------------|
| 2020                     | \$ (853,395)          |
| 2021                     | (853,395)             |
| 2022                     | (853,395)             |
| 2023                     | (854,309)             |
| 2024                     | (854,832)             |
| Thereafter               | (654,070)             |
| <b>Total</b>             | <b>\$ (4,923,396)</b> |

### Note 14. Shared Services Arrangement

The District participates in a shared services arrangement for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center – Region VI, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

## **Required Supplementary Information**

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Montgomery Independent School District  
 Budgetary Comparison Schedule  
 General Fund  
 For the Ten Months Ended June 30, 2019

Exhibit G-1

| Data<br>Control<br>Codes |  | 1                   | 2                    | 3                    | Variance with<br>Final Budget |
|--------------------------|--|---------------------|----------------------|----------------------|-------------------------------|
|                          |  | Budgeted Amounts    |                      | Actual               | Positive<br>(Negative)        |
|                          |  | Original            | Final                |                      |                               |
| <b>REVENUES</b>          |  |                     |                      |                      |                               |
| 5700                     | Local and intermediate sources                                 | \$ 60,255,000       | \$ 62,769,837        | \$ 62,972,490        | \$ 202,653                    |
| 5800                     | State program revenues   | 10,706,590          | 10,859,020           | 14,220,259           | 3,361,239                     |
| 5900                     | Federal program revenues                                       | 500,000             | 1,159,019            | 1,221,159            | 62,140                        |
|                          | Total revenues   | 71,461,590          | 74,787,876           | 78,413,908           | 3,626,032                     |
| <b>EXPENDITURES</b>      |  |                     |                      |                      |                               |
| Current:                 |  |                     |                      |                      |                               |
| 0011                     | Instruction  | 44,597,646          | 42,455,183           | 41,496,809           | 958,374                       |
| 0012                     | Instruction resources and media services                       | 581,274             | 545,849              | 512,235              | 33,614                        |
| 0013                     | Curriculum and instructional staff development                 | 326,487             | 258,565              | 242,434              | 16,131                        |
| 0021                     | Instructional administration                                   | 575,121             | 547,172              | 516,512              | 30,660                        |
| 0023                     | School administration  | 3,703,435           | 3,582,085            | 3,456,568            | 125,517                       |
| 0031                     | Guidance, counseling and evaluation services                   | 2,123,916           | 2,117,173            | 1,861,203            | 255,970                       |
| 0033                     | Health services  | 687,122             | 642,837              | 612,722              | 30,115                        |
| 0034                     | Student (pupil) transportation                                 | 3,948,437           | 3,874,297            | 3,653,350            | 220,947                       |
| 0036                     | Co-curricular/extracurricular activities                       | 1,850,222           | 1,923,170            | 1,749,714            | 173,456                       |
| 0041                     | General administration   | 1,479,401           | 1,713,421            | 1,657,786            | 55,635                        |
| 0051                     | Plant maintenance and operations                               | 8,572,001           | 8,291,551            | 7,791,942            | 499,609                       |
| 0052                     | Security and monitoring services                               | 854,253             | 926,063              | 869,898              | 56,165                        |
| 0053                     | Data processing services                                       | 1,246,341           | 1,297,387            | 1,165,949            | 131,438                       |
| 0061                     | Community services   | 60,914              | 95,000               | 92,576               | 2,424                         |
| Intergovernmental:       |  |                     |                      |                      |                               |
| 0091                     | Contracted instructional services<br>between public schools    | 4,000,000           | 4,426,734            | 3,896,789            | 529,945                       |
| 0095                     | Payments to juvenile justice alternative<br>education programs | 25,000              | 33,330               | 19,540               | 13,790                        |
| 0099                     | Other intergovernmental charges                                | 830,020             | 837,725              | 698,725              | 139,000                       |
| 6030                     | Total expenditures   | 75,461,590          | 73,567,542           | 70,294,752           | 3,272,790                     |
|                          | Net change in fund balance                                     | (4,000,000)         | 1,220,334            | 8,119,156            | 6,898,822                     |
| 0100                     | Fund balance - beginning                                       | 11,613,836          | 11,613,836           | 11,613,836           | -                             |
| 3000                     | <b>FUND BALANCE - ENDING</b>                                   | <b>\$ 7,613,836</b> | <b>\$ 12,834,170</b> | <b>\$ 19,732,992</b> | <b>\$ 6,898,822</b>           |

The Notes to the Required Supplementary Information are an integral part of this schedule.

**Montgomery Independent School District**  
Schedule of the District's Proportionate Share of the  
Net Pension Liability  
Teachers Retirement System of Texas  
For the Last Five Fiscal Years\*

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| District's proportion of the net pension liability   | 0.04168%             | 0.03951%             |
| District's proportionate share of net pension liability  | \$ 22,942,063        | \$ 12,633,470        |
| State's proportionate share of the net pension liability associated with the District              | <u>38,912,040</u>    | <u>23,248,745</u>    |
| <b>TOTALS</b>  | <u>\$ 61,854,103</u> | <u>\$ 35,882,215</u> |
| District's covered payroll   | \$ 47,815,102        | \$ 45,766,172        |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 47.98%               | 27.60%               |
| Plan fiduciary net position as a percentage of the total pension liability                         | 73.74%               | 82.17%               |

\*The amounts presented for the fiscal years were determined as of the Plan's measurement date, August 31, of the prior year. Ten years of data is not available.

| <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
|----------------------|----------------------|----------------------|
| 0.03746%             | 0.03698%             | 0.01907%             |
| \$ 14,156,647        | \$ 13,072,998        | \$ 5,092,605         |
| <u>27,582,468</u>    | <u>25,677,769</u>    | <u>21,904,380</u>    |
| <u>\$ 41,739,115</u> | <u>\$ 38,750,767</u> | <u>\$ 26,996,985</u> |
| \$ 43,215,113        | \$ 40,226,847        | \$ 37,167,576        |
| 32.76%               | 32.50%               | 13.70%               |
| 78.00%               | 78.43%               | 83.25%               |

# Montgomery Independent School District

## Schedule of the District's Contributions

### Teachers Retirement System of Texas

#### For the Last Five Fiscal Years\*

|   | <u>2019</u>        | <u>2018</u>        |
|---|--------------------|--------------------|
| <b>TRS</b>  |                    |                    |
| Contractually required contributions                                  | \$ 1,296,584       | \$ 1,401,852       |
| Contributions in relation to the contractually required contributions | <u>(1,296,584)</u> | <u>(1,401,852)</u> |
| <b>CONTRIBUTION DEFICIENCY (EXCESS)</b>                               | <u>\$ -</u>        | <u>\$ -</u>        |
| District's covered payroll  | \$ 43,489,512      | \$ 47,815,102      |
| Contributions as a percentage of covered payroll                      | 2.98%              | 2.93%              |

\*The amounts presented for 2015 - 2018 were determined as of the District's fiscal year end, August 31.

The amounts presented for 2019 were determined as of the ten months ended June 30, 2019, due to a change in the District's fiscal year end.

Ten years of data is not available.

| <u>2017</u>        | <u>2016</u>        | <u>2015</u>        |
|--------------------|--------------------|--------------------|
| \$ 1,295,830       | \$ 1,190,289       | \$ 1,087,337       |
| <u>(1,295,830)</u> | <u>(1,190,289)</u> | <u>(1,087,337)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 45,766,172      | \$ 43,215,113      | \$ 40,226,847      |
| 2.83%              | 2.75%              | 2.70%              |

**Montgomery Independent School District**  
 Schedule of the District's Proportionate Share of the  
 Net OPEB Liability  
 TRS - Care  
 Last Two Fiscal Years\*

**Exhibit G-4**

|   | <u>2019</u>                 | <u>2018</u>                 |
|---|-----------------------------|-----------------------------|
| District's proportion of the net OPEB liability   | 0.05534%                    | 0.05191%                    |
| District's proportionate share of net OPEB liability  | \$ 27,633,730               | \$ 22,573,656               |
| State's proportionate share of the net OPEB liability associated with the District              | <u>42,093,469</u>           | <u>37,031,336</u>           |
| <b>TOTALS</b>   | <u><u>\$ 69,727,199</u></u> | <u><u>\$ 59,604,992</u></u> |
| District's covered payroll  | \$ 47,815,102               | \$ 45,766,172               |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 57.79%                      | 49.32%                      |
| Plan fiduciary net position as a percentage of the total OPEB liability                         | 1.57%                       | 0.91%                       |

\*The amounts presented for the fiscal years were determined as of the Plan's measurement date, August 31, of the prior year.  
 Ten years of data is not available.

**Montgomery Independent School District****Exhibit G-5**

## Schedule of the District's Contributions

TRS - Care

Last Two Fiscal Years\*

|   | <u>2019</u>      | <u>2018</u>      |
|---|------------------|------------------|
| <b>TRS</b>  |                  |                  |
| Contractually required contributions                                  | \$ 350,765       | \$ 381,774       |
| Contributions in relation to the contractually required contributions | <u>(350,765)</u> | <u>(381,774)</u> |
| <b>CONTRIBUTION DEFICIENCY (EXCESS)</b>                               | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll  | \$ 43,489,512    | \$ 47,815,102    |
| Contributions as a percentage of covered payroll                      | 0.81%            | 0.80%            |

\*The amounts presented for 2018 were determined as of the District's fiscal year end, August 31.

The amounts presented for 2019 were determined as of the ten months ended June 30, 2019, due to a change in the District's fiscal year end.

Ten years of data is not available.

The Notes to the Required Supplementary Information are an integral part of this schedule.

# Montgomery Independent School District

## Notes to the Required Supplementary Information

### Note 1. Budgetary Data

The District adopts annual appropriations type budgets for the general fund, child nutrition fund, and the debt service fund using the same method of accounting as for modified accrual basis financial reporting. The remaining special revenue funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to federal, state and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Board of Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2018. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year end.

# Combining Statements and Schedules

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## Non-major Governmental Funds

### Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditure for particular purposes. The District reports the following non-major special revenue funds:

**ESEA Title I, Improving Basic Programs:** To account for funds allocated to the local education agencies to enable schools to provide opportunities for economically disadvantaged children and to meet the challenging State performance standards developed for all children.

**IDEA, Part B Formula:** To provide educational programs for children with disabilities.

**IDEA, Part B Preschool:** To provide educational programs for preschool children with disabilities.

**IDEA, Part B Discretionary:** To support an Education Service Center (ESC) special education component.

**Career and Technology Basic Grant:** To provide career and technology education to develop new and/or improved marketable skills for paid and unpaid employment.

**ESEA Title II, Training and Recruiting:** Increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals in schools, and hold local education agencies and schools accountable for improving student academic achievement.

**English Language Acquisition and Enhancement:** To improve the education of limited English proficient children, by assisting the children to learn English and meet challenging State academic content and student academic achievement standards.

**Federally Funded Special Revenue:** Federally funded special revenue funds not listed above are accounted for in this fund.

**Professional Staff Development:** To provide preservice and staff development training in technology and innovative teaching practices for teachers and administrators.

**Supplemental Visually Impaired:** Support program for visually impaired students.

**Advanced Placement Incentives:** To support professional development of teachers teaching advanced classes.

**Instructional Materials Allotment (IMA):** To account for instructional materials, technological equipment, and technology-related services received from the State IMA program.

**State Funded Special Revenue:** State funded special revenue funds not listed above are accounted for in this fund.

**Campus Activity Funds:** To account for transactions related to a principal's activity fund if the monies generated are not subject to recall by the District's board of trustees into the General Fund.

**Montgomery Independent School District**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Special Revenue Funds  
 June 30, 2019

| Data<br>Control<br>Codes |   | 211<br>ESSA Title I<br>Improving<br>Basic Programs | 224<br>IDEA<br>Part B<br>Formula | 225<br>IDEA<br>Part B<br>Preschool |
|--------------------------|---|--|----------------------------------|------------------------------------|
|                          | <b>ASSETS</b>                             |  |                                  |                                    |
| 1110                     | Cash and cash equivalents                 | \$ -   | \$ -                             | \$ -                               |
|                          | Receivables:                              |  |                                  |                                    |
| 1240                     | Due from other governments                | 161,606  | 547,550                          | 7,076                              |
| 1000                     | <b>TOTAL ASSETS</b>                       | \$ 161,606   | \$ 547,550                       | \$ 7,076                           |
|                          | <b>LIABILITIES</b>                        |  |                                  |                                    |
|                          | Current liabilities:                      |  |                                  |                                    |
| 2110                     | Accounts payable                          | \$ -   | \$ 9,356                         | \$ -                               |
| 2170                     | Due to other funds                        | 161,606  | 538,194                          | 7,076                              |
| 2300                     | Unearned revenue                          | -  | -                                | -                                  |
| 2000                     | Total liabilities                         | 161,606  | 547,550                          | 7,076                              |
|                          | <b>FUND BALANCE</b>                       |  |                                  |                                    |
| 3450                     | Restricted - grant funds                  | -  | -                                | -                                  |
| 3545                     | Committed - local special revenue funds   | -  | -                                | -                                  |
| 3000                     | Total fund balance                        | -  | -                                | -                                  |
| 4000                     | <b>TOTAL LIABILITIES AND FUND BALANCE</b> | \$ 161,606   | \$ 547,550                       | \$ 7,076                           |

| 226<br>IDEA<br>Part B<br>Discretionary | 244<br>Career and Tech<br>Basic<br>Grant | 255<br>ESSA Title II<br>Training and<br>Recruiting | 263<br>English Language<br>Acquisition and<br>Enhancement | 289<br>Federally<br>Funded Special<br>Revenue |
|--|--|--|---|---|
| \$ -                                   | \$ -                                     | \$ -   | \$ -  | \$ -  |
| 116,101                                | 10,155                                   | 32,017   | 4,779   | 2,850   |
| <u>\$ 116,101</u>                      | <u>\$ 10,155</u>                         | <u>\$ 32,017</u>                                   | <u>\$ 4,779</u>   | <u>\$ 2,850</u>                               |
| \$ -                                   | \$ -                                     | \$ -   | \$ -  | \$ -  |
| 116,101                                | 10,155                                   | 32,017   | 4,779   | 2,850   |
| -                                      | -  | -  | -   | -   |
| 116,101                                | 10,155                                   | 32,017   | 4,779   | 2,850   |
| -                                      | -  | -  | -   | -   |
| -                                      | -  | -  | -   | -   |
| <u>\$ 116,101</u>                      | <u>\$ 10,155</u>                         | <u>\$ 32,017</u>                                   | <u>\$ 4,779</u>   | <u>\$ 2,850</u>                               |

**Montgomery Independent School District**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Special Revenue Funds – Continued  
 June 30, 2019

| <u>Data<br/>Control<br/>Codes</u> |   | <b>383<br/>Professional<br/>Staff<br/>Development</b> | <b>385<br/>Supplemental<br/>Visually<br/>Impaired</b> | <b>397<br/>Advanced<br/>Placement<br/>Incentives</b> |
|-----------------------------------|---|---|---|--|
|                                   | <b>ASSETS</b>                             |   |   |  |
| 1110                              | Cash and cash equivalents                 | \$ 409  | \$ -  | \$ -   |
|                                   | Receivables:                              |   |   |  |
| 1240                              | Due from other governments                | -   | 5,495   | 442  |
| 1000                              | <b>TOTAL ASSETS</b>                       | <b>\$ 409</b>   | <b>\$ 5,495</b>                                       | <b>\$ 442</b>  |
|                                   | <b>LIABILITIES</b>                        |   |   |  |
|                                   | Current liabilities:                      |   |   |  |
| 2110                              | Accounts payable                          | \$ -  | \$ -  | \$ -   |
| 2170                              | Due to other funds                        | -   | 5,117   | 442  |
| 2300                              | Unearned revenue                          | -   | -   | -  |
| 2000                              | Total liabilities                         | -   | 5,117   | 442  |
|                                   | <b>FUND BALANCE</b>                       |   |   |  |
| 3450                              | Restricted - grant funds                  | 409   | 378   | -  |
| 3545                              | Committed - local special revenue funds   | -   | -   | -  |
| 3000                              | Total fund balance                        | 409   | 378   | -  |
| 4000                              | <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ 409</b>   | <b>\$ 5,495</b>                                       | <b>\$ 442</b>  |

| 410<br>Instructional<br>Materials<br>Allotment | 429<br>State Funded<br>Special<br>Revenue | 461<br>Campus<br>Activity<br>Funds | Total<br>Non-major<br>Governmental<br>Funds |
|--|---|------------------------------------|---|
| \$ 59,527                                      | \$ 6,551                                  | \$ 441,361                         | \$ 507,848                                  |
| -  | -   | -                                  | 888,071                                     |
| <u>\$ 59,527</u>                               | <u>\$ 6,551</u>                           | <u>\$ 441,361</u>                  | <u>\$ 1,395,919</u>                         |
| \$ -   | \$ -                                      | \$ 2,244                           | \$ 11,600                                   |
| -  | -   | 9,209                              | 887,546                                     |
| 22,610   | -   | -                                  | 22,610                                      |
| 22,610   | -   | 11,453                             | 921,756                                     |
| 36,917   | 6,551                                     | -                                  | 44,255                                      |
| -  | -   | 429,908                            | 429,908                                     |
| <u>36,917</u>                                  | <u>6,551</u>                              | <u>429,908</u>                     | <u>474,163</u>                              |
| <u>\$ 59,527</u>                               | <u>\$ 6,551</u>                           | <u>\$ 441,361</u>                  | <u>\$ 1,395,919</u>                         |

