

MABANK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

MABANK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

Mabank Independent School District
Name of School District

Kaufman
County

129-905
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and _____ approved _____ disapproved for the year ended August 31, 2014 at a meeting of the board of school trustees of such school district on the _____ day of _____, 2014.

Signature of Board Secretary

Signature of Board President

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

(attach list as necessary)

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambricht, CPA

Cheri E. Kirkland, CPA

P. O. Box 912
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**Unmodified Opinions on Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information**

Independent Auditor's Report

Board of School Trustees
Mabank Independent School District
310 E Market Street
Mabank, Texas 75147

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mabank Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked UNAUDITED has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Smith, Lambright & Associates, P.C.

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

October 20, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



Mabank ISD
310 E. Market St.
Mabank, TX 75147
903/880-1300

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Mabank Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2014. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operation in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations is located in this section. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the US Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we report the District's Governmental activity.

Governmental activities-Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the US Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

Governmental funds-Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash)

and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement #34 in 2002-03. Our analysis of comparative balances and changes therein appears below. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net Position of the District's governmental activities increased from \$11,267,259 to \$12,784,261. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased by \$1,541,804 to \$10,557,473 at August 31, 2014.

Table I
Mabank Independent School District

NET POSITION			
	Governmental Activities 2014	Governmental Activities 2013	Increase (Decrease)
Current and other assets	\$ 13,964,118	\$ 12,225,463	\$ 1,738,655
Capital assets	<u>49,882,278</u>	<u>51,239,773</u>	<u>(1,357,495)</u>
Total assets	63,846,396	63,465,236	381,160
Long-term liabilities	49,661,410	50,959,830	(1,298,420)
Other liabilities	<u>1,400,725</u>	<u>1,238,147</u>	<u>162,578</u>
Total liabilities	51,062,135	52,197,977	(1,135,842)
Net Assets:			
Invested in capital assets			
Net of related debt	220,868	279,943	(59,075)
Restricted	2,005,920	1,971,647	34,273
Unrestricted	<u>10,557,473</u>	<u>9,015,669</u>	<u>1,541,804</u>
Total Net Position	\$ 12,784,261	\$ 11,267,259	\$ 1,517,002

Table II
Mabank Independent School District

CHANGES IN NET POSITION

	Governmental Activities 2014	Governmental Activities 2013	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 842,810	\$ 897,497	\$ (54,687)
operating grants and contributions	4,440,581	4,300,276	140,305
General Revenues:			
Maintenance and operations taxes	14,695,208	14,200,519	494,689
State aid – formula grants	13,236,114	11,665,408	1,570,706
Grants and contributions not restricted to specific functions	326,397	302,938	23,459
Investments earnings	34,341	52,407	(18,066)
Miscellaneous	725,345	707,485	17,860
Total Revenue	\$ 34,300,796	\$ 32,126,530	\$ 2,174,266
Expenses:			
Instruction, curriculum and media services	\$ 17,166,776	\$ 16,643,494	\$ 523,282
Instructional and school leadership	1,739,193	1,757,048	(17,855)
Student support services	3,036,600	2,794,099	242,501
Child nutrition	1,686,501	1,661,682	24,819
Co curricular activities	1,564,112	1,615,974	(51,862)
General administration	933,950	905,049	28,901
Plant maintenance, security & data processing	3,947,777	3,444,369	503,408
Community Service	252,842	222,978	29,864
Debt services	2,222,358	2,124,698	97,660
Facility Acq/Constr	0	0	0
Intergovernmental	233,684	229,079	4,605
Total Expenses	\$ 32,783,793	\$ 31,398,470	\$ 1,385,323
Increase (Decrease) in Net Position before transfers and special items	1,517,003	728,060	788,943
Transfers			
Special Items			
Net Position at beginning of period	\$ 11,267,258	\$ 11,113,024	\$ 154,234
Reclassify-GASB 65		(573,825)	573,825
Net Position at end of period	\$ 12,784,261	\$ 11,267,259	\$ 1,517,002

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$9,794,198, which is higher than last year's total of \$8,434,624. Included in this year's total change in fund balance is an increase of \$817,095 in the District's General Fund, an increase of \$509,057 in the Debt Service Fund, and an increase of \$33,423 in Other Funds.