# Montgomery Independent School District

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Non-Major Governmental Funds  
Special Revenue Funds  
For the Ten Months Ended June 30, 2019

| Data<br>Control<br>Codes |   | 211<br>ESSA Title I<br>Improving<br>Basic Programs | 224<br>IDEA<br>Part B<br>Formula | 225<br>IDEA<br>Part B<br>Preschool |
|--------------------------|---|--|----------------------------------|------------------------------------|
| <b>REVENUES</b>          |   |  |                                  |                                    |
| 5700                     | Local and intermediate sources                    | \$ -   | \$ -                             | \$ -                               |
| 5800                     | State program revenues                            | -  | -                                | -                                  |
| 5900                     | Federal program revenues                          | 421,608  | 1,238,972                        | 10,017                             |
| 5020                     | Total revenues                                    | 421,608  | 1,238,972                        | 10,017                             |
| <b>EXPENDITURES</b>      |   |  |                                  |                                    |
| Current:                 |   |  |                                  |                                    |
| 0011                     | Instruction                                       | 390,199  | 767,803                          | 10,017                             |
| 0013                     | Curriculum and instructional staff<br>development | -  | -                                | -                                  |
| 0021                     | Instructional administration                      | 31,409   | 2,947                            | -                                  |
| 0023                     | School administration                             | -  | -                                | -                                  |
| 0031                     | Guidance and counseling services                  | -  | 468,222                          | -                                  |
| 0036                     | Cocurricular/extracurricular activities           | -  | -                                | -                                  |
| 6030                     | Total expenditures                                | 421,608  | 1,238,972                        | 10,017                             |
| 1200                     | Net change in fund balances                       | -  | -                                | -                                  |
| 0100                     | Fund balance - beginning                          | -  | -                                | -                                  |
| 3000                     | <b>FUND BALANCE - ENDING</b>                      | <b>\$ -</b>  | <b>\$ -</b>                      | <b>\$ -</b>                        |

| 226<br>IDEA<br>Part B<br>Discretionary | 244<br>Career and Tech<br>Basic<br>Grant | 255<br>ESSA Title II<br>Training and<br>Recruiting | 263<br>English Language<br>Acquisition and<br>Enhancement | 289<br>Federally<br>Funded Special<br>Revenue |
|--|--|--|---|---|
| \$ -                                   | \$ -                                     | \$ -   | \$ -  | \$ -  |
| -                                      | -  | -  | -   | -   |
| 127,622                                | 45,427                                   | 105,894  | 5,991   | 18,092  |
| 127,622                                | 45,427                                   | 105,894  | 5,991   | 18,092  |
| 115,622                                | 45,427                                   | 103,753  | 5,621   | 18,092  |
| -                                      | -  | 853  | 370   | -   |
| -                                      | -  | -  | -   | -   |
| -                                      | -  | 1,288  | -   | -   |
| 12,000                                 | -  | -  | -   | -   |
| -                                      | -  | -  | -   | -   |
| 127,622                                | 45,427                                   | 105,894  | 5,991   | 18,092  |
| -                                      | -  | -  | -   | -   |
| -                                      | -  | -  | -   | -   |
| \$ -                                   | \$ -                                     | \$ -   | \$ -  | \$ -  |

# Montgomery Independent School District

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Non-Major Governmental Funds  
Special Revenue Funds – Continued  
For the Ten Months Ended June 30, 2019

| Data<br>Control<br>Codes |   | <b>383</b><br><b>Professional</b><br><b>Staff</b><br><b>Development</b> | <b>385</b><br><b>Supplemental</b><br><b>Visually</b><br><b>Impaired</b> | <b>397</b><br><b>Advanced</b><br><b>Placement</b><br><b>Incentives</b> |
|--------------------------|---|---|---|--|
| <b>REVENUES</b>          |   |   |   |  |
| 5700                     | Local and intermediate sources                    | \$ -  | \$ -  | \$ -   |
| 5800                     | State program revenues                            | -   | 5,495   | -  |
| 5900                     | Federal program revenues                          | -   | -   | -  |
| 5020                     | Total revenues                                    | -   | 5,495   | -  |
| <b>EXPENDITURES</b>      |   |   |   |  |
| Current:                 |   |   |   |  |
| 0011                     | Instruction                                       | -   | 5,495   | 454  |
| 0013                     | Curriculum and instructional staff<br>development | -   | -   | -  |
| 0021                     | Instructional administration                      | -   | -   | -  |
| 0023                     | School administration                             | -   | -   | -  |
| 0031                     | Guidance and counseling services                  | -   | -   | -  |
| 0036                     | Cocurricular/extracurricular activities           | -   | -   | -  |
| 6030                     | Total expenditures                                | -   | 5,495   | 454  |
| 1200                     | Net change in fund balances                       | -   | -   | (454)  |
| 0100                     | Fund balance - beginning                          | 409   | 378   | 454  |
| 3000                     | <b>FUND BALANCE - ENDING</b>                      | <b>\$ 409</b>   | <b>\$ 378</b>   | <b>\$ -</b>  |

| 410<br>Instructional<br>Materials<br>Allotment | 429<br>State Funded<br>Special<br>Revenue | 461<br>Campus<br>Activity<br>Funds | Total<br>Non-major<br>Governmental<br>Funds |
|--|---|------------------------------------|---|
| \$ 959   | \$ -                                      | \$ 696,260                         | \$ 697,219                                  |
| 154,703  | 1,630                                     | -                                  | 161,828                                     |
| -  | -   | -                                  | 1,973,623                                   |
| 155,662  | 1,630                                     | 696,260                            | 2,832,670                                   |
| 157,211  | -   | -                                  | 1,619,694                                   |
| 295  | -   | -                                  | 1,518                                       |
| -  | -   | -                                  | 34,356                                      |
| -  | -   | -                                  | 1,288                                       |
| -  | -   | -                                  | 480,222                                     |
| -  | -   | 619,798                            | 619,798                                     |
| 157,506  | -   | 619,798                            | 2,756,876                                   |
| (1,844)  | 1,630                                     | 76,462                             | 75,794                                      |
| 38,761   | 4,921                                     | 353,446                            | 398,369                                     |
| \$ 36,917                                      | \$ 6,551                                  | \$ 429,908                         | \$ 474,163                                  |

**Montgomery Independent School District**  
Combining Schedule of Campus Activity Funds  
June 30, 2019 and for the Ten Months then Ended

|  | <b>Montgomery<br/>Elementary<br/>Schools</b> | <b>Montgomery<br/>Junior High<br/>School</b> |
|--|--|--|
| <b>ASSETS</b>                                |  |  |
| Cash and temporary investments               | \$ 264,530                                   | \$ 22,786                                    |
| <b>LIABILITIES</b>                           | \$ 1,099                                     | \$ -   |
| <b>FUND BALANCE</b>                          |  |  |
| Committed for local special revenue funds    | 263,431                                      | 22,786                                       |
| Total fund balance                           | 263,431                                      | 22,786                                       |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>    | <u>\$ 264,530</u>                            | <u>\$ 22,786</u>                             |
| <b>REVENUES</b>                              |  |  |
| Local and intermediate sources               | \$ 530,631                                   | \$ 58,880                                    |
| Total revenues                               | <u>530,631</u>                               | <u>58,880</u>                                |
| <b>EXPENDITURES</b>                          |  |  |
| Current:                                     |  |  |
| Cocurricular/extracurricular activities      | 403,352                                      | 54,469                                       |
| Total expenditures                           | <u>403,352</u>                               | <u>54,469</u>                                |
| Excess of revenues over (under) expenditures | 127,279                                      | 4,411  |
| <b>OTHER FINANCING SOURCES AND (USES)</b>    |  |  |
| Transfers in                                 | -  | -  |
| Transfers Out                                | -  | -  |
| Total other financing sources and (uses)     | <u>-</u>                                     | <u>-</u>                                     |
| Net change in fund balance                   | 127,279                                      | 4,411  |
| Fund balance - beginning                     | <u>136,152</u>                               | <u>18,375</u>                                |
| <b>FUND BALANCE - ENDING</b>                 | <u>\$ 263,431</u>                            | <u>\$ 22,786</u>                             |

| Oak Hills<br>Junior High<br>School | Montgomery<br>High<br>School | Lake Creek<br>High<br>School | Montgomery<br>School<br>District | Total<br>Campus<br>Activity<br>Funds |
|------------------------------------|------------------------------|------------------------------|----------------------------------|--------------------------------------|
| \$ 41,202                          | \$ 62,627                    | \$ 3,764                     | \$ 46,452                        | \$ 441,361                           |
| \$ 1,145                           | \$ -                         | \$ 9,209                     | \$ -                             | \$ 11,453                            |
| 40,057                             | 62,627                       | (5,445)                      | 46,452                           | 429,908                              |
| 40,057                             | 62,627                       | (5,445)                      | 46,452                           | 429,908                              |
| \$ 41,202                          | \$ 62,627                    | \$ 3,764                     | \$ 46,452                        | \$ 441,361                           |
| \$ 43,164                          | \$ 31,845                    | \$ 18,904                    | \$ 12,836                        | \$ 696,260                           |
| 43,164                             | 31,845                       | 18,904                       | 12,836                           | 696,260                              |
| 23,153                             | 93,374                       | 33,762                       | 11,688                           | 619,798                              |
| 23,153                             | 93,374                       | 33,762                       | 11,688                           | 619,798                              |
| 20,011                             | (61,529)                     | (14,858)                     | 1,148                            | 76,462                               |
| -                                  | -                            | -                            | -                                | -                                    |
| -                                  | -                            | -                            | -                                | -                                    |
| 20,011                             | (61,529)                     | (14,858)                     | 1,148                            | 76,462                               |
| 20,046                             | 124,156                      | 9,413                        | 45,304                           | 353,446                              |
| \$ 40,057                          | \$ 62,627                    | \$ (5,445)                   | \$ 46,452                        | \$ 429,908                           |

**Montgomery Independent School District**  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
For the Ten Months Ended June 30, 2019

**Exhibit H-4**

|   | Balance<br>September 1,<br>2018 | Additions           | Deductions           | Balance<br>June 30,<br>2019 |
|---|---------------------------------|---------------------|----------------------|-----------------------------|
| <b>ASSETS</b>   |                                 |                     |                      |                             |
| Cash and cash equivalents:                            |                                 |                     |                      |                             |
| Student Activity Fund - Oak Hills Junior High School  | \$ 29,451                       | \$ 279,406          | \$ (240,634)         | \$ 68,223                   |
| Student Activity Fund - Montgomery Junior High School | 41,396                          | 229,339             | (239,605)            | 31,130                      |
| Student Activity Fund - Montgomery High School        | 513,140                         | 1,460,213           | (1,739,582)          | 233,771                     |
| Student Activity Fund - Lake Creek High School        | 56,400                          | 454,359             | (403,909)            | 106,850                     |
| Student Activity Fund - Athletics                     | -                               | 919,315             | (596,554)            | 322,761                     |
| Total cash and cash equivalents                       | 640,387                         | 3,342,632           | (3,220,284)          | 762,735                     |
| Due from other funds                                  |                                 |                     |                      |                             |
| Student Activity Fund - Montgomery Junior High School | -                               | 5,087               | -                    | 5,087                       |
| Student Activity Fund - Montgomery High School        | -                               | 17,808              | -                    | 17,808                      |
| Total due from other funds                            | -                               | 22,895              | -                    | 22,895                      |
| <b>TOTAL ASSETS</b>                                   | <b>\$ 640,387</b>               | <b>\$ 3,365,527</b> | <b>\$(3,220,284)</b> | <b>\$ 785,630</b>           |
| <b>LIABILITIES</b>                                    |                                 |                     |                      |                             |
| Accounts payable                                      | \$ 38,727                       | \$ -                | \$ (38,727)          | \$ -                        |
| Due to student groups:                                |                                 |                     |                      |                             |
| Student Activity Fund - Oak Hills Junior High School  | 29,451                          | 279,406             | (240,634)            | 68,223                      |
| Student Activity Fund - Montgomery Junior High School | 41,396                          | 234,426             | (239,605)            | 36,217                      |
| Student Activity Fund - Montgomery High School        | 474,413                         | 1,478,020           | (1,700,854)          | 251,579                     |
| Student Activity Fund - Lake Creek High School        | 56,400                          | 454,359             | (403,909)            | 106,850                     |
| Student Activity Fund - Athletics                     | -                               | 919,315             | (596,554)            | 322,761                     |
| <b>TOTAL LIABILITIES</b>                              | <b>\$ 640,387</b>               | <b>\$ 3,365,526</b> | <b>\$(3,220,283)</b> | <b>\$ 785,630</b>           |

## Required TEA Schedules

# Montgomery Independent School District

## Schedule of Delinquent Taxes Receivable

For the Ten Months Ended June 30, 2019

| Years Ended<br>June 30, | Tax Rates   |              | Assessed/Appraised<br>Value for Schools<br>Tax Purposes |
|-------------------------|-------------|--------------|---|
|                         | Maintenance | Debt Service |   |
| 2010 and prior years    | \$ Various  | \$ Various   | \$ Various  |
| 2011                    | 1.0400      | 0.300        | 3,726,671,981   |
| 2012                    | 1.0400      | 0.300        | 3,870,324,704   |
| 2013                    | 1.0400      | 0.300        | 3,957,459,328   |
| 2014                    | 1.0400      | 0.300        | 4,163,024,367   |
| 2015                    | 1.0400      | 0.300        | 4,600,173,292   |
| 2016                    | 1.0400      | 0.300        | 5,065,449,062   |
| 2017                    | 1.0400      | 0.330        | 5,601,562,063   |
| 2018                    | 1.0400      | 0.330        | 5,899,730,718   |
| 2019                    | 1.0400      | 0.330        | 6,126,998,596   |

### 1000 TOTALS

9000 Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

**Exhibit J-1**  
(Page 1 of 2)

| Beginning<br>Balance<br>9/1/2018 | Current<br>Year's<br>Total Levy | Maintenance<br>Collections | Debt Service<br>Collections | Entire<br>Year's<br>Adjustments | Ending<br>Balance<br>6/30/2019 |
|----------------------------------|---------------------------------|----------------------------|-----------------------------|---------------------------------|--------------------------------|
| \$ 303,549                       | \$ -                            | \$ 17,197                  | \$ 3,753                    | \$ (19,818)                     | \$ 262,781                     |
| 74,085                           | -                               | 6,260                      | 1,806                       | (1,553)                         | 64,466                         |
| 78,676                           | -                               | 7,318                      | 2,111                       | (1,503)                         | 67,744                         |
| 97,512                           | -                               | 8,358                      | 2,411                       | (8,745)                         | 77,998                         |
| 111,929                          | -                               | 13,875                     | 4,002                       | (2,386)                         | 91,666                         |
| 139,692                          | -                               | 19,364                     | 5,586                       | (2,551)                         | 112,191                        |
| 205,778                          | -                               | 44,946                     | 12,965                      | (4,223)                         | 143,644                        |
| 393,576                          | -                               | 99,542                     | 31,586                      | (23,831)                        | 238,617                        |
| 972,319                          | -                               | 376,032                    | 119,318                     | (92,480)                        | 384,489                        |
| -                                | 79,130,994                      | 58,479,093                 | 18,555,866                  | (368,688)                       | 1,727,347                      |
| <u>\$ 2,377,116</u>              | <u>\$ 79,130,994</u>            | <u>\$ 59,071,985</u>       | <u>\$ 18,739,404</u>        | <u>\$ (525,778)</u>             | <u>\$ 3,170,943</u>            |
|                                  |                                 | \$ -                       | \$ -                        |                                 |                                |

**Montgomery Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Twelve Months Ended August 31, 2019

| <u>Years Ended<br/>August 31,</u> | <u>Tax Rates</u>   |                     | <u>Assessed/Appraised<br/>Value for Schools<br/>Tax Purposes</u> |
|-----------------------------------|--------------------|---------------------|--|
|                                   | <u>Maintenance</u> | <u>Debt Service</u> |  |
| 2010 and prior                    | \$ Various         | \$ Various          | \$ Various   |
| 2011                              | 1.0400             | 0.300               | 3,726,671,981  |
| 2012                              | 1.0400             | 0.300               | 3,870,324,704  |
| 2013                              | 1.0400             | 0.300               | 3,957,459,328  |
| 2014                              | 1.0400             | 0.300               | 4,163,024,367  |
| 2015                              | 1.0400             | 0.300               | 4,600,173,292  |
| 2016                              | 1.0400             | 0.300               | 5,065,449,062  |
| 2017                              | 1.0400             | 0.330               | 5,601,562,063  |
| 2018                              | 1.0400             | 0.330               | 5,899,730,718  |
| 2019                              | 1.0400             | 0.330               | 6,126,998,596  |

**1000 TOTALS**

9000 Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

**Exhibit J-1**  
(Page 2 of 2)

| Beginning<br>Balance<br>9/1/2018 | Current<br>Year's<br>Total Levy | Maintenance<br>Collections | Debt Service<br>Collections | Entire<br>Year's<br>Adjustments | Ending<br>Balance<br>8/31/2019 |
|----------------------------------|---------------------------------|----------------------------|-----------------------------|---------------------------------|--------------------------------|
| \$ 303,549                       | \$ -                            | \$ 18,626                  | \$ 4,030                    | \$ (19,817)                     | \$ 261,076                     |
| 74,085                           | -                               | 6,573                      | 1,896                       | (1,554)                         | 64,062                         |
| 78,676                           | -                               | 7,917                      | 2,284                       | (1,503)                         | 66,972                         |
| 97,512                           | -                               | 8,853                      | 2,554                       | (8,744)                         | 77,361                         |
| 111,929                          | -                               | 14,464                     | 4,172                       | (2,788)                         | 90,505                         |
| 139,692                          | -                               | 19,965                     | 5,759                       | (394)                           | 113,574                        |
| 205,778                          | -                               | 46,586                     | 13,438                      | (1,966)                         | 143,788                        |
| 393,576                          | -                               | 108,650                    | 34,476                      | (18,234)                        | 232,216                        |
| 972,319                          | -                               | 390,962                    | 124,055                     | (101,767)                       | 355,535                        |
| -                                | 79,130,994                      | 59,075,273                 | 18,745,039                  | (414,012)                       | 896,670                        |
| <u>\$ 2,377,116</u>              | <u>\$ 79,130,994</u>            | <u>\$ 59,697,869</u>       | <u>\$ 18,937,703</u>        | <u>\$ (570,779)</u>             | <u>\$ 2,301,759</u>            |
|                                  |                                 | \$ -                       | \$ -                        |                                 |                                |

**Montgomery Independent School District**  
 Budgetary Comparison Schedule – Child Nutrition Program  
 For the Ten Months Ended June 30, 2019

**Exhibit J-2**

| Data Control Codes |  | Original Budget     | Final Amended Budget | Actual Amounts (Budgetary Basis*) | Variance Positive (Negative) |
|--------------------|--|---------------------|----------------------|-----------------------------------|------------------------------|
| <b>REVENUES</b>    |  |                     |                      |                                   |                              |
| 5700               | Local and intermediate sources           | \$ 2,593,415        | \$ 2,680,677         | \$ 2,688,898                      | \$ 8,221                     |
| 5800               | State program revenues                   | 128,000             | 136,076              | 132,919                           | (3,157)                      |
| 5900               | Federal program revenues                 | 1,510,118           | 1,553,264            | 1,713,033                         | 159,769                      |
|                    | Total revenues                           | 4,231,533           | 4,370,017            | 4,534,850                         | 164,833                      |
| <b>EXPENSES</b>    |  |                     |                      |                                   |                              |
| 6100               | Payroll costs                            | 2,078,533           | 2,014,513            | 1,827,558                         | 186,955                      |
| 6200               | Professional and contracted services     | 189,000             | 226,617              | 161,570                           | 65,047                       |
| 6300               | Supplies and materials                   | 1,970,500           | 2,105,500            | 1,909,204                         | 196,296                      |
| 6400               | Other operating costs                    | 37,500              | 42,500               | 5,945                             | 36,555                       |
| 6600               | Capital outlay                           | 5,000               | 22,244               | 13,471                            | 8,773                        |
| 6030               | Total expenses                           | 4,280,533           | 4,411,374            | 3,917,748                         | 493,626                      |
| 1100               | Excess of revenues over (under) expenses | (49,000.00)         | (41,357)             | 617,102                           | 658,459                      |
| 1200               | Change in net position                   | (49,000)            | (41,357)             | 617,102                           | 658,459                      |
| 0100               | Net position - beginning (budgetary)     | 1,363,101           | 1,363,101            | 1,363,101                         | -                            |
| 3300               | <b>NET POSITION - ENDING (BUDGETARY)</b> | <b>\$ 1,314,101</b> | <b>\$ 1,321,744</b>  | <b>\$ 1,980,203</b>               | <b>\$ 658,459</b>            |

\* The District's budget is prepared in accordance with the modified accrual basis of GAAP.

**RECONCILIATION TO EXHIBIT D-1:**

|                                      |             |
|--------------------------------------|-------------|
| Furniture and equipment, net         | \$ 241,592  |
| Deferred outflows - pension and OPEB | 746,635     |
| Net pension and OPEB liabilities     | (2,151,024) |
| Deferred inflows - pension and OPEB  | (425,119)   |

**NET POSITION - ENDING (EXHIBIT D-1)**

**\$ 392,287**

**Montgomery Independent School District**  
 Budgetary Comparison Schedule – Debt Service Fund  
 For the Ten Months Ended June 30, 2019

**Exhibit J-3**

| Data<br>Control<br>Codes |                                | Original<br>Budget  | Final<br>Amended<br>Budget | Actual<br>Amounts<br>(GAAP Basis) | Variance<br>Positive<br>(Negative) |
|--------------------------|--------------------------------|---------------------|----------------------------|-----------------------------------|------------------------------------|
| <b>REVENUES</b>          |                                |                     |                            |                                   |                                    |
| 5700                     | Local and intermediate sources | \$ 19,086,862       | \$ 18,926,979              | \$ 19,015,179                     | \$ 88,200                          |
| 5800                     | State program revenues         | 400,000             | 419,572                    | 429,299                           | 9,727                              |
|                          | Total revenues                 | 19,486,862          | 19,346,551                 | 19,444,478                        | 97,927                             |
| <b>EXPENDITURES</b>      |                                |                     |                            |                                   |                                    |
| 0070                     | Debt service:                  |                     |                            |                                   |                                    |
| 0071                     | Principal                      | 6,375,000           | 6,375,000                  | 6,375,000                         | -                                  |
| 0071                     | Interest                       | 14,674,456          | 7,392,966                  | 7,392,966                         | -                                  |
| 0071                     | Bond issuance cost and fees    | 7,000               | 10,000                     | 750                               | 9,250                              |
| 6030                     | Total debt service             | 21,056,456          | 13,777,966                 | 13,768,716                        | 9,250                              |
| 1200                     | Net change in fund balance     | (1,569,594)         | 5,568,585                  | 5,675,762                         | 107,177                            |
| 0100                     | Fund balance - beginning       | 4,377,947           | 4,377,947                  | 4,377,947                         | -                                  |
| 3000                     | <b>FUND BALANCE - ENDING</b>   | <b>\$ 2,808,353</b> | <b>\$ 9,946,532</b>        | <b>\$ 10,053,709</b>              | <b>\$ 107,177</b>                  |

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# Statistical Section

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## Financial Trends Information

These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time.

**Montgomery Independent School District**  
 Net Position by Component  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Unaudited)

| Fiscal Year                                  | 2019 <sup>[1]</sup>           | 2018 <sup>[2]</sup>           | 2017                         |
|--|-------------------------------|-------------------------------|------------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>               |                               |                               |                              |
| Net investment in capital assets             | \$ (14,166,642)               | \$ (11,248,500)               | \$ (11,648,062)              |
| Restricted                                   | 5,299,446                     | 4,237,832                     | 6,670,666                    |
| Unrestricted                                 | (42,869,521)                  | (44,579,830)                  | (1,204,724)                  |
|  | <u>(51,736,717)</u>           | <u>(51,590,498)</u>           | <u>(6,182,120)</u>           |
| <b>BUSINESS-TYPE ACTIVITIES</b>              |                               |                               |                              |
| Investment in capital assets                 | 241,592                       | 252,621                       | 267,439                      |
| Restricted                                   | 1,980,203                     | 1,363,101                     | 732,959                      |
| Unrestricted                                 | (1,829,508)                   | (1,439,133)                   | 32,399                       |
|  | <u>392,287</u>                | <u>176,589</u>                | <u>1,032,797</u>             |
| <b>PRIMARY GOVERNMENT</b>                    |                               |                               |                              |
| Net investment in capital assets             | (13,925,050)                  | (10,995,879)                  | (11,380,623)                 |
| Restricted                                   | 7,279,649                     | 5,600,933                     | 7,403,625                    |
| Unrestricted                                 | (44,699,029)                  | (46,018,963)                  | (1,172,325)                  |
|  | <u>(51,344,430)</u>           | <u>(51,413,909)</u>           | <u>(5,149,323)</u>           |
| <b>TOTAL PRIMARY GOVERNMENT NET POSITION</b> | <u><u>\$ (51,344,430)</u></u> | <u><u>\$ (51,413,909)</u></u> | <u><u>\$ (5,149,323)</u></u> |

Source: Montgomery Independent School District's audited financial statements

[1] The District changed from an August 31 fiscal year to a June 30 fiscal year in 2019. Therefore only 10 months of activity is presented for 2019.

[2] GASB 75, Accounting and Financial Reporting for OPEB, was implemented in FY 2018.

| <b>2016</b>         | <b>2015</b>         | <b>2014</b>         | <b>2013</b>         | <b>2012</b>         | <b>2011</b>        | <b>2010</b>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| \$(15,161,736)      | \$ (7,552,461)      | \$ (1,690,959)      | \$ (3,569,733)      | \$ (4,612,123)      | \$ (4,061,718)     | \$ (9,376,083)      |
| 10,448,093          | 12,534,481          | 3,530,391           | 2,772,687           | 2,930,427           | 2,152,210          | 1,553,536           |
| 5,612,220           | (1,833,663)         | 3,351,186           | 5,258,992           | 4,552,076           | 419,773            | 5,642,261           |
| 898,577             | 3,148,357           | 5,190,618           | 4,461,946           | 2,870,380           | (1,489,735)        | (2,180,286)         |
| 294,425             | 247,149             | 172,745             | 174,888             | 190,270             | 192,098            | 184,978             |
| 594,715             | 679,789             | 803,034             | 515,468             | 918,740             | 1,233,592          | 1,021,783           |
| -                   | -                   | -                   | (4,070)             | (4,070)             | (4,070)            | 7,354               |
| 889,140             | 926,938             | 975,779             | 686,286             | 1,104,940           | 1,421,620          | 1,214,115           |
| (14,867,311)        | (7,305,312)         | (1,518,214)         | (3,394,845)         | (4,421,853)         | (3,869,620)        | (9,191,105)         |
| 11,042,808          | 13,214,270          | 4,333,425           | 3,288,155           | 3,849,167           | 3,385,802          | 2,575,319           |
| 5,612,220           | (1,833,663)         | 3,351,186           | 5,254,922           | 4,548,006           | 415,703            | 5,649,615           |
| <u>\$ 1,787,717</u> | <u>\$ 4,075,295</u> | <u>\$ 6,166,397</u> | <u>\$ 5,148,232</u> | <u>\$ 3,975,320</u> | <u>\$ (68,115)</u> | <u>\$ (966,171)</u> |

**Montgomery Independent School District**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

| Fiscal Year  | 2019 <sup>[1]</sup>    | 2018 <sup>[2]</sup>    | 2017                   |
|--|------------------------|------------------------|------------------------|
| <b>EXPENSES</b>  |                        |                        |                        |
| Governmental activities:                               |                        |                        |                        |
| Instruction  | \$ 56,465,370          | \$ 42,232,319          | \$ 49,602,378          |
| Instructional resources and media services             | 699,662                | 741,461                | 947,247                |
| Curriculum and staff development                       | 297,330                | 314,072                | 792,163                |
| Instructional leadership                               | 664,615                | 489,629                | 439,966                |
| School leadership                                      | 3,921,052              | 3,142,591              | 4,168,552              |
| Guidance and counseling                                | 2,794,493              | 2,059,970              | 2,706,989              |
| Social work services                                   | -                      | -                      | -                      |
| Health services  | 713,174                | 627,393                | 804,049                |
| Student (pupil) transportation                         | 4,356,578              | 4,566,421              | 5,270,436              |
| Food services  | 113,958                | 273,001                | 277,062                |
| Cocurricular/extracurricular activities                | 2,849,297              | 2,675,969              | 2,779,209              |
| General administration                                 | 1,874,007              | 2,004,303              | 2,163,017              |
| Plant maintenance and operations                       | 8,929,773              | 9,312,700              | 7,953,917              |
| Security and monitoring services                       | 834,941                | 638,029                | 572,173                |
| Data processing services                               | 1,214,565              | 1,100,648              | 1,227,159              |
| Community services                                     | 262,405                | 322,251                | 305,378                |
| Debt service - interest and fees                       | 13,195,111             | 14,082,628             | 14,600,971             |
| Facilities acquisition and construction                | -                      | -                      | -                      |
| Contracted instructional services                      | 3,896,789              | 2,398,456              | -                      |
| Payments to juvenile justice alternative ed. programs  | 19,540                 | 22,015                 | 10,370                 |
| Other intergovernmental charges                        | 698,725                | 655,968                | 624,385                |
| Total governmental activities expenses                 | 103,801,385            | 87,659,824             | 95,245,421             |
| Business-type activities:                              |                        |                        |                        |
| Food service   | 4,548,068              | 3,369,106              | 4,110,146              |
| Day care   | -                      | -                      | 143,980                |
| Total business-type activities expenses                | 4,548,068              | 3,369,106              | 4,254,126              |
| <b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>               | <b>\$ 108,349,453</b>  | <b>\$ 91,028,930</b>   | <b>\$ 99,499,547</b>   |
| <b>PROGRAM REVENUES</b>                                |                        |                        |                        |
| Governmental activities:                               |                        |                        |                        |
| Charges for services:                                  |                        |                        |                        |
| Instruction  | \$ 406,548             | \$ 249,876             | \$ 74,130              |
| Curricular/extracurricular activities                  | 386,838                | 308,052                | 310,530                |
| Operating grants and contributions                     | 8,568,641              | (6,286,877)            | 7,362,378              |
| Total governmental activities program revenues         | 9,362,027              | (5,728,949)            | 7,747,038              |
| Business-type activities:                              |                        |                        |                        |
| Charges for services:                                  |                        |                        |                        |
| Food service   | 2,646,435              | 2,672,598              | 2,581,948              |
| Day care   | -                      | -                      | 145,227                |
| Operating grants and contributions                     | 2,074,868              | 1,265,326              | 1,663,651              |
| Total business-type activities program revenues        | 4,721,303              | 3,937,924              | 4,390,826              |
| <b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>       | <b>\$ 14,083,330</b>   | <b>\$ (1,791,025)</b>  | <b>\$ 12,137,864</b>   |
| <b>NET (EXPENSE)/REVENUES</b>                          |                        |                        |                        |
| Governmental activities                                | \$ (94,439,358)        | \$ (93,388,773)        | \$ (87,498,383)        |
| Business-type activities                               | 173,235                | 568,818                | 136,700                |
| <b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE)/REVENUES</b> | <b>\$ (94,266,123)</b> | <b>\$ (92,819,955)</b> | <b>\$ (87,361,683)</b> |

Source: Montgomery Independent School District's audited financial statements

[1] The District changed from an August 31 fiscal year to a June 30 fiscal year in 2019. Therefore only 10 months of activity is presented for 2019.