Over the course of the year, the Board of Trustees revised the District's budget several times. Budget amendments were made which involved moving funds from departments/programs that did not need all appropriated resources to programs with additional needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had \$49,882,278 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

Debt Administration

At the end of 2014, the District had \$36,919,588 in outstanding long term debt, consisting of School Building and Refunding Bonds. Additional information is presented in the notes to the financial statements, specifically note G.

ECONOMIC FACTORS and NEXT YEARS BUDGETS and RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2014-2015 budget and tax rates. The most important factors were current state funding levels, bond payments, continued maintenance of existing facilities, technology needs, student populations, and transportation needs.

The District also considered a two year budget plan, based on projected revenues and expenses at the current state funding levels, and estimated student enrollment projections. The District realizes that funding for future years budgets will become increasingly difficult, and the District anticipates a future tax rate increase, or a use of the current fund balance, or a combination of the two to be able to maintain the current level of education.

The District property values continue to increase slightly.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Mabank Independent School District, 310 E. Market Street, Mabank, TX 75147.

FINANCIAL STATEMENTS

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	Governmental Activities
<hr/>	
ASSETS	
1110 Cash and Cash Equivalents	\$ 6,325,112
1120 Current Investments	3,694,390
1220 Property Taxes Receivable (Delinquent)	2,354,549
1230 Allowance for Uncollectible Taxes	(117,727)
1240 Due from Other Governments	1,604,189
1290 Other Receivables, net	14,054
1300 Inventories	39,304
1410 Prepayments	45,812
1490 Other Current Assets	4,435
Capital Assets:	
1510 Land	1,202,414
1520 Buildings, Net	46,680,014
1530 Furniture and Equipment, Net	1,999,850
1000 Total Assets	<hr/> 63,846,396 <hr/>
LIABILITIES	
2110 Accounts Payable	566,270
2140 Interest Payable	55,529
2160 Accrued Wages Payable	723,398
2180 Due to Other Governments	16,281
2300 Unearned Revenue	39,247
Noncurrent Liabilities	
2501 Due Within One Year	2,155,000
2502 Due in More Than One Year	47,506,410
2000 Total Liabilities	<hr/> 51,062,135 <hr/>
NET POSITION	
3200 Net Investment in Capital Assets	220,868
3820 Restricted for Federal and State Programs	297,461
3850 Restricted for Debt Service	1,625,122
3870 Restricted for Campus Activities	71,788
3890 Restricted for Other Purposes	11,549
3900 Unrestricted	10,557,473
3000 Total Net Position	<hr/> \$ 12,784,261 <hr/> <hr/>

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 16,441,163	\$ 165,835	\$ 2,490,990	\$ (13,784,338)
12 Instructional Resources and Media Services	446,415	-	15,483	(430,932)
13 Curriculum and Staff Development	279,198	-	89,739	(189,459)
21 Instructional Leadership	165,957	-	8,995	(156,962)
23 School Leadership	1,573,236	-	87,817	(1,485,419)
31 Guidance, Counseling and Evaluation Services	902,808	-	237,772	(665,036)
32 Social Work Services	51,797	-	3,794	(48,003)
33 Health Services	273,004	-	18,227	(254,777)
34 Student (Pupil) Transportation	1,808,991	-	114,018	(1,694,973)
35 Food Services	1,686,501	447,596	1,264,927	26,022
36 Extracurricular Activities	1,564,112	193,237	30,045	(1,340,830)
41 General Administration	933,950	-	28,809	(905,141)
51 Facilities Maintenance and Operations	3,511,104	36,142	38,608	(3,436,354)
52 Security and Monitoring Services	81,327	-	-	(81,327)
53 Data Processing Services	355,346	-	11,357	(343,989)
61 Community Services	252,842	-	-	(252,842)
72 Debt Service - Interest on Long Term Debt	2,103,737	-	-	(2,103,737)
73 Debt Service - Bond Issuance Cost and Fees	118,621	-	-	(118,621)
99 Other Intergovernmental Charges	233,684	-	-	(233,684)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 32,783,793	\$ 842,810	\$ 4,440,581	(27,500,402)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	11,070,944
DT	Property Taxes, Levied for Debt Service	3,624,264
SF	State Aid - Formula Grants	13,236,114
GC	Grants and Contributions not Restricted	326,397
IE	Investment Earnings	34,341
MI	Miscellaneous Local and Intermediate Revenue	725,345
TR	Total General Revenues	29,017,405
CN	Change in Net Position	1,517,003
NB	Net Position - Beginning	11,267,258
NE	Net Position--Ending	\$ 12,784,261