[2] GASB 75, Accounting and Financial Reporting for OPEB, was implemented in FY 2018. Day care operations were terminated in FY 18.

| 2016            | 2015            | 2014            | 2013            | 2012            | 2011            | 2010            |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 46,019,936   | \$ 39,889,913   | \$ 38,112,931   | \$ 35,245,531   | \$ 33,536,128   | \$ 35,059,525   | \$ 35,286,346   |
| 894,696         | 856,091         | 900,276         | 889,697         | 978,461         | 998,001         | 992,038         |
| 780,066         | 679,542         | 405,077         | 509,466         | 461,694         | 463,540         | 426,568         |
| 379,164         | 306,123         | 267,162         | 187,736         | 334,167         | 381,276         | 369,045         |
| 3,834,118       | 3,430,069       | 3,350,112       | 3,102,467       | 3,080,975       | 3,119,416       | 3,173,805       |
| 2,470,692       | 2,150,761       | 1,940,371       | 1,711,715       | 1,587,197       | 1,593,307       | 1,696,625       |
| -               | -               | -               | 28,003          | 28,829          | -               | -               |
| 706,226         | 634,320         | 630,437         | 629,182         | 624,221         | 645,993         | 630,223         |
| 4,765,369       | 4,074,328       | 3,971,839       | 3,737,233       | 3,530,504       | 3,637,980       | 3,508,720       |
| 271,337         | 284,347         | 283,936         | 285,349         | 285,755         | 285,512         | 282,693         |
| 2,733,476       | 2,479,100       | 2,453,972       | 2,188,798       | 2,244,474       | 2,141,328       | 2,259,316       |
| 1,981,383       | 1,698,017       | 1,499,664       | 1,351,367       | 1,269,597       | 1,447,166       | 1,518,395       |
| 7,415,984       | 7,165,501       | 7,064,393       | 6,248,879       | 6,635,249       | 7,013,443       | 7,510,144       |
| 507,659         | 393,084         | 344,648         | 316,441         | 351,099         | 448,555         | 465,661         |
| 1,140,682       | 1,120,527       | 940,648         | 986,546         | 963,456         | 718,164         | 776,747         |
| 328,108         | 298,501         | 312,174         | 309,407         | 503,788         | 501,644         | 218,131         |
| 11,665,874      | 6,481,438       | 5,811,749       | 6,302,510       | 6,450,648       | 6,442,419       | 6,943,614       |
| -               | -               | -               | -               | -               | 578,747         | -               |
| -               | 229,859         | 113,865         | 128,869         | 135,661         | 101,187         | 87,505          |
| 5,178           | 20,850          | 35,190          | -               | -               | 8,000           | -               |
| 522,980         | 472,826         | 400,700         | 364,517         | 322,962         | 318,525         | 359,301         |
| 86,422,928      | 72,665,197      | 68,839,144      | 64,523,713      | 63,324,865      | 65,903,728      | 66,504,877      |
| 4,292,188       | 4,025,831       | 3,804,800       | 3,667,836       | 3,571,625       | 3,560,688       | 3,191,389       |
| 181,305         | 224,664         | 218,340         | 206,464         | 221,138         | 332,316         | 335,511         |
| 4,473,493       | 4,250,495       | 4,023,140       | 3,874,300       | 3,792,763       | 3,893,004       | 3,526,900       |
| \$ 90,896,421   | \$ 76,915,692   | \$ 72,862,284   | \$ 68,398,013   | \$ 67,117,628   | \$ 69,796,732   | \$ 70,031,777   |
| \$ 100,592      | \$ 102,458      | \$ 102,869      | \$ 70,876       | \$ 85,524       | \$ 81,889       | \$ 83,107       |
| 312,129         | 180,477         | 178,103         | 198,417         | 216,519         | 181,127         | 150,575         |
| 8,392,298       | 6,889,179       | 7,397,272       | 6,007,697       | 6,743,892       | 7,954,918       | 7,565,958       |
| 8,805,019       | 7,172,114       | 7,678,244       | 6,276,990       | 7,045,935       | 8,217,934       | 7,799,640       |
| 2,579,120       | 2,659,752       | 2,526,464       | 2,431,069       | 2,409,092       | 2,358,910       | 2,339,524       |
| 186,456         | 197,958         | 159,783         | 182,807         | 188,947         | 223,194         | 200,387         |
| 1,666,168       | 1,538,967       | 1,566,722       | 1,477,313       | 1,427,889       | 1,406,415       | 1,255,912       |
| 4,431,744       | 4,396,677       | 4,252,969       | 4,091,189       | 4,025,928       | 3,988,519       | 3,795,823       |
| \$ 13,236,763   | \$ 11,568,791   | \$ 11,931,213   | \$ 10,368,179   | \$ 11,071,863   | \$ 12,206,453   | \$ 11,595,463   |
| \$ (77,617,909) | \$ (65,493,083) | \$ (61,160,900) | \$ (58,246,723) | \$ (56,278,930) | \$ (57,685,794) | \$ (58,705,237) |
| (41,749)        | 146,182         | 229,829         | 216,889         | 233,165         | 8,313,449       | 268,923         |
| \$ (77,659,658) | \$ (65,346,901) | \$ (60,931,071) | \$ (58,029,834) | \$ (56,045,765) | \$ (49,372,345) | \$ (58,436,314) |

**Montgomery Independent School District**  
 Changes in Net Position – Continued  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)  
 (Unaudited)

|   | <u>2019</u> <sup>[1]</sup> | <u>2018</u> <sup>[2]</sup> | <u>2017</u>        |
|---|----------------------------|----------------------------|--------------------|
| <b>GENERAL REVENUES</b>                             |                            |                            |                    |
| Governmental activities:                            |                            |                            |                    |
| Property taxes - general                            | \$ 59,987,287              | \$ 58,095,394              | \$ 55,111,885      |
| Property taxes - debt service                       | 19,021,953                 | 18,414,544                 | 17,457,150         |
| State aid - grants and contributions not restricted | 10,973,022                 | 5,749,759                  | 5,171,047          |
| Investment earnings                                 | 996,392                    | 1,839,580                  | 1,769,345          |
| SHARS/MAC   | 1,221,159                  | 623,568                    | 476,155            |
| Miscellaneous                                       | 2,093,326                  | 1,385,708                  | 432,104            |
| Transfers (net)                                     | -                          | 32,399                     | -                  |
|   | <u>94,293,139</u>          | <u>86,140,952</u>          | <u>80,417,686</u>  |
| Business-type activities:                           |                            |                            |                    |
| Investment earnings                                 | 42,463                     | 29,515                     | 6,957              |
| Miscellaneous                                       | -                          | -                          | -                  |
| Transfers (net)                                     | -                          | (32,399)                   | -                  |
|   | <u>42,463</u>              | <u>(2,884)</u>             | <u>6,957</u>       |
|   | <u>94,335,602</u>          | <u>86,138,068</u>          | <u>80,424,643</u>  |
| <b>TOTAL PRIMARY GOVERNMENT GENERAL REVENUES</b>    |                            |                            |                    |
| <b>CHANGES IN NET POSITION</b>                      |                            |                            |                    |
| Governmental activities                             | \$ (146,219)               | \$ (7,247,821)             | \$ (7,080,697)     |
| Business-type activities                            | 215,698                    | 565,934                    | 143,657            |
|   | <u>69,479</u>              | <u>(6,681,887)</u>         | <u>(6,937,040)</u> |
| <b>TOTAL PRIMARY GOVERNMENT</b>                     |                            |                            |                    |

Source: Montgomery Independent School District's audited financial statements

[1] The District changed from an August 31 fiscal year to a June 30 fiscal year in 2019; therefore, only 10 months of activity is presented for 2019.

[2] GASB 75, Accounting and Financial Reporting for OPEB, was implemented in FY 2018. Day care operations were terminated in FY 18.

| <u>2016</u>           | <u>2015</u>          | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          | <u>2011</u>          | <u>2010</u>          |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 50,167,287         | \$ 45,709,178        | \$ 41,680,091        | \$ 39,613,848        | \$ 38,661,818        | \$ 37,328,421        | \$ 36,480,296        |
| 14,461,290            | 13,182,056           | 12,021,554           | 11,421,020           | 11,140,545           | 10,773,931           | 10,484,492           |
| 9,560,188             | 9,110,121            | 8,496,008            | 7,371,279            | 9,395,821            | 9,762,699            | 9,761,575            |
| 434,951               | 60,870               | 44,970               | 52,965               | 50,681               | 23,804               | 64,310               |
| 367,756               | 299,433              | 117,413              | 145,772              | 256,921              | 156,906              | 84,478               |
| 376,657               | 661,789              | 846,119              | 595,263              | 580,225              | 425,440              | 609,303              |
| -                     | (31,081)             | (49,247)             | 638,142              | 553,034              | (94,856)             | (129,299)            |
| <u>75,368,129</u>     | <u>68,992,366</u>    | <u>63,156,908</u>    | <u>59,838,289</u>    | <u>60,639,045</u>    | <u>58,376,345</u>    | <u>57,355,155</u>    |
| 3,951                 | 2,295                | 2,032                | 2,599                | 3,189                | 1,573                | 1,064                |
| -                     | -                    | 8,385                | -                    | -                    | 15,561               | -                    |
| -                     | 31,081               | 49,247               | (638,142)            | (553,034)            | 94,856               | 129,299              |
| <u>3,951</u>          | <u>33,376</u>        | <u>59,664</u>        | <u>(635,543)</u>     | <u>(549,845)</u>     | <u>111,990</u>       | <u>130,363</u>       |
| <u>\$ 75,372,080</u>  | <u>\$ 69,025,742</u> | <u>\$ 63,216,572</u> | <u>\$ 59,202,746</u> | <u>\$ 60,089,200</u> | <u>\$ 58,488,335</u> | <u>\$ 57,485,518</u> |
| \$ (2,249,780)        | \$ 3,499,283         | \$ 1,996,008         | \$ 1,591,566         | \$ 4,360,115         | \$ 690,551           | \$ (1,350,082)       |
| (37,798)              | 179,558              | 289,493              | (418,654)            | (316,680)            | 8,425,439            | 399,286              |
| <u>\$ (2,287,578)</u> | <u>\$ 3,678,841</u>  | <u>\$ 2,285,501</u>  | <u>\$ 1,172,912</u>  | <u>\$ 4,043,435</u>  | <u>\$ 9,115,990</u>  | <u>\$ (950,796)</u>  |

**Montgomery Independent School District**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Unaudited)

|   | 2019 <sup>[1]</sup>  | 2018                 | 2017                 |
|---|----------------------|----------------------|----------------------|
| <b>GENERAL FUND</b>                       |                      |                      |                      |
| Nonspendable                              | \$ 9,400             | \$ 9,400             | \$ 9,400             |
| Designated                                | -                    | -                    | -                    |
| Committed                                 | -                    | 4,000,000            | 3,700,000            |
| Unassigned                                | 19,723,592           | 7,604,436            | 8,344,723            |
| Unreserved                                | -                    | -                    | -                    |
| <b>TOTAL GENERAL FUND</b>                 | <b>\$ 19,732,992</b> | <b>\$ 11,613,836</b> | <b>\$ 12,054,123</b> |
| <b>ALL OTHER GOVERNMENTAL FUNDS</b>       |                      |                      |                      |
| Nonspendable                              | \$ -                 | \$ -                 | \$ -                 |
| Restricted for:                           |                      |                      |                      |
| Grant funds                               | 44,255               | 44,923               | 5,273                |
| Capital acquisitions                      | 4,089,515            | 11,840,737           | 78,814,816           |
| Retirement of long-term debt              | 10,053,709           | 4,377,947            | 7,060,513            |
| Reserved for:                             |                      |                      |                      |
| Debt service                              | -                    | -                    | -                    |
| Capital acquisitions                      | -                    | -                    | -                    |
| Other reserves of fund balance            | -                    | -                    | -                    |
| Committed for:                            |                      |                      |                      |
| Local special revenue funds               | 429,908              | 353,446              | 313,615              |
| Unreserved, reported in:                  |                      |                      |                      |
| Special revenue funds                     | -                    | -                    | -                    |
| <b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b> | <b>\$ 14,617,387</b> | <b>\$ 16,617,053</b> | <b>\$ 86,194,217</b> |

Source: Montgomery Independent School District's audited financial statements

[1] The District changed from an August 31 fiscal year to a June 30 fiscal year in 2019.

[2] The District implemented GASB 54 which changed the fund balance classifications.

See Note 1 to the Financial Statements

| 2016                  | 2015                  | 2014                 | 2013                 | 2012                 | 2011 <sup>[2]</sup> | 2010                |
|-----------------------|-----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| \$ 9,400              | \$ 9,400              | \$ 9,400             | \$ 9,400             | \$ 23,251            | \$ 8,800            | \$ -                |
| -                     | -                     | -                    | -                    | -                    | -                   | 2,733,642           |
| -                     | -                     | -                    | 1,385,650            | -                    | -                   | -                   |
| 11,505,802            | 10,094,013            | 10,247,337           | 9,654,949            | 10,189,977           | 5,786,969           | -                   |
| -                     | -                     | -                    | -                    | -                    | -                   | 4,303,546           |
| <u>\$ 11,515,202</u>  | <u>\$ 10,103,413</u>  | <u>\$ 10,256,737</u> | <u>\$ 11,049,999</u> | <u>\$ 10,213,228</u> | <u>\$ 5,795,769</u> | <u>\$ 7,037,188</u> |
| \$ -                  | \$ -                  | \$ -                 | \$ 3,659             | \$ 3,659             | \$ -                | \$ -                |
| 36,594                | 6,007                 | 164,736              | 14,810               | 14,421               | 130,901             | -                   |
| 197,979,458           | 194,839,789           | 299,561              | 301,305              | 300,704              | 798,221             | -                   |
| 10,827,488            | 12,864,193            | 3,458,725            | 2,688,265            | 2,830,319            | 2,067,700           | -                   |
| -                     | -                     | -                    | -                    | -                    | -                   | 1,534,852           |
| -                     | -                     | -                    | -                    | -                    | -                   | 3,306,903           |
| -                     | -                     | -                    | -                    | -                    | -                   | -                   |
| 275,813               | 288,786               | 180,084              | 157,420              | 134,347              | 154,165             | -                   |
| -                     | -                     | -                    | -                    | -                    | -                   | 157,136             |
| <u>\$ 209,119,353</u> | <u>\$ 207,998,775</u> | <u>\$ 4,103,106</u>  | <u>\$ 3,165,459</u>  | <u>\$ 3,283,450</u>  | <u>\$ 3,150,987</u> | <u>\$ 4,998,891</u> |

**Montgomery Independent School District**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

|  | <u>2019</u> <sup>[1]</sup> | <u>2018</u>            | <u>2017</u>             |
|--|----------------------------|------------------------|-------------------------|
| <b>REVENUES</b>  |                            |                        |                         |
| Local and intermediate sources   | \$ 82,946,131              | \$ 80,933,308          | \$ 75,716,228           |
| State program revenues   | 14,819,356                 | 10,123,022             | 9,708,596               |
| Federal program revenues   | 3,194,782                  | 2,600,257              | 2,145,810               |
| Total revenues   | <u>100,960,269</u>         | <u>93,656,587</u>      | <u>87,570,634</u>       |
| <b>EXPENDITURES</b>  |                            |                        |                         |
| Instruction  | 43,116,503                 | 44,459,121             | 42,062,455              |
| Instructional resources & media services                               | 512,235                    | 691,530                | 703,895                 |
| Curriculum & instructional staff development                           | 243,952                    | 313,484                | 672,386                 |
| Instructional administration   | 550,868                    | 701,852                | 388,312                 |
| School administration  | 3,457,856                  | 3,750,271              | 3,632,514               |
| Guidance and counseling  | 2,341,425                  | 2,603,957              | 2,370,882               |
| Social work services   | -                          | -                      | -                       |
| Health services  | 612,722                    | 727,625                | 681,851                 |
| Student (pupil) transportation   | 3,878,644                  | 4,634,817              | 4,843,498               |
| Cocurricular/extracurricular activities                                | 2,369,512                  | 1,986,068              | 2,012,551               |
| General administration   | 1,706,011                  | 2,173,057              | 1,917,658               |
| Plant maintenance and operations                                       | 7,791,942                  | 7,419,696              | 6,394,973               |
| Security and monitoring services                                       | 869,898                    | 656,719                | 504,198                 |
| Data processing services   | 1,165,949                  | 1,156,274              | 1,090,027               |
| Community services   | 92,576                     | 115,139                | 95,669                  |
| Debt service:  |                            |                        |                         |
| Principal  | 6,375,000                  | 6,765,000              | 6,570,000               |
| Interest   | 7,392,966                  | 14,870,064             | 15,130,104              |
| Bond issuance cost and fees  | 750                        | 10,000                 | 2,396                   |
| Facilities acquisition and construction                                | 7,746,916                  | 67,615,342             | 120,234,683             |
| Contracted instructional services between public schools               | 3,896,789                  | 2,398,456              | -                       |
| Payments to juvenile justice alternative education programs            | 19,540                     | 22,015                 | 10,370                  |
| Other intergovernmental charges  | 698,725                    | 655,968                | 624,385                 |
| Total expenditures   | <u>94,840,779</u>          | <u>163,726,455</u>     | <u>209,942,807</u>      |
| Excess of revenues over (under) expenditures                           | 6,119,490                  | (70,069,868)           | (122,372,173)           |
| <b>OTHER FINANCING SOURCES AND (USES)</b>                              |                            |                        |                         |
| Refunding bonds issued   | -                          | -                      | -                       |
| Capital-related debt issuance  | -                          | -                      | -                       |
| Sale of real or personal Pproperty                                     | -                          | -                      | 8,584                   |
| Premium or discount on issuance of bonds                               | -                          | -                      | -                       |
| Other resources/(uses)   | -                          | -                      | (22,626)                |
| Transfers in   | -                          | 52,417                 | -                       |
| Transfers out  | -                          | -                      | -                       |
| Payment to bond refunding escrow agent                                 | -                          | -                      | -                       |
| Total other financing sources and (uses)                               | <u>-</u>                   | <u>52,417</u>          | <u>(14,042)</u>         |
| <b>NET CHANGE IN FUND BALANCES</b>                                     | <u>\$ 6,119,490</u>        | <u>\$ (70,017,451)</u> | <u>\$ (122,386,215)</u> |
| Debt service as a percentage of noncapital expenditures <sup>[2]</sup> | 15.51%                     | 20.19%                 | 22.79%                  |

Source: Montgomery Independent School District's audited financial statements

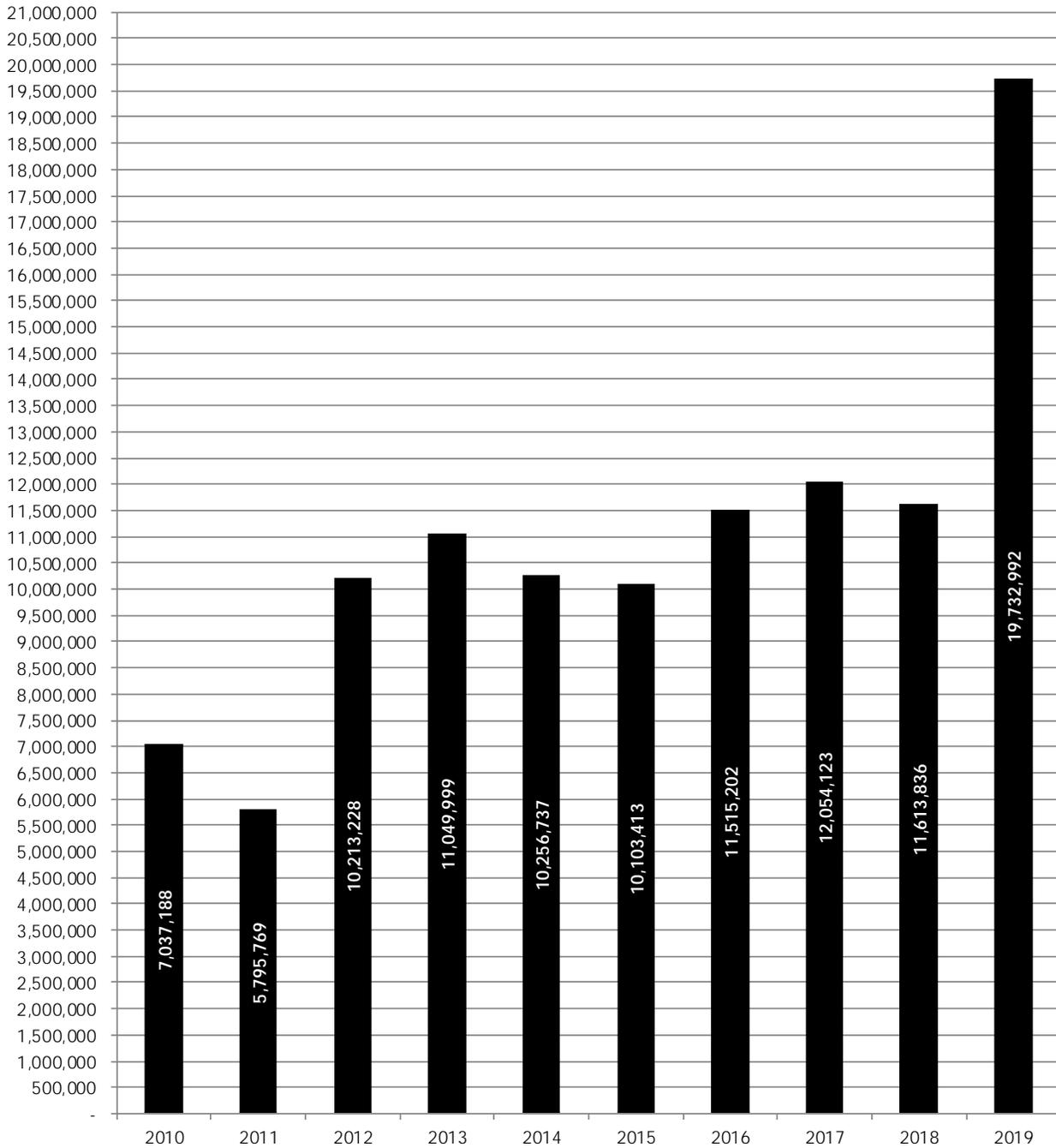
[1] The District changed from an August 31 fiscal year to a June 30 fiscal year in 2019; therefore, only 10 months is presented.

[2] The ratio of debt service expenditures to noncapital expenditures is calculated by dividing principal and interest expenditures from the schedule above by total expenditures from the schedule above less capital outlay from the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance.

| 2016          | 2015           | 2014          | 2013          | 2012          | 2011           | 2010          |
|---------------|----------------|---------------|---------------|---------------|----------------|---------------|
| \$ 66,673,827 | \$ 60,495,093  | \$ 55,540,924 | \$ 52,647,533 | \$ 51,338,326 | \$ 49,369,429  | \$ 48,187,617 |
| 14,282,922    | 13,475,744     | 13,323,554    | 10,783,952    | 12,847,923    | 13,231,328     | 12,942,377    |
| 1,963,877     | 2,129,332      | 2,031,440     | 2,126,100     | 2,956,653     | 4,050,232      | 4,005,277     |
| 82,920,626    | 76,100,169     | 70,895,918    | 65,557,585    | 67,142,902    | 66,650,989     | 65,135,271    |
| 40,970,040    | 37,882,200     | 35,657,524    | 32,854,377    | 31,236,902    | 32,725,947     | 31,042,699    |
| 690,575       | 698,545        | 737,011       | 726,511       | 813,874       | 834,772        | 817,921       |
| 700,376       | 649,063        | 368,545       | 472,969       | 424,536       | 427,024        | 389,266       |
| 353,494       | 311,870        | 267,139       | 187,736       | 333,688       | 381,260        | 367,647       |
| 3,510,324     | 3,375,352      | 3,258,539     | 3,011,186     | 2,985,281     | 3,027,887      | 3,034,075     |
| 2,284,367     | 2,146,668      | 1,904,239     | 1,675,752     | 1,548,961     | 1,557,245      | 1,656,230     |
| -             | -              | -             | 28,003        | 28,788        | -              | -             |
| 626,008       | 601,318        | 592,715       | 591,515       | 585,660       | 608,283        | 594,905       |
| 5,213,711     | 3,932,511      | 3,825,140     | 3,318,380     | 2,990,643     | 3,553,346      | 3,386,734     |
| 2,096,360     | 1,929,885      | 1,890,327     | 1,643,514     | 1,671,867     | 1,571,902      | 1,566,903     |
| 1,879,415     | 1,714,840      | 1,499,533     | 1,351,367     | 1,267,779     | 1,447,101      | 1,511,592     |
| 6,385,440     | 6,325,203      | 6,173,472     | 5,389,138     | 5,733,495     | 6,146,812      | 6,636,253     |
| 542,493       | 387,674        | 337,726       | 308,635       | 341,875       | 466,443        | 493,523       |
| 1,118,500     | 1,107,828      | 1,013,408     | 1,008,223     | 962,076       | 718,127        | 762,397       |
| 120,513       | 98,610         | 112,388       | 109,648       | 303,307       | 301,868        | 216,156       |
| 4,662,384     | 5,570,712      | 5,435,774     | 5,683,900     | 4,105,081     | 3,466,095      | 3,431,193     |
| 14,127,733    | 4,333,076      | 5,538,082     | 5,887,013     | 6,284,619     | 6,379,273      | 7,000,931     |
| 810,124       | 1,739,956      | 81,396        | 12,750        | 7,300         | 193,604        | 9,322         |
| 53,177,210    | 6,678,171      | 1,257,864     | 727,433       | 1,069,103     | 2,510,672      | 2,599,815     |
| -             | 229,859        | 113,855       | 128,869       | 135,467       | 101,187        | 87,505        |
| 5,178         | 20,850         | 35,190        | -             | -             | 8,000          | -             |
| 522,980       | 472,826        | 400,700       | 364,517       | 322,499       | 318,525        | 359,301       |
| 139,797,225   | 80,207,017     | 70,500,567    | 65,481,436    | 63,152,801    | 66,745,373     | 65,964,368    |
| (56,876,599)  | (4,106,848)    | 395,351       | 76,149        | 3,990,101     | (94,384)       | (829,097)     |
| 26,840,000    | 49,660,000     | 9,310,000     | -             | -             | 14,495,000     | -             |
| 56,700,000    | 200,000,000    | -             | -             | -             | -              | -             |
| -             | -              | -             | 4,489         | 6,787         | 7,685          | -             |
| 16,366,253    | 18,253,701     | -             | -             | -             | 939,907        | -             |
| -             | -              | -             | -             | -             | -              | -             |
| 33,093        | 899,490        | -             | 651,069       | 574,327       | -              | 151,305       |
| (33,093)      | (930,571)      | (49,247)      | (12,927)      | (21,293)      | (2,819,821)    | (280,604)     |
| (40,497,287)  | (60,033,427)   | (9,511,719)   | -             | -             | (15,617,710)   | -             |
| 59,408,966    | 207,849,193    | (250,966)     | 642,631       | 559,821       | (2,994,939)    | (129,299)     |
| \$ 2,532,367  | \$ 203,742,345 | \$ 144,385    | \$ 718,780    | \$ 4,549,922  | \$ (3,089,323) | \$ (958,396)  |
| 21.66%        | 13.56%         | 15.95%        | 17.93%        | 16.73%        | 15.33%         | 16.46%        |

# General Fund Balances

## Last Ten Fiscal Years



Source: Montgomery Independent School District's audited financial statements  
Unaudited

## Revenue Capacity Information

These schedules contain information to help assess the factors affecting the District's most significant local revenue source, the property tax.

**Montgomery Independent School District**  
 Property Tax Rates – Direct and All Overlapping Governments  
 Last Ten Fiscal Years  
 (Unaudited)

|                                     | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-------------------------------------|-------------|-------------|-------------|
| <b>SCHOOL DISTRICT</b>              |             |             |             |
| Montgomery I.S.D.                   |             |             |             |
| Maintenance and operations          | \$1.040     | \$1.040     | \$1.040     |
| Debt service                        | 0.330       | 0.330       | 0.330       |
|                                     | <hr/>       | <hr/>       | <hr/>       |
| Total direct rate                   | 1.370       | 1.370       | 1.370       |
| <b>COUNTY</b>                       |             |             |             |
| Montgomery County                   | 0.448       | 0.467       | 0.467       |
| Montgomery County Hospital District | 0.059       | 0.066       | 0.067       |
| <b>CITY</b>                         |             |             |             |
| City of Montgomery                  | 0.400       | 0.416       | 0.416       |
| City of Conroe                      | 0.438       | 0.418       | 0.418       |
| <b>WATER DISTRICTS</b>              |             |             |             |
| Blaketree MUD #1                    | 1.350       | 1.350       | 1.350       |
| Montgomery Cnty. MUD#8              | 0.300       | 0.300       | 0.265       |
| Montgomery Cnty. MUD#9              | 0.406       | 0.406       | 0.406       |
| Montgomery Cnty. MUD#18             | 0.330       | 0.330       | 0.330       |
| Montgomery Cnty. MUD#113            | 0.880       | 0.900       | 0.920       |
| Montgomery Cnty. UD #3              | 0.090       | 0.090       | 0.090       |
| Montgomery Cnty. UD #4              | 0.088       | 0.078       | 0.078       |
| Stanley Lake MUD                    | 0.550       | 0.530       | 0.530       |

Source: Montgomery Central Appraisal District

Rates are per \$100 of assessed valuation

| 2016    | 2015    | 2014    | 2013    | 2012    | 2011    | 2010    |
|---------|---------|---------|---------|---------|---------|---------|
| \$1.040 | \$1.040 | \$1.040 | \$1.040 | \$1.040 | \$1.040 | \$1.040 |
| 0.300   | 0.300   | 0.300   | 0.300   | 0.300   | 0.300   | 0.300   |
| 1.340   | 1.340   | 1.340   | 1.340   | 1.340   | 1.340   | 1.340   |
| 0.477   | 0.477   | 0.484   | 0.484   | 0.484   | 0.484   | 0.484   |
| 0.071   | 0.073   | 0.073   | 0.073   | 0.075   | 0.075   | 0.076   |
| 0.416   | 0.416   | 0.416   | 0.416   | 0.416   | 0.420   | 0.445   |
| 0.420   | 0.420   | 0.420   | 0.420   | 0.420   | 0.420   | 0.420   |
| 1.350   | 1.350   | -       | -       | -       | -       | -       |
| 0.265   | 0.265   | 0.265   | 0.265   | 0.265   | 0.265   | 0.249   |
| 0.418   | 0.456   | 0.600   | 0.600   | 0.600   | 0.600   | 0.600   |
| 0.340   | 0.360   | 0.380   | 0.380   | 0.430   | 0.440   | 0.440   |
| 1.020   | 1.120   | 1.170   | 1.190   | 1.190   | 1.190   | 1.100   |
| 0.090   | 0.451   | 0.452   | 0.452   | 0.452   | 0.452   | 0.452   |
| 0.080   | 0.380   | 0.410   | 0.410   | 0.490   | 0.490   | 0.490   |
| 0.530   | 0.530   | 0.520   | 0.500   | 0.510   | 0.520   | 0.520   |

**Montgomery Independent School District**  
 Assessed and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (Unaudited)

| <b>Fiscal Year</b>  | <b>Real Property Assessed Value</b> | <b>Personal Property Assessed Value</b> | <b>Total Assessed Value</b> | <b>Total Estimated Taxable Value</b> | <b>Total Direct Rate <sup>[1]</sup></b> |
|---------------------|-------------------------------------|---|-----------------------------|--------------------------------------|---|
| 2010                | \$ 4,036,032,604                    | \$ 113,144,598                          | \$ 4,149,177,202            | \$ 3,637,881,857                     | \$ 1.340                                |
| 2011                | 4,164,027,011                       | 111,530,332                             | 4,275,557,343               | 3,726,671,981                        | 1.340                                   |
| 2012                | 4,270,930,534                       | 113,087,999                             | 4,384,018,533               | 3,870,324,704                        | 1.340                                   |
| 2013                | 4,398,668,844                       | 116,853,298                             | 4,515,522,142               | 3,957,459,328                        | 1.340                                   |
| 2014                | 4,591,807,167                       | 123,020,271                             | 4,714,827,438               | 4,163,024,367                        | 1.340                                   |
| 2015                | 5,134,323,053                       | 129,252,452                             | 5,263,575,505               | 4,600,173,292                        | 1.340                                   |
| 2016                | 6,350,297,860                       | 144,367,973                             | 6,494,665,833               | 5,065,449,062                        | 1.340                                   |
| 2017                | 6,661,992,783                       | 147,312,635                             | 6,809,305,418               | 5,601,562,063                        | 1.370                                   |
| 2018                | 6,912,485,893                       | 155,379,138                             | 7,067,865,031               | 5,899,730,718                        | 1.370                                   |
| 2019 <sup>[2]</sup> | 6,504,610,712                       | 280,388,979                             | 6,784,999,691               | 6,126,998,596                        | 1.370                                   |

Source: Montgomery County Central Appraisal District

[1] Per \$100 of assessed value

[2] The District changed from an August 31 fiscal year to a June 30 fiscal year in 2019.