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

MABANK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 6,223,514	\$ 130,461	\$ (39,853)	\$ 6,314,122
1120 Investments - Current	1,131,221	1,986,257	-	3,117,478
1220 Property Taxes - Delinquent	1,853,643	500,906	-	2,354,549
1230 Allowance for Uncollectible Taxes (Credit)	(92,682)	(25,045)	-	(117,727)
1240 Receivables from Other Governments	919,899	17,461	666,829	1,604,189
1290 Other Receivables	2,476	-	11,578	14,054
1300 Inventories	-	-	39,304	39,304
1410 Prepayments	45,812	-	-	45,812
1490 Other Current Assets	4,435	-	-	4,435
1000 Total Assets	<u>\$ 10,088,318</u>	<u>\$ 2,610,040</u>	<u>\$ 677,858</u>	<u>\$ 13,376,216</u>
LIABILITIES				
2110 Accounts Payable	\$ 398,800	\$ -	\$ 167,470	\$ 566,270
2160 Accrued Wages Payable	651,440	-	71,958	723,398
2180 Due to Other Governments	-	-	16,281	16,281
2300 Unearned Revenues	37,200	-	2,047	39,247
2000 Total Liabilities	<u>1,087,440</u>	<u>-</u>	<u>257,756</u>	<u>1,345,196</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,760,961	475,861	-	2,236,822
2600 Total Deferred Inflows of Resources	<u>1,760,961</u>	<u>475,861</u>	<u>-</u>	<u>2,236,822</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	39,304	39,304
3430 Prepaid Items	45,812	-	-	45,812
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	297,461	297,461
3480 Retirement of Long-Term Debt	-	2,134,179	-	2,134,179
3490 Other Restricted Fund Balance	-	-	11,549	11,549
Committed Fund Balance:				
3510 Construction	500,000	-	-	500,000
3545 Other Committed Fund Balance	500,000	-	-	500,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	71,788	71,788
3600 Unassigned Fund Balance	6,194,105	-	-	6,194,105
3000 Total Fund Balances	<u>7,239,917</u>	<u>2,134,179</u>	<u>420,102</u>	<u>9,794,198</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,088,318</u>	<u>\$ 2,610,040</u>	<u>\$ 677,858</u>	<u>\$ 13,376,216</u>

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

MABANK INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$	9,794,198
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.		587,902
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$74,727,415 and the accumulated depreciation was \$23,487,642. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long-term debt was \$50,959,830 The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		279,943
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		1,744,747
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,173,177)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		2,550,648
19 Net Position of Governmental Activities	\$	12,784,261

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 11,872,372	\$ 3,760,196	\$ 961,741	\$ 16,594,309
5800 State Program Revenues	14,123,471	183,728	509,413	14,816,612
5900 Federal Program Revenues	317,408	-	2,869,071	3,186,479
5020 Total Revenues	<u>26,313,251</u>	<u>3,943,924</u>	<u>4,340,225</u>	<u>34,597,400</u>
EXPENDITURES:				
Current:				
0011 Instruction	13,622,497	-	1,771,732	15,394,229
0012 Instructional Resources and Media Services	376,012	-	-	376,012
0013 Curriculum and Instructional Staff Development	217,609	-	82,640	300,249
0021 Instructional Leadership	165,683	-	274	165,957
0023 School Leadership	1,549,577	-	2,038	1,551,615
0031 Guidance, Counseling and Evaluation Services	682,383	-	202,382	884,765
0032 Social Work Services	51,797	-	-	51,797
0033 Health Services	265,223	-	2,709	267,932
0034 Student (Pupil) Transportation	1,879,902	-	50,168	1,930,070
0035 Food Services	12,428	-	1,618,378	1,630,806
0036 Extracurricular Activities	1,046,726	-	191,263	1,237,989
0041 General Administration	926,859	-	353	927,212
0051 Facilities Maintenance and Operations	3,496,382	-	-	3,496,382
0052 Security and Monitoring Services	81,327	-	-	81,327
0053 Data Processing Services	423,796	-	-	423,796
0061 Community Services	-	-	252,842	252,842
Debt Service:				
0071 Principal on Long Term Debt	-	929,065	-	929,065
0072 Interest on Long Term Debt	-	2,509,585	-	2,509,585
0073 Bond Issuance Cost and Fees	-	118,621	-	118,621
Capital Outlay:				
0081 Facilities Acquisition and Construction	86,294	-	-	86,294
Intergovernmental:				
0099 Other Intergovernmental Charges	233,684	-	-	233,684
6030 Total Expenditures	<u>25,118,179</u>	<u>3,557,271</u>	<u>4,174,779</u>	<u>32,850,229</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,195,072</u>	<u>386,653</u>	<u>165,446</u>	<u>1,747,171</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	6,705,000	-	6,705,000
7912 Sale of Real and Personal Property	1,115	-	-	1,115
7916 Premium or Discount on Issuance of Bonds	-	197,404	-	197,404
8911 Transfers Out (Use)	(379,092)	-	-	(379,092)
8949 Other (Uses)	-	(6,780,000)	(132,023)	(6,912,023)
7080 Total Other Financing Sources (Uses)	<u>(377,977)</u>	<u>122,404</u>	<u>(132,023)</u>	<u>(387,596)</u>
1200 Net Change in Fund Balances	817,095	509,057	33,423	1,359,575
0100 Fund Balance - September 1 (Beginning)	<u>6,422,822</u>	<u>1,625,122</u>	<u>386,679</u>	<u>8,434,623</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 7,239,917</u>	<u>\$ 2,134,179</u>	<u>\$ 420,102</u>	<u>\$ 9,794,198</u>

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

MABANK INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	1,359,575
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		379,260
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		1,744,747
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(2,173,177)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		206,598
Change in Net Position of Governmental Activities	\$	1,517,003

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

MABANK INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2014

EXHIBIT D-1

	Governmental Activities -	
	Internal Service Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	10,990
Investments - Current		576,912
Total Assets		587,902
NET POSITION		
Unrestricted Net Position		587,902
Total Net Position	\$	587,902

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT D-2

	Governmental Activities -
	Internal Service Fund
<hr/>	
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	\$ 168
Total Nonoperating Revenues (Expenses)	168
Income Before Transfers	168
Transfer In	379,092
Change in Net Position	379,260
Total Net Position - September 1 (Beginning)	208,642
Total Net Position - August 31 (Ending)	\$ 587,902

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Transfers In	379,092
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	168
Net Increase in Cash and Cash Equivalents	379,260
Cash and Cash Equivalents at Beginning of Year	208,642
Cash and Cash Equivalents at End of Year	\$ 587,902
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 587,902
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	\$ -
Operating Income (Loss):	

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 27,476	\$ 162,799
Total Assets	<u>27,476</u>	<u>\$ 162,799</u>
LIABILITIES		
Accounts Payable	-	\$ 13,221
Due to Other Governments	17,696	-
Due to Student Groups	-	149,578
Total Liabilities	<u>17,696</u>	<u>\$ 162,799</u>
NET POSITION		
Restricted for Scholarships	9,580	
Restricted for Other Purposes	200	
Total Net Position	<u>\$ 9,780</u>	

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT E-2

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 12,713
State Program Revenues	140
Total Additions	<u>12,853</u>
DEDUCTIONS:	
Payroll Costs	1,976
Professional and Contracted Services	1,247
Supplies and Materials	8,819
Other Operating Costs	9,779
Total Deductions	<u>21,821</u>
Change in Net Position	(8,968)
Total Net Position - September 1 (Beginning)	<u>18,748</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 9,780</u></u>

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

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating.

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

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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

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

The proprietary fund types 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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted Net Position, and unrestricted Net Position.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

D. FUND ACCOUNTING

The District reports the following fund types:

Governmental Funds:

- 1. General Fund** - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Special Revenue Funds** - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- 3. Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- 4. Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

- 5. Internal Service Fund** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the self insured workers compensation fund.