# Montgomery Independent School District

## Principal Property Tax Payers

Current Year and Nine Years Ago

(Unaudited)

| Taxpayer                           | 2019                   |      |                                   | 2010                   |      |                                   |
|------------------------------------|------------------------|------|-----------------------------------|------------------------|------|-----------------------------------|
|                                    | Taxable Assessed Value | Rank | Percentage of Total Taxable Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Value |
| <b>2019</b>                        |                        |      |                                   |                        |      |                                   |
| BNSF Railway Company               | \$ 24,600,860          | 1    | 0.40%                             | \$ 12,786,160          | 5    | 0.35%                             |
| Entergy Texas Inc.                 | 22,798,200             | 2    | 0.37%                             | 10,880,350             | 6    | 0.30%                             |
| Texas Express Pipeline             | 18,128,430             | 3    | 0.30%                             |                        |      |                                   |
| Kroger Texas LP                    | 17,982,801             | 4    | 0.29%                             |                        |      |                                   |
| WalMart Real Estate Business Trust | 17,470,656             | 5    | 0.29%                             | 13,830,007             | 4    | 0.38%                             |
| TPProperty LLC                     | 17,125,000             | 6    | 0.28%                             |                        |      |                                   |
| Mid-South Synergy                  | 14,280,010             | 7    | 0.23%                             |                        |      |                                   |
| NRG Conroe Villas LP               | 11,650,000             | 8    | 0.19%                             |                        |      |                                   |
| 105 Town Creek Village, LTD        | 11,000,000             | 9    | 0.18%                             |                        |      |                                   |
| Crane Energy Flow Solutions        | 10,770,350             | 10   | 0.18%                             |                        |      |                                   |
| <b>2010</b>                        |                        |      |                                   |                        |      |                                   |
| French Quarter VIII LLP            |                        |      |                                   | 26,158,360             | 1    | 0.72%                             |
| Consolidated Communications of TX  |                        |      |                                   | 19,283,000             | 2    | 0.53%                             |
| Bentwater on the North             |                        |      |                                   | 14,142,150             | 3    | 0.39%                             |
| Cross Development                  |                        |      |                                   | 9,108,350              | 7    | 0.25%                             |
| La Torretta Del Lago Resort & Spa  |                        |      |                                   | 8,104,985              | 8    | 0.22%                             |
| KOA Campgrounds                    |                        |      |                                   | 7,077,789              | 9    | 0.19%                             |
| MRI Playa Vista LP                 |                        |      |                                   | 6,834,790              | 10   | 0.19%                             |
|                                    | <u>\$ 165,806,307</u>  |      | <u>2.71%</u>                      | <u>\$ 128,205,941</u>  |      | <u>3.52%</u>                      |

Source: Texas Municipal Reports

**Montgomery Independent School District**  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years  
 (Unaudited)

| Fiscal Year | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy |                    | Collections in Subsequent Years | Total Collections to Date |                    |
|-------------|----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
|             |                                  | Amount                                       | Percentage of Levy |                                 | Amount                    | Percentage of Levy |
| 2010        | \$ 46,612,500                    | \$ 45,688,421                                | 98.02%             | \$ 749,709                      | \$ 46,438,130             | 99.63%             |
| 2011        | 47,616,924                       | 46,769,910                                   | 98.22%             | 774,521                         | 47,544,431                | 99.85%             |
| 2012        | 49,290,706                       | 48,622,247                                   | 98.64%             | 729,612                         | 49,351,859                | 100.12%            |
| 2013        | 50,512,700                       | 49,874,763                                   | 98.74%             | 564,780                         | 50,439,543                | 99.86%             |
| 2014        | 53,168,642                       | 52,522,680                                   | 98.79%             | 453,574                         | 52,976,254                | 99.64%             |
| 2015        | 58,476,803                       | 57,772,880                                   | 98.80%             | 550,553                         | 58,323,433                | 99.74%             |
| 2016        | 64,035,906                       | 63,348,651                                   | 98.93%             | 471,345                         | 63,819,996                | 99.66%             |
| 2017        | 71,942,844                       | 71,004,216                                   | 98.70%             | 624,823                         | 71,629,039                | 99.56%             |
| 2018        | 75,853,944                       | 74,881,625                                   | 98.72%             | 495,350                         | 75,376,975                | 99.37%             |
| 2019        | 79,130,994                       | 77,034,959                                   | 97.35%             | -                               | 77,034,959                | 97.35%             |

Source: Montgomery County Tax Assessor/Collector

## **Debt Capacity Information**

These schedules present information to help assess the affordability of the District's current debt burden and its ability to issue additional debt in the future.

**Montgomery Independent School District**  
 Ratios of Net General Obligation Bonded Debt Outstanding  
 Last Ten Fiscal Years  
 (Unaudited)

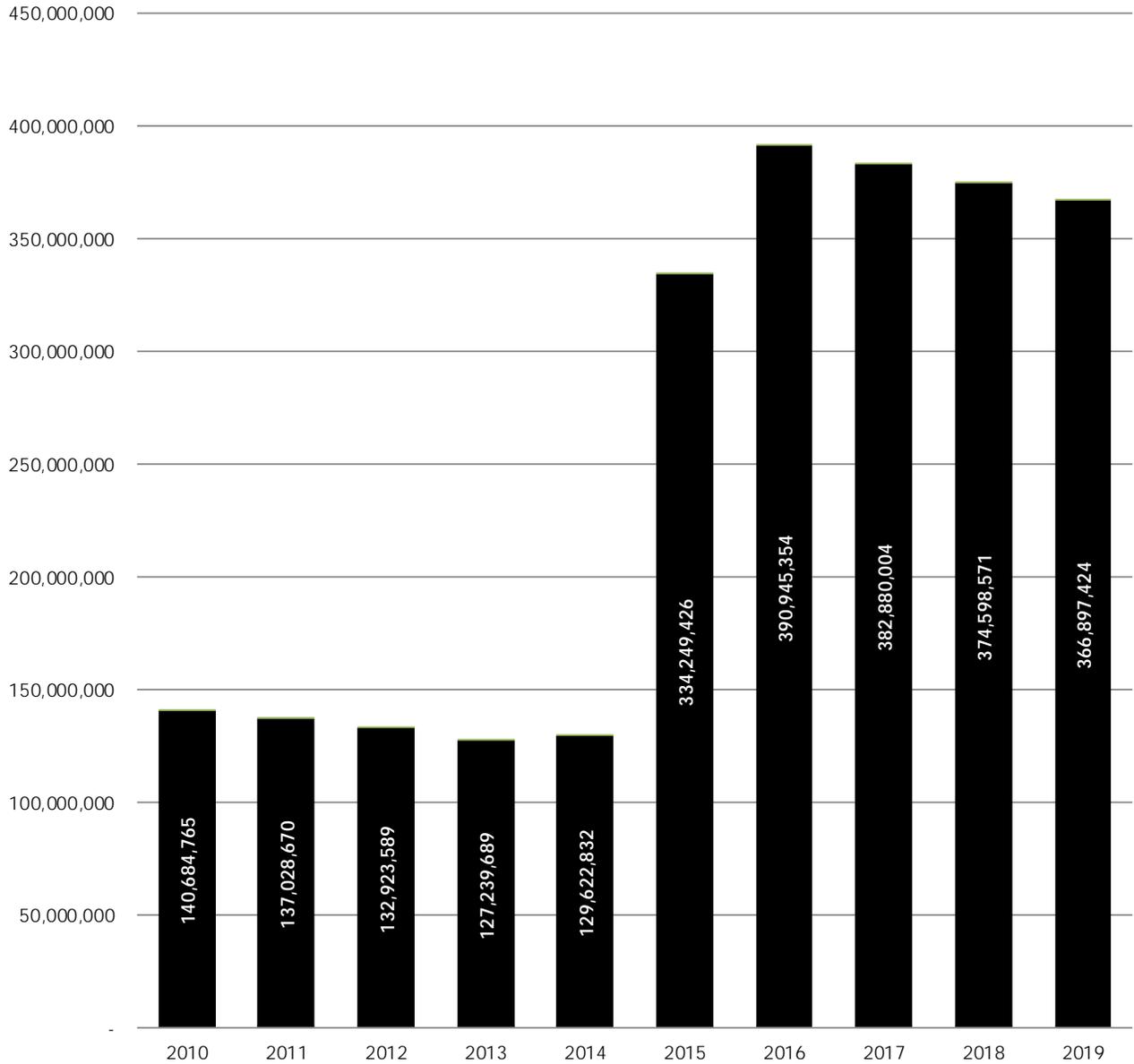
| Fiscal Year         | Total Estimated Taxable Value | Gross Bonded Debt | Less Restricted for Retirement of Bonded Debt | Net Bonded Debt | Ratio of Gross Bonded Debt to Taxable Value | Ratio of Gross Bonded Debt to Personal Income | Ratio of Net Bonded Debt to Personal Income | Ratio of Net Bonded Debt Per ADA | Ratio of Net Bonded Debt Per Capita |
|---------------------|-------------------------------|-------------------|---|-----------------|---|---|---|----------------------------------|-------------------------------------|
| 2010                | 3,637,881,857                 | 140,684,765       | 1,553,536                                     | 139,131,229     | 3.87%                                       | 15.86%  | 16.04%                                      | 21,990                           | 2,997                               |
| 2011                | 3,726,671,981                 | 137,028,670       | 2,152,210                                     | 134,876,460     | 3.68%                                       | 17.76%  | 18.04%                                      | 20,161                           | 2,805                               |
| 2012                | 3,870,324,704                 | 132,923,589       | 2,930,427                                     | 129,993,162     | 3.43%                                       | 21.55%  | 22.03%                                      | 19,681                           | 2,612                               |
| 2013                | 3,957,459,328                 | 127,239,689       | 2,772,687                                     | 124,467,002     | 3.22%                                       | 23.98%  | 24.51%                                      | 18,274                           | 2,566                               |
| 2014                | 4,163,024,367                 | 129,622,832       | 3,530,391                                     | 126,092,441     | 3.11%                                       | 25.25%  | 25.95%                                      | 17,643                           | 2,526                               |
| 2015                | 4,600,173,292                 | 334,249,426       | 12,534,481                                    | 321,714,945     | 7.27%                                       | 9.55%   | 9.92%                                       | 42,912                           | 6,199                               |
| 2016                | 5,065,449,062                 | 390,945,354       | 10,448,093                                    | 380,497,261     | 7.72%                                       | 7.97%   | 8.18%                                       | 48,794                           | 7,078                               |
| 2017                | 5,601,562,063                 | 382,880,004       | 6,670,666                                     | 376,209,338     | 6.84%                                       | 8.59%   | 8.74%                                       | 47,718                           | 6,764                               |
| 2018                | 5,899,730,718                 | 374,598,571       | 4,192,909                                     | 370,405,662     | 6.35%                                       | 9.18%   | 9.28%                                       | 44,531                           | 6,488                               |
| 2019 <sup>[1]</sup> | 6,126,998,596                 | 366,897,424       | 5,255,191                                     | 361,642,233     | 5.99%                                       | 9.64%   | 9.78%                                       | 43,624                           | 6,119.99                            |

Source: Montgomery Independent School District's audited financial statements

[1] The District changed from an August 31 fiscal year to a June 30 fiscal year in 2019.

# Outstanding Bonds

## Last Ten Fiscal Years



Source: Montgomery Independent School District's audited financial statements  
Unaudited

**Montgomery Independent School District**  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (Unaudited)

**Legal Debt Margin Calculation for 2019**

|  |                       |
|--|-----------------------|
| Assessed value   | \$ 6,126,998,596      |
| Debt limit (percent of 2018- 2019 school year assessed value)* | 10.00%                |
|  | <hr/>                 |
| Maximum legal debt   | 612,699,860           |
| Amount of debt applicable to debt limit**                      | 361,642,233           |
|  | <hr/>                 |
| <b>LEGAL DEBT MARGIN</b>                                       | <b>\$ 251,057,627</b> |
|  | <hr/> <hr/>           |

\*This debt limit is established by law as stated in Vernon's Statutes, Article 835p.

\*\*Does not include capital lease obligations and is net of reserve for retirement of bonded debt

| Fiscal Year         | Debt Limit     | Amount of Debt<br>Applicable to<br>Debt Limit | Legal<br>Debt<br>Margin | Total Net Debt<br>Applicable to<br>the Limit as a<br>Percentage<br>of Debt Limit |
|---------------------|----------------|---|-------------------------|--|
| <hr/>               | <hr/>          | <hr/>   | <hr/>                   | <hr/>  |
| 2010                | \$ 363,788,186 | \$ 139,131,229                                | \$ 224,656,957          | 38.25%   |
| 2011                | 372,667,198    | 134,876,460                                   | 237,790,738             | 36.19%   |
| 2012                | 387,032,470    | 129,993,162                                   | 257,039,308             | 33.59%   |
| 2013                | 395,745,933    | 124,467,002                                   | 271,278,931             | 31.45%   |
| 2014                | 416,302,437    | 126,092,441                                   | 290,209,996             | 30.29%   |
| 2015                | 460,017,329    | 321,714,945                                   | 138,302,384             | 69.94%   |
| 2016                | 506,544,906    | 380,497,261                                   | 126,047,645             | 75.12%   |
| 2017                | 560,156,206    | 376,209,338                                   | 183,946,868             | 67.16%   |
| 2018                | 589,973,072    | 370,405,662                                   | 219,567,410             | 62.78%   |
| 2019 <sup>[1]</sup> | 612,699,860    | 361,642,233                                   | 251,057,627             | 59.02%   |

Source: Montgomery Independent School District's audited financial statements

[1] The District changed from an August 31 fiscal year to a June 30 fiscal year in 2019.

**Montgomery Independent School District**  
 Computation of Direct and Overlapping Debt  
 As of June 30, 2019  
 (Unaudited)

|  | Gross Debt     | Overlapping |                       |
|--|----------------|-------------|-----------------------|
|  |                | Percent*    | Amount                |
| <b>TAXING ENTITY</b>                     |                |             |                       |
| Montgomery County                        | \$ 522,350,000 | 8.20%       | \$ 42,832,700         |
| Montgomery County MUD #8                 | 23,315,000     | 100.00%     | 23,315,000            |
| Montgomery County MUD #9                 | 26,800,000     | 100.00%     | 26,800,000            |
| Montgomery County MUD #18                | 12,380,000     | 100.00%     | 12,380,000            |
| Montgomery County MUD #113               | 111,335,000    | 57.58%      | 64,106,693            |
| Montgomery County UD #3                  | 3,815,000      | 100.00%     | 3,815,000             |
| Montgomery County UD #4                  | 10,935,000     | 100.00%     | 10,935,000            |
| <b>CITIES</b>                            |                |             |                       |
| Montgomery                               | 8,415,000      | 100.00%     | 8,415,000             |
| <b>WATER DISTRICTS</b>                   |                |             |                       |
| Stanley Lake MUD                         | 23,280,000     | 100.00%     | 23,280,000            |
| Total estimated overlapping debt         |                |             | 215,879,393           |
| District direct debt                     |                |             | 366,897,424           |
| <b>TOTAL OVERLAPPING AND DIRECT DEBT</b> |                |             | <b>\$ 582,776,817</b> |

Source: Texas Municipal Reports

\* The percentage of overlapping debt is estimated using property market values. Percentages were estimated by determining the portion of the overlapping taxing authority's market value contained within the District's boundaries and dividing it by the overlapping taxing authority's total market value.

## **Demographic and Economic Information**

These schedules provide demographic and economic indicators to help in understanding the environment in which the District operates and to facilitate in comparisons over time.

# Montgomery Independent School District

## Demographic Statistics

Last Ten Fiscal Years

(Unaudited)

| Population Information |                      |                     |                         |                   |  |
|------------------------|----------------------|---------------------|-------------------------|-------------------|--|
| Fiscal Year            | Estimated Population | Land Area (sq. mi.) | Density Per Square Mile | Population Change |  |
| 2010                   | 46,427               | 231.1               | 200.90                  | 1,656             |  |
| 2011                   | 48,080               | 231.1               | 208.05                  | 1,653             |  |
| 2012                   | 49,763               | 231.1               | 215.33                  | 1,683             |  |
| 2013                   | 48,505               | 231.1               | 209.89                  | (1,258)           |  |
| 2014                   | 49,914               | 231.1               | 215.98                  | 1,409             |  |
| 2015                   | 51,895               | 231.1               | 224.56                  | 1,981             |  |
| 2016                   | 53,756               | 231.1               | 232.61                  | 1,861             |  |
| 2017                   | 55,620               | 231.1               | 240.68                  | 1,864             |  |
| 2018                   | 57,093               | 217.9               | 262.03                  | 1,473             |  |
| 2019                   | 59,092               | 217.9               | 271.19                  | 1,999             |  |

Source: United States Census Bureau

Estimate based upon taking a portion of county's population (10%)

|                             | Montgomery County 2010 | Texas 2010 | U.S. 2010   |
|-----------------------------|------------------------|------------|-------------|
| <b>POPULATION</b>           |                        |            |             |
| Median age                  | 36.2                   | 33.7       | 37.3        |
| Persons under 18 years old  | 27.3%                  | 27.1%      | 23.7%       |
| Persons 65 and over         | 10.8%                  | 10.5%      | 13.3%       |
| Average household size      | 2.82                   | 2.78       | 2.59        |
| <b>INCOME</b>               |                        |            |             |
| Median household income     | \$ 65,620              | \$ 49,646  | \$ 51,914   |
| Per capita income           | \$ 31,959              | \$ 24,870  | \$ 27,334   |
| Persons below poverty level | 10.9%                  | 16.8%      | 13.8%       |
| <b>HOUSING</b>              |                        |            |             |
| Total housing units         | 182,513                | 10,098,750 | 132,312,404 |
| Homeownership rate          | 75.6%                  | 64.8%      | 66.6%       |
| Owner occupied median value | \$ 157,100             | \$ 123,500 | \$ 188,400  |

Source: United States Census Bureau

# Montgomery Independent School District

## Demographic Statistics – Continued

Last Ten Fiscal Years

(Unaudited)

| Fiscal Year | Montgomery County    |                    |                                |                             | Percent Unemployed County | Percent Unemployed State |
|-------------|----------------------|--------------------|--------------------------------|-----------------------------|---------------------------|--------------------------|
|             | Civilian Labor Force | Total Unemployment | Personal Income (in Thousands) | Per Capita Personal Income* |                           |                          |
| 2010        | 227,074              | 17,084             | \$ 22,309,730                  | \$ 48,570                   | 7.5%                      | 8.2%                     |
| 2011        | 231,457              | 16,571             | 24,329,890                     | 52,156                      | 7.2%                      | 8.3%                     |
| 2012        | 235,968              | 14,901             | 28,638,520                     | 59,964                      | 6.3%                      | 6.9%                     |
| 2013        | 244,071              | 12,882             | 30,509,920                     | 62,153                      | 5.3%                      | 6.3%                     |
| 2014        | 253,050              | 11,942             | 32,723,860                     | 64,448                      | 4.7%                      | 5.5%                     |
| 2015        | 250,993              | 10,631             | 31,914,797                     | 59,630                      | 4.2%                      | 4.4%                     |
| 2016        | 259,617              | 14,205             | 31,140,467                     | 56,157                      | 5.5%                      | 5.0%                     |
| 2017        | 260,963              | 10,657             | 32,877,204                     | 57,585                      | 4.1%                      | 4.0%                     |
| 2018        | 272,940              | 10,347             | 34,386,116                     | 57,585                      | 3.8%                      | 3.9%                     |
| 2019        | 280,749              | 9,184              | 35,369,927                     | 57,585                      | 3.0%                      | 3.7%                     |

Source: Texas Workforce Commission (TRACER System)

\* Per Capita personal income information was not available for 2018 and 2019; therefore, the same personal income amount was used in calculating the 2017 - 2019 ratios.

# Montgomery Independent School District

## Principal Employers

Current Year and Nine Years Ago  
(Unaudited)

| Employer                     | 2019         |                                | 2010                            |                                |
|------------------------------|--------------|--------------------------------|---------------------------------|--------------------------------|
|                              | Employees    | Percentage of Total Employment | Approximate Number of Employees | Percentage of Total Employment |
| Montgomery I.S.D.            | 1,097        | 4.41%                          | 760                             | 3.73%                          |
| Wal Mart                     | 440          | 1.77%                          | 390                             | 1.91%                          |
| La Torreta Lake Resort & Spa | 220          | 0.88%                          | 300                             | 1.47%                          |
| Bentwater Country Club       | 244          | 0.98%                          | 230                             | 1.13%                          |
| Crane Valve Svc.             | 59           | 0.24%                          | 45                              | 0.22%                          |
| April Sound Country Club     | 72           | 0.29%                          | 75                              | 0.37%                          |
| Walden Golf Administration   | 80           | 0.32%                          | 80                              | 0.39%                          |
| Bethyl Laboratories          | 70           | 0.28%                          | 40                              | 0.20%                          |
| Brookshire Brothers          | 75           | 0.30%                          | 74                              | 0.36%                          |
| Elite Precision Fabricators  | 47           | 0.19%                          | 53                              | 0.26%                          |
| Hays Utility Service         | 37           | 0.15%                          | 30                              | 0.15%                          |
| Kroger                       | 175          | 0.70%                          |                                 |                                |
| McCoys                       | 20           | 0.08%                          |                                 |                                |
|                              | <u>2,636</u> | <u>10.59%</u>                  | <u>2,077</u>                    | <u>10.19%</u>                  |

Source: Texas Workforce Commission

Estimate based upon taking a portion (10%) of county's employment.

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## **Operating Information**

These schedules provide information about the District's operations and resources to assist in using the financial statement information to better understand and assess the District's economic condition.

**Montgomery Independent School District**  
 Full Time Equivalent District Employees by Function  
 Last Ten Fiscal Years  
 (Unaudited)

|                        | <u>2019</u>        | <u>2018</u>       | <u>2017</u>       |
|------------------------|--------------------|-------------------|-------------------|
| Teaching staff         | 677                | 532               | 519               |
| Support staff          | 104                | 82                | 79                |
| Administrative staff   | 42                 | 33                | 34                |
| Paraprofessional staff | 81                 | 78                | 67                |
| Auxiliary staff        | 193                | 246               | 249               |
| <b>TOTAL EMPLOYEES</b> | <u><u>1097</u></u> | <u><u>971</u></u> | <u><u>948</u></u> |

Source: Texas Education Agency

| 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|------|------|------|------|------|------|------|
| 513  | 487  | 458  | 438  | 437  | 445  | 431  |
| 60   | 58   | 55   | 54   | 55   | 59   | 56   |
| 35   | 31   | 30   | 30   | 32   | 30   | 32   |
| 66   | 61   | 55   | 52   | 45   | 42   | 44   |
| 242  | 233  | 229  | 242  | 255  | 257  | 278  |
| 916  | 870  | 827  | 816  | 824  | 833  | 841  |

**Montgomery Independent School District**  
 Operating Statistics  
 Last Ten Fiscal Years  
 (Unaudited)

| <u>Fiscal Year</u> | <u>Enrollment</u> | <u>Operating Expenditures*</u> | <u>Cost Per Student</u> | <u>Percentage Change</u> | <u>Government Wide Expenses**</u> |
|--------------------|-------------------|--------------------------------|-------------------------|--------------------------|-----------------------------------|
| 2010               | 6,901             | \$ 52,923,107                  | \$ 7,669                | -6.34%                   | \$ 70,031,777                     |
| 2011               | 6,892             | 54,195,729                     | 7,864                   | 2.54%                    | 69,430,933                        |
| 2012               | 6,953             | 51,686,698                     | 7,434                   | -5.47%                   | 67,117,628                        |
| 2013               | 7,173             | 53,170,340                     | 7,413                   | -0.28%                   | 68,294,952                        |
| 2014               | 7,546             | 58,187,451                     | 7,711                   | 4.03%                    | 72,862,284                        |
| 2015               | 7,936             | 61,885,102                     | 7,798                   | 1.13%                    | 76,915,692                        |
| 2016               | 8,174             | 67,019,774                     | 8,199                   | 5.14%                    | 90,896,421                        |
| 2017               | 8,296             | 68,005,624                     | 8,197                   | -0.02%                   | 99,499,547                        |
| 2018               | 8,730             | 74,466,049                     | 8,530                   | 4.06%                    | 91,028,930                        |
| 2019               | 8,846             | 73,325,147                     | 8,289                   | -2.82%                   | 108,349,453                       |

N/A = Not Available

Source: Nonfinancial information from district records

\* Operating expenditures are total expenditures less debt service and facilities acquisition and construction from the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

\*\* Government Wide Expenses are total expenses from the Statement of Activities

|    | <b>Cost<br/>Per<br/>Student</b> | <b>Percentage<br/>Change</b> | <b>Teaching<br/>Staff</b> | <b>Student<br/>Teacher<br/>Ratio</b> | <b>Percentage of<br/>Students in<br/>Free/Reduced<br/>Lunch Program</b> |
|----|---------------------------------|------------------------------|---------------------------|--------------------------------------|---|
| \$ | 10,148                          | -14.10%                      | 431                       | 16                                   | 26%   |
|    | 10,074                          | -0.73%                       | 445                       | 15                                   | 27%   |
|    | 9,653                           | -4.18%                       | 437                       | 16                                   | 27%   |
|    | 9,521                           | -1.37%                       | 438                       | 16                                   | 26%   |
|    | 9,656                           | 1.41%                        | 458                       | 16                                   | 25%   |
|    | 9,692                           | 0.38%                        | 487                       | 16                                   | 24%   |
|    | 11,120                          | 14.74%                       | 513                       | 16                                   | 24%   |
|    | 11,994                          | 7.85%                        | 519                       | 16                                   | 24%   |
|    | 10,427                          | -13.06%                      | 532                       | 16                                   | 25%   |
|    | 12,248                          | 17.47%                       | 677                       | 13                                   | 27%   |

# Montgomery Independent School District

## Teacher Base Salaries

Last Ten Fiscal Years

(Unaudited)

| <u>Fiscal Year</u> | <u>Minimum Salary*</u> | <u>Maximum Salary*</u> | <u>County Average Salary</u> | <u>Statewide Average Salary</u> |
|--------------------|------------------------|------------------------|------------------------------|---------------------------------|
| 2010               | \$ 43,058              | \$ 62,420              | \$ 48,404                    | \$ 48,263                       |
| 2011               | 43,863                 | 62,776                 | 49,292                       | 48,638                          |
| 2012               | 40,388                 | 61,581                 | 49,065                       | 48,375                          |
| 2013               | 44,009                 | 61,723                 | 50,122                       | 48,821                          |
| 2014               | 48,180                 | 62,588                 | 50,698                       | 49,692                          |
| 2015               | 44,497                 | 62,812                 | 52,122                       | 50,715                          |
| 2016               | 45,803                 | 62,898                 | 53,424                       | 51,891                          |
| 2017               | 48,982                 | 63,559                 | 54,837                       | 52,525                          |
| 2018               | 46,204                 | 63,794                 | 56,509                       | 53,334                          |
| 2019               | 50,075                 | 64,743                 | 59,260                       | 53,677                          |

Sources:

District Records

Texas Education Agency Website

\* Amounts do not include additional salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, disability, etc.

**Montgomery Independent School District**  
Attendance Data  
Last Ten Fiscal Years  
(Unaudited)

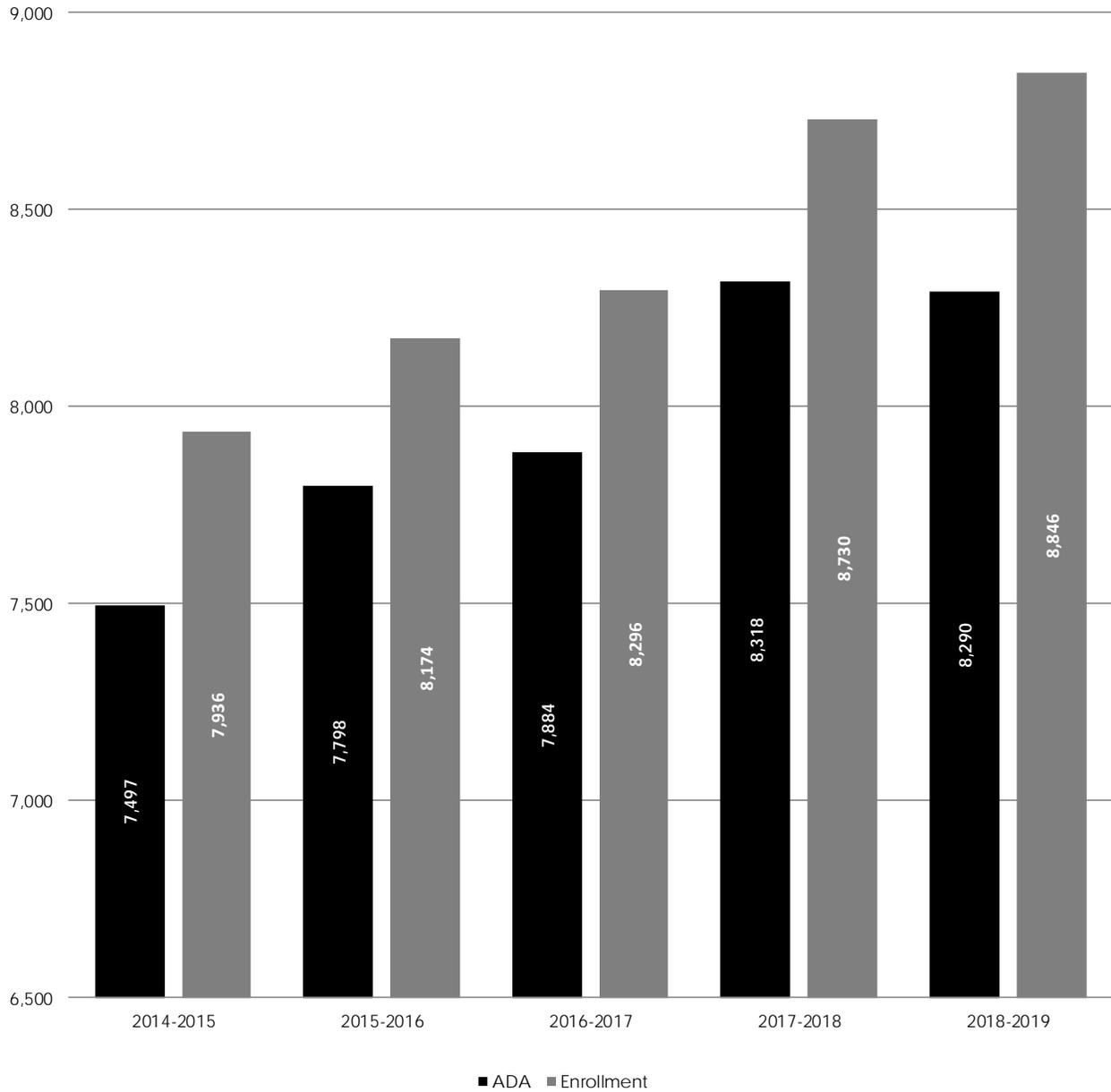
| Fiscal Year | Total Enrollment | Average Daily Attendance |                             |                       |
|-------------|------------------|--------------------------|-----------------------------|-----------------------|
|             |                  | Amount                   | Percent Increase (Decrease) | Percent of Membership |
| 2010        | 6,901            | 6,327                    | 6.52%                       | 91.68%                |
| 2011        | 6,892            | 6,690                    | 5.74%                       | 97.07%                |
| 2012        | 6,953            | 6,605                    | -1.27%                      | 94.99%                |
| 2013        | 7,173            | 6,811                    | 3.12%                       | 94.95%                |
| 2014        | 7,546            | 7,147                    | 4.93%                       | 94.71%                |
| 2015        | 7,936            | 7,497                    | 4.90%                       | 94.47%                |
| 2016        | 8,174            | 7,798                    | 4.01%                       | 95.40%                |
| 2017        | 8,296            | 7,884                    | 1.10%                       | 95.03%                |
| 2018        | 8,730            | 8,318                    | 5.50%                       | 95.28%                |
| 2019        | 8,846            | 8,290                    | -0.34%                      | 93.71%                |