Fiduciary Funds:

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

E. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

F. INVENTORIES

The District records purchases of supplies as expenditures. Inventory on the balance sheet is recorded at cost and represents supplies and materials purchased for the subsequent school year. Food service commodities are recorded at fair market value as supplied by the Texas Department of Human Services.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

G. CAPITAL ASSETS

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Vehicles	5-10
Furniture and Equipment	5-15

H. DEFERRED OUTFLOWS / DEFERRED INFLOWS OF RESOURCES

GASB No. 63 and GASB No. 65 provide guidance on financial reporting related to deferred outflows of resources and deferred inflows of resources. The objective of these statements is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

In addition to assets, the Balance Sheet and the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Balance Sheet and the Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time.

I. LONG TERM DEBT

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred 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. Bond issuance costs are reported as current year debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

J. FUND BALANCE

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

K. USE OF ESTIMATES

The presentation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 1 202 414	\$	\$ 1 202 414	
Buildings & Improvements	67 866 445	19 606 469	48 259 976	
Furniture & Equipment	5 610 526	3 881 173	1 729 353	
Construction in Progress	<u>48 030</u>		<u>48 030</u>	
Totals	<u>\$ 74 727 415</u>	<u>\$ 23 487 642</u>		
Change in Net Position				<u>\$ 51 239 773</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 37 923 653	
Accretion Payable			7 074 608	
Premium (Discount) on Issuance of Bonds			5 643 496	
Compensated Absences			<u>318 073</u>	
Change in Net Position				<u>50 959 830</u>
Net Adjustment to Net Position				<u>\$ 279 943</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2014

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in Net Position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in Net Position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Position
Current Year Capital Outlay:			
Buildings & Improvements	\$ 86,294	\$	\$
Furniture & Equipment	729,388		
Construction in Progress			
Total Capital Outlay	815,682	815,682	815,682
Debt Principal Payments:			
Bond Principal	929,065		
Total Principal Payments	929,065	929,065	929,065
Total Adjustment to Net Position		\$ 1,744,747	\$ 1,744,747

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

C. EXPLANATION OF OTHER DIFFERENCES

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Assets	Adjustments to Net Position
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 702 180	\$ (702 180)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	536 315	536 315	536 315
Uncollected Taxes (assumed collectible) from Prior Year Levy	1 700 507		1 700 507
Reclassify Proceeds of Bonds:			
Bond Proceeds	6 705 000	(6 705 000)	(6 705 000)
Bonds Refunded	6 780 000	6 780 000	6 780 000
Reclassify Bond Related Items:			
Bond Premium	197 403	(197 403)	(197 403)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	1 118 563	(1 118 563)	(1 118 563)
Current Year Paid	1 160 935	1 160 935	1 160 935
Reclassify Liabilities Incurred but not Liquidated this Year:			
Unused Vacation Pay and/or Unused Sick Leave	89 018	89 018	89 018
Accrued Interest on Debt:			
Prior Year	58 637	58 637	
Current Year	55 529	(55 529)	(55 529)
Bond Premium Amortization:			
Current Year	360 368	<u>360 368</u>	<u>360 368</u>
Total		<u>\$ 206 598</u>	<u>\$ 2 550 648</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2014

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.
4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	<u>August 31, 2014</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 330 472
Non-appropriated Budget Funds	<u>89 630</u>
All Special Revenue Funds	<u>\$ 420 102</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

B. ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities, but are reported as assignments of fund balances. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2014-2015 budget.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

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, and (9) bid solicitation preferences for certificates of deposit.

State statutes and Board policy authorize the District to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 4) A securities lending program as permitted by Government code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) 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.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

- a. Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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. During 2013-2014 the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$ 10,616,047 and occurred on January 9, 2014. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$11,999,561. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

- b. Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2014

- c. Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. Concentration of Credit Risk: Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At August 31, 2014, the amount of the District's cash balance in checking accounts was \$6,515,387.

INVESTMENTS

The District's investments at August 31, 2014, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Texpool	\$ 3 584 548	\$ 3 584 548	.112329
First Public / Lone Star Investment Pool	108 778	108 748	.134247
MBIA Texas Class	<u>1 064</u>	<u>1 064</u>	.136986
Total Investments	<u>\$ 3 694 390</u>	<u>\$ 3 694 360</u>	

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report Net Position to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

For the purpose of the statement of cash flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Delinquent taxes not paid by August 31 are subject to penalty and interest charges plus 15% delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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 and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible taxes are periodically reviewed and written off by the District as provided by specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll upon which the levy for the 2013-14 fiscal year was based, was \$1,071,449,830. The tax rates assessed for the year ended August 31, 2014 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$.34 per \$100 valuation, respectively, for a total of \$1.38 per \$100 valuation. Current tax collections for the year ended August 31, 2014 were 96.2% of the year end adjusted tax levy. As of August 31, 2014, property taxes receivable totaled \$1,853,643 and \$ 500,906 for the General and Debt Service Funds respectively.

C. RECEIVABLES FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Receivables from Other Governments.

	General Fund	Debt Service Fund	Other Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
State Entitlements	\$ 919 899	\$	\$	\$ 919 899
Existing Debt Allotment		17 461		17 461
Federal Grants			437 794	437 794
State Grants			229 035	229 035
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 919 899</u>	<u>\$ 17 461</u>	<u>\$ 666 829</u>	<u>\$ 1 604 189</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2014

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2014 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Due From</u>	<u>Due to</u>
General Fund:		
Internal Service Fund	\$ _____	\$ _____
Internal Service Fund:		
General Fund	_____	_____
Totals	<u>\$ 0</u>	<u>\$ 0</u>

Interfund transfers for the year ended August 31, 2014 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Internal Service Fund	\$ _____	<u>\$ 379 092</u>
Internal Service Fund:		
General Fund	<u>379 092</u>	_____
Totals	<u>\$ 379 092</u>	<u>\$ 379 092</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2014

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2014, were as follows:

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes (Net)	\$ 1 760 961	\$ 475 861	\$	\$ 2 236 822
Other Governments	919 899	17 461	666 829	1 604 189
Other Receivables	2 476		11 578	14 054
Totals	<u>\$ 2 683 336</u>	<u>\$ 493 322</u>	<u>\$ 678 407</u>	<u>\$ 3 855 065</u>

Payables at August 31, 2014, were as follows:

	General Fund	Debt Service Fund	Other Funds	Total
Accounts Payable	\$ 398 800	\$	\$ 167 470	\$ 566 270
Accrued Wages	651 440		71 958	723 398
Other Governments			16 281	16 281
Totals	<u>\$ 1 050 240</u>	<u>\$ 0</u>	<u>\$ 255 709</u>	<u>\$ 1 305 949</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Land	\$ 1 202 414	\$	\$	\$	\$ 1 202 414
Buildings & Improvements	67 866 445	86 294		48 030	68 000 769
Furniture & Equipment	5 610 526	729 388			6 339 914
Construction in Progress	<u>48 030</u>			<u>(48 030)</u>	
Total at Historical Cost	<u>74 727 415</u>	<u>815 682</u>	<u>0</u>	<u>0</u>	<u>75 543 097</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	19 606 469	1 714 286			21 320 755
Furniture and Equipment	<u>3 881 173</u>	<u>458 891</u>			<u>4 340 064</u>
Total Accumulated Depreciation	<u>23 487 642</u>	<u>2 173 177</u>	<u>0</u>	<u>0</u>	<u>25 660 819</u>
Governmental Activities Capital Assets, Net	<u>\$ 51 239 773</u>	<u>\$ (1 357 495)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 49 882 278</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$	1 358 390
12	Instructional Resources and Media Services		70 403
13	Curriculum & Instructional Staff Development		19 021
23	School Leadership		21 621
31	Guidance, Counseling and Evaluation Services		18 043
33	Health Services		5 072
34	Student (Pupil) Transportation		239 721
35	Food Services		55 695
36	Cocurricular/Extracurricular Activities		352 251
41	General Administration		6 738
51	Plant Maintenance and Operations		<u>26 222</u>
Total Depreciation Expense		<u>\$</u>	<u>2 173 177</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonds payable for the year ended August 31, 2014 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/13</u>	<u>Issued</u>	<u>Retired/ Refunded</u>	<u>Amounts Outstanding 8/31/14</u>	<u>Interest Current Year</u>
Unlimited Tax School Building and Refunding Bonds Series 1994	2.6% to 5.2%	\$ 7 900 000	\$ 105 000	\$	\$ 105 000	\$ 0	\$ 760 000
Unlimited Tax School Building and Refunding Bonds Series 2002	4.0% to 5.98%	\$ 8 101 432	\$ 2 458 529	\$	\$ 269 065	\$ 2 189 464	\$ 400 935
Unlimited Tax School Building and Refunding Bonds Series 2006	4.0% to 5.0%	\$ 31 665 041	\$29 265 041	\$	\$ 400 000 6 780 000	\$22 085 041	\$1 290 350
Unlimited Tax Refunding Bonds Series 2012	2.0% to 3.42%	\$ 6 095 083	\$ 6 095 083	\$	\$ 155 000	\$ 5 940 083	\$ 58 300
Unlimited Tax Refunding Bonds Series 2014	2.0% to 4.0%	\$ 6 705 000	\$ 0	\$ 6 705 000	\$ 0	\$ 6 705 000	\$ 0
Totals			<u>\$37 923 653</u>	<u>\$ 6 705 000</u>	<u>\$ 7 709 065</u>	<u>\$36 919 588</u>	<u>\$2 509 585</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