Source: Montgomery Independent School District's PEIMS Data

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# Average Daily Attendance & Enrollment

Last Five Fiscal Years



Source: District PEIMS Data  
Unaudited

**Montgomery Independent School District**  
**School Building Information**  
**Last Ten Fiscal Years**  
**(Unaudited)**

| Buildings                               | 2019             | 2018             | 2017             |
|---|------------------|------------------|------------------|
| <b>ELEMENTARY SCHOOLS</b>               |                  |                  |                  |
| Lincoln Elementary (2003)               |                  |                  |                  |
| Square footage                          | 100,225          | -                | -                |
| Capacity                                | 900              | -                | -                |
| Enrollment                              | 503              | -                | -                |
| Keenan Elementary                       |                  |                  |                  |
| Square footage                          | 99,924           | 99,924           | -                |
| Capacity                                | 925              | 925              | -                |
| Enrollment                              | 766              | 767              | -                |
| Lone Star Elementary (2006)             |                  |                  |                  |
| Square footage                          | 94,325           | 94,325           | 94,325           |
| Capacity                                | 925              | 925              | 925              |
| Enrollment                              | 777              | 719              | 885              |
| Madeley Ranch Elementary (2010)         |                  |                  |                  |
| Square footage                          | 94,750           | 94,750           | 94,750           |
| Capacity                                | 925              | 925              | 925              |
| Enrollment                              | 732              | 747              | 590              |
| Montgomery Elementary (1972)            |                  |                  |                  |
| Square footage                          | 103,375          | 103,375          | 95,050           |
| Capacity                                | 900              | 900              | 840              |
| Enrollment                              | 395              | 877              | 741              |
| Stewart Creek Elementary (2003)         |                  |                  |                  |
| Square footage                          | 94,720           | 94,720           | 94,720           |
| Capacity                                | 925              | 925              | 925              |
| Enrollment                              | 789              | 814              | 785              |
| <b>INTERMEDIATE SCHOOLS</b>             |                  |                  |                  |
| Montgomery Intermediate (1992)          |                  |                  |                  |
| RENOVATED TO LINCOLN ELEMENTARY 2018    |                  |                  |                  |
| Square footage                          | -                | -                | 100,225          |
| Capacity                                | -                | -                | 900              |
| Enrollment                              | -                | -                | 668              |
| Montgomery Middle School (1986)         |                  |                  |                  |
| RENOVATED TO MONTGOMERY ELEMENTARY 2017 |                  |                  |                  |
| Square footage                          | -                | -                | 103,375          |
| Capacity                                | -                | -                | 900              |
| Enrollment                              | -                | -                | 698              |
| <b>JUNIOR HIGH SCHOOLS</b>              |                  |                  |                  |
| Montgomery Junior High School (2007)*   |                  |                  |                  |
| Square footage                          | 198,700          | 198,700          | 198,700          |
| Capacity                                | 1,400            | 1,400            | 1,400            |
| Enrollment                              | 1,137            | 1,143            | 1,352            |
| Oak Hill Jr. High School (2017)         |                  |                  |                  |
| Square footage                          | 210,943          | 210,943          | -                |
| Capacity                                | 1,400            | 1,400            | -                |
| Enrollment                              | 1,090            | 1,021            | -                |
| <b>HIGH SCHOOLS</b>                     |                  |                  |                  |
| Montgomery High (1998 & 2009)           |                  |                  |                  |
| Square footage                          | 445,008          | 445,008          | 445,008          |
| Capacity                                | 2,800            | 2,800            | 2,800            |
| Enrollment                              | 1,751            | 2,659            | 2,577            |
| Lake Creek High (2018)                  |                  |                  |                  |
| Square footage                          | 361,528          | -                | -                |
| Capacity                                | 1,650            | -                | -                |
| Enrollment                              | 906              | -                | -                |
| <b>TOTAL SQUARE FOOTAGE</b>             | <b>1,803,498</b> | <b>1,341,745</b> | <b>1,226,153</b> |
| <b>TOTAL CAPACITY</b>                   | <b>12,750</b>    | <b>10,200</b>    | <b>9,615</b>     |
| <b>TOTAL ENROLLMENT</b>                 | <b>8,846</b>     | <b>8,747</b>     | <b>8,296</b>     |

Source: District Records

\*Current building was new in 2007.

| 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| -                | -                | -                | -                | -                | -                | -                |
| -                | -                | -                | -                | -                | -                | -                |
| -                | -                | -                | -                | -                | -                | -                |
| -                | -                | -                | -                | -                | -                | -                |
| -                | -                | -                | -                | -                | -                | -                |
| 94,325           | 94,325           | 94,325           | 94,235           | 94,235           | 94,235           | 94,235           |
| 925              | 925              | 925              | 925              | 925              | 925              | 925              |
| 883              | 867              | 772              | 669              | 633              | 657              | 648              |
| 94,750           | 94,750           | 94,750           | 94,750           | 94,750           | 94,750           | 94,750           |
| 925              | 925              | 925              | 925              | 925              | 925              | 925              |
| 572              | 594              | 616              | 584              | 561              | 616              | 564              |
| 95,050           | 95,050           | 95,050           | 95,050           | 95,050           | 95,050           | 95,050           |
| 840              | 840              | 840              | 840              | 840              | 840              | 840              |
| 754              | 765              | 697              | 759              | 739              | 672              | 715              |
| 94,720           | 94,720           | 94,720           | 94,720           | 94,720           | 94,720           | 94,720           |
| 925              | 925              | 925              | 925              | 925              | 925              | 925              |
| 771              | 777              | 769              | 749              | 732              | 748              | 732              |
| 100,225          | 100,225          | 100,225          | 100,225          | 100,225          | 100,225          | 100,225          |
| 900              | 900              | 900              | 900              | 900              | 900              | 900              |
| 671              | 631              | 617              | 558              | 535              | 559              | 625              |
| 103,375          | 103,375          | 103,375          | 103,375          | 103,375          | 103,375          | 103,375          |
| 900              | 900              | 900              | 900              | 900              | 900              | 900              |
| 666              | 662              | 610              | 561              | 609              | 641              | 527              |
| 198,700          | 198,700          | 198,700          | 198,700          | 198,700          | 198,700          | 198,700          |
| 1,400            | 1,400            | 1,400            | 1,400            | 1,400            | 1,400            | 1,400            |
| 1,345            | 1,276            | 1,264            | 1,231            | 1,121            | 1,143            | 1,098            |
| -                | -                | -                | -                | -                | -                | -                |
| -                | -                | -                | -                | -                | -                | -                |
| -                | -                | -                | -                | -                | -                | -                |
| 445,008          | 445,008          | 445,008          | 445,008          | 445,008          | 445,008          | 445,008          |
| 2,800            | 2,800            | 2,800            | 2,800            | 2,800            | 2,800            | 2,800            |
| 2,512            | 2,364            | 2,198            | 2,079            | 2,023            | 2,074            | 1,997            |
| -                | -                | -                | -                | -                | -                | -                |
| -                | -                | -                | -                | -                | -                | -                |
| -                | -                | -                | -                | -                | -                | -                |
| <b>1,226,153</b> | <b>1,226,153</b> | <b>1,226,153</b> | <b>1,226,063</b> | <b>1,226,063</b> | <b>1,226,063</b> | <b>1,226,063</b> |
| <b>9,615</b>     |
| <b>8,174</b>     | <b>7,936</b>     | <b>7,543</b>     | <b>7,190</b>     | <b>6,953</b>     | <b>7,110</b>     | <b>6,906</b>     |

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## **Federal Awards Section**

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**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Board of Trustees of  
Montgomery Independent School District  
Montgomery, Texas

We have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Montgomery Independent School District (the District) as of and for the ten months ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2019. Our report on the financial statements includes an emphasis-of-matter paragraph regarding the District's change of its fiscal year end from August 31 to June 30 effective for the 2018-2019 reporting period.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

The Board of Trustees of  
Montgomery Independent School District

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 19, 2019

**Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control over Compliance  
In Accordance with the Uniform Guidance**

To the Board of Trustees of  
Montgomery Independent School District  
Montgomery, Texas

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

We have audited Montgomery Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the ten months ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the ten months ended June 30, 2019.

To the Board of Trustees  
Montgomery Independent School District

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 19, 2019

**Montgomery Independent School District**  
 Schedule of Findings and Questioned Costs  
 For the Ten Months Ended June 30, 2019

**Section 1. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Are any material weaknesses identified?  Yes  No

Are any significant deficiencies identified?  Yes  None Reported

Is any noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

Are any material weaknesses identified?  Yes  No

Are any significant deficiencies identified?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  Yes  No

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of federal program or cluster</u> |
|-----------------------|---|
| 84.010A               | Title 1, Part A                           |
| 84.027A, 84.173A      | Special Education Cluster                 |

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

Auditee qualified as a low-risk auditee?  Yes  No

**Section 2. Financial Statement Findings**

None reported

**Section 3. Federal Award Findings and Questioned Costs**

None reported

# Montgomery Independent School District Finance

20774 Eva Street

Montgomery, TX 77356

(936) 276-2000

**Beau Rees, Ed.D.**  
*Superintendent*

**Kristy Conrad**  
*Executive Director of Finance*

Montgomery Independent School District  
Summary Schedule of Prior Audit Findings  
For the fiscal Year Ended June 30, 2019

## **Finding 2018-001**

**Fiscal year in which the finding actually occurred: 2018**

### **Corrective action planned:**

Monthly and yearly closing procedures are being implemented in the special revenue fund in order to properly review and reconcile special revenue fund accruals. Procedures have also been put in place to ensure that all balance sheet accounts are properly supported by supporting statements and/or subsidiary ledgers. The Finance department will also review all closing procedures in February of each year following the completion of the prior year audit.

**Status: Corrected**

## **Finding 2018-002**

**Fiscal year in which the finding actually occurred: 2018**

### **Corrective action planned:**

As of October 30, 2018, the training for bank reconciliation procedures was complete for all bank accounts and proper segregation of duties are in place to ensure that separate people are completing the bank reconciliation and reviewing the bank reconciliation. In addition, the finance department will train an additional person to avoid the issue in the future. Policies and procedures for transitioning employees in the finance department will be implemented and documented in order to strengthen and provide a framework for present and future personnel of the Montgomery Independent School District.

**Status: Corrected**

**Montgomery Independent School District**  
 Schedule of Expenditures of Federal Awards  
 For the Ten Months Ended June 30, 2019

**Exhibit K-1**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title  | Federal<br>CFDA<br>Number | Pass Through<br>Entity<br>Identifying<br>Number | Expenditures and<br>Indirect Costs |
|--|---------------------------|---|------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                      |                           |   |                                    |
| Passed through Texas Department of Education:              |                           |   |                                    |
| Child Nutrition Cluster:                                   |                           |   |                                    |
| School Breakfast Program                                   | 10.553                    | 71401901  | \$ 347,761                         |
| National School Lunch Program - Cash Assistance            | 10.555                    | 71301901  | 1,101,507                          |
| Passed through Texas Department of Agriculture:            |                           |   |                                    |
| Child Nutrition Cluster:                                   |                           |   |                                    |
| National School Lunch Program - Noncash Assistance         | 10.555                    | 00831   | 263,765                            |
| Total Child Nutrition Cluster                              |                           |   | <u>1,713,033</u>                   |
| Total U.S. Department of Agriculture                       |                           |   | 1,713,033                          |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                        |                           |   |                                    |
| Passed through Texas Department of Education:              |                           |   |                                    |
| Title I, Part A - Grants to Local Educational Agencies     | 84.010A                   | 19610101170903                                  | 421,608                            |
| Special Education Cluster:                                 |                           |   |                                    |
| IDEA - Part B, Formula                                     | 84.027A                   | 196600011709036600                              | 1,238,972                          |
| IDEA - Part B, Preschool                                   | 84.173A                   | 196610011709036610                              | 10,017                             |
| IDEA - Part B, Discretionary                               | 84.027A                   | 66001906  | 127,622                            |
| Total Special Education Cluster                            |                           |   | <u>1,376,611</u>                   |
| Career and Technical Education - Carl D. Perkins           | 84.048A                   | 19420006170903                                  | 45,427                             |
| Supporting Effective Education State Grants                | 84.367A                   | 19694501170903                                  | 105,894                            |
| Summer School LEP  | 84.369A                   | 69551802  | 1,252                              |
| Title VI, Part A - Student Support and Academic Enrichment | 84.424A                   | 19680101170903                                  | 16,840                             |
| Passed through Education Service Center Region 6:          |                           |   |                                    |
| English Language Acquisition Grants                        | 84.365A                   | 19671001236950                                  | 5,991                              |
| Total U.S. Department of Education                         |                           |   | <u>1,973,623</u>                   |
| <b>TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>    |                           |   | <u><u>\$ 3,686,656</u></u>         |

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Montgomery Independent School District

### Notes to the Schedule of Expenditures of Federal Awards

#### **Note 1. Basis of Presentation**

Montgomery Independent School District (the District) utilizes the fund types specified in the Texas Education Agency's Financial Accountability System Resource Guide.

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances must be returned to the grantor at the close of specified project periods.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for governmental funds. This basis of accounting recognizes revenue in the accounting period in which it becomes measurable and available. Expenditures are recorded in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly when such funds are received, they are recorded as unearned revenues until earned. National School Lunch Program noncash commodities are recorded at their estimated acquisition value at the time of donation and are considered expended when consumed. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 2. Period of Availability**

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 extended 30 days beyond the federal project period ending date, in accordance with the provisions of the Uniform Guidance.

#### **Note 3. Basis of Funding**

Federal funding for food services under child nutrition programs is primarily based upon the number and type of meals served and on user charges as reported to the US Department of Agriculture. Federal funding received related to various grant programs is based upon periodic reports detailing reimbursable expenditures made in compliance with the program guidelines to the grantor agencies. The programs are governed by various rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's management, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the basic financial statements for such contingencies.

**Montgomery Independent School District**  
Notes to the Schedule of Expenditures of Federal Awards

**Note 4. Reconciliation to Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and expenditures reported on Exhibits C-3 and D-2:

|   |    |                         |
|---|----|-------------------------|
| Total expenditures of federal awards per Exhibit K-1: | \$ | 3,686,656               |
| SHARS reimbursements                                  |    | <u>1,221,159</u>        |
| Reconciled balance                                    | \$ | <u><u>4,907,815</u></u> |
| Related expenditures on Exhibit C-3 and D-2:          |    |                         |
| General fund  | \$ | 1,221,159               |
| Special revenue fund                                  |    | 1,973,623               |
| Enterprise fund                                       |    | <u>1,713,033</u>        |
| Total federal revenues                                | \$ | <u><u>4,907,815</u></u> |

**Montgomery Independent School District**  
 Schedule of Required Responses to Selected  
 School First Indicators  
 June 30, 2019

**Exhibit L-1**

| <u>Data<br/>Control<br/>Codes</u> |   | <u>Responses</u> |
|-----------------------------------|---|------------------|
| SF2                               | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?                            | No               |
| SF4                               | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?  | Yes              |
| SF5                               | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?                        | No               |
| SF6                               | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?  | No               |
| SF7                               | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?                | Yes              |
| SF8                               | Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes              |
| SF10                              | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?  | \$ -             |
| SF11                              | Net Pension Assets (1920) at fiscal year-end.   | \$ -             |
| SF12                              | Net Pension Liabilities (2540) at fiscal year-end.  | \$ 22,942,063    |