Debt service requirements are as follows:

Year Ended <u>August 31</u>	General Obligations		
	Principal	Interest	Total Requirements
2015	\$ 1 440 562	\$ 1 991 613	\$ 3 432 175
2016	1 424 050	1 999 625	3 423 675
2017	1 419 169	2 007 506	3 426 675
2018	1 415 812	2 013 163	3 428 975
2019	939 723	2 495 951	3 435 674
2020 - 2024	4 652 778	12 744 072	17 396 850
2025 - 2029	8 630 499	8 543 227	17 173 726
2030 - 2034	14 331 995	3 488 106	17 820 101
2035	2 665 000	119 925	2 784 925
Totals	\$ 36 919 588	\$ 35 403 188	\$ 72 322 776

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2014.

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 liabilities for the defeased bonds are not included in the District's financial statements. As of August 31, 2014 \$36,804,921 of bonds considered defeased in prior years are still outstanding.

On August 15, 2014 the Mabank Independent School District issued \$6,780,000 in Unlimited Tax Refunding Bonds, Series 2014, with interest rates pf 2.0% to 4.0%.

The Bonds are being issued in accordance with the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, and an order adopted by the Board of Trustees of the District. Proceeds from the sale of the Bonds will be used to (i) refund certain outstanding debt of the District for debt service savings and (ii) pay the costs of issuance of the Bonds. The refunding is expected to result in a present value debt service savings to the District of approximately \$664,956.

The principal and interest due on the Refunded Bonds are to be paid on each interest payment date and the redemption date of the Refunded Bonds from funds to be deposited pursuant to a certain Escrow Agreement between the District and U.S. Bank National Association, Dallas, Texas. The Order provides that from the proceeds of the sale of the Bonds received from the Underwriters and other available District funds, if any are necessary, the District will deposit with the Escrow Agent the amount when invested that will be sufficient to pay all amounts coming due on the Refunded bonds to their redemption date and to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in a special escrow account and used to purchase direct obligations of the United States of America or obligations of an agency or instrumentality of the United States of America. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

By the deposit of the Escrow Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance State law and in reliance upon the Report. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive pay when due on the Escrow Securities. Upon defeasance of the Refunded Bonds, the payment of the Refunded Bonds will no longer be guaranteed by the Permanent School Fund of Texas.

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 37 923 653	\$ 6 705 000	\$ 7 709 065	\$ 36 919 588	\$ 1 440 562
Accretion Payable:					
Capital Appreciation Bonds	7 074 608	1 118 563	1 160 935	7 032 236	714 438
Premium (Discount) on Issuance of Bonds:					
Premium	5 643 496	197 403	360 368	5 480 531	_____
Compensated Absences	318 073	_____	89 018	229 055	_____
Total Governmental Activities Long-term Liabilities	<u>\$ 50 959 830</u>	<u>\$ 8 020 966</u>	<u>\$ 9 319 386</u>	<u>\$ 49 661 410</u>	<u>\$ 2 155 000</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2014

I. UNEARNED REVENUE AND UNAVAILABLE REVENUE

Unearned revenue at the fiscal year-end consisted of the following:

	General Fund	Debt Service Fund	Other Funds	Total
Tuition and Fees	\$ 37 200	\$	\$	\$ 37 200
State Textbook			2 047	2 047
Total	\$ 37 200	\$ 0	\$ 2 047	\$ 39 247

Unavailable revenue at the fiscal year end consisted of the following:

Net Property Taxes	\$ 1 760 961	\$ 475 861	\$ 0	\$ 2 236 822
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MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

J. FUND BALANCE

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

Fund Balance	General Fund	Debt Service Fund	Other Funds	Total
Nonspendable:				
Prepays	\$ 45 812	\$	\$	\$ 45 812
Inventory			39 304	39 304
Total Nonspendable	<u>45 812</u>		<u>39 304</u>	<u>85 116</u>
Restricted:				
Federal Grants			291 168	291 168
State Grants			6 293	6 293
Debt Service		2 134 179		2 134 179
Other			11 549	11 549
Total Restricted		<u>2 134 179</u>	<u>309 010</u>	<u>2 443 189</u>
Committed:				
Construction	500 000			500 000
Other	500 000			500 000
Total Committed	<u>1 000 000</u>			<u>1 000 000</u>
Assigned:				
Campus Activity			71 788	71 788
Total Assigned			<u>71 788</u>	<u>71 788</u>
Unassigned	<u>6 194 105</u>			<u>6 194 105</u>
Total Fund Balances	<u>\$ 7 239 917</u>	<u>\$ 2 134 179</u>	<u>\$ 420 102</u>	<u>\$ 9 794 198</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

K. LOCAL AND INTERMEDIATE SOURCES OF REVENUES

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$11 204 420	\$ 3 656 653	\$	\$ 14 861 073
Penalties, Interest & Other				
Tax Related Income	306 027	92 121		398 148
Investment Income	23 724	9 286	1 162	34 172
Food Sales			447 596	447 596
Co-curricular Student				
Activities	41 850		151 387	193 237
Services To Other Districts	121 000			121 000
Other	<u>175 351</u>	<u>2 136</u>	<u>361 596</u>	<u>539 083</u>
	<u>\$ 11 872 372</u>	<u>\$ 3 760 196</u>	<u>\$ 961 741</u>	<u>\$ 16 594 309</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

L. PENSION PLAN

Plan Description

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

Funding Policy

The state contribution rate is 6.0% and the member contribution rate is 6.4%. In certain instances the District is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium by the Legislature of the State of Texas.

The District's employees' contributions to the System for the years ending August 31, 2012, 2013 and 2014 were \$1,015,598, \$1,025,041 and \$1,064,431 respectively. Other contributions made from federal and private grants and from the district for salaries above the statutory minimum for the years ending August 31, 2012, 2013 and 2014 were \$215,643, \$226,298 and \$261,339, respectively.

The on behalf amounts contributed by the State, \$1,062,193, are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

M. HEALTH CARE

During the year ended August 31, 2014, employees of the Mabank Independent School District were covered by the state sponsored health insurance plan. The District paid premiums of \$225 per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Blue Cross and Blue Shield of Texas and Medco Health. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS ActiveCare (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the most recent year and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

N. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

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

Medicare Part D:

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended August 31, 2014 is estimated by TRS at \$44,426.

O. COMPENSATED ABSENCES

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general purpose financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest for most employees. Therefore, a current liability for unused sick leave has not been recorded in the accompanying general purpose financial statements.

Employees who retired with five or more years of continuous employment in the District and whose retirement can be verified with TRS, shall be paid for all state and local sick and personal leave days upon retirement at rates established by District policy. The accumulated leave benefits at August 31, 2014 were \$229,055 and are recorded in the Long Term Debt Account Group.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

P. SELF-INSURED WORKERS' COMPENSATION

During the year ended August 31, 2014 the Mabank Independent School District was a participant in the East Texas Educational Insurance Association's Workers' Compensation Self-insurance Joint Fund pursuant to Texas Labor Code Annotated Chapter 504 and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The Board of Trustees of the plan and the plan supervisor, Claims Administrative Services, Inc., shall establish the proportionate contribution of each participant annually upon the actual loss experience and claims of the District, the experience rating modification of the District, the prorata costs or savings to the plan from the loss experience of all participants, and all reasonable and necessary administrative expenses of the plan. The proportionate contributions of all participants shall be combined into a self-insurance joint fund.

The District paid a fixed cost of \$59,874, to the plan supervisor for administration of claims, loss control, record keeping, and the cost of excess insurance. The loss fund maximum set aside in a separate account for claims not covered by excess insurance was established to be \$181,588 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$116,794 covering plan periods ending August 31, 2014, and has accrued \$134,502 as a liability for unpaid claims determined by the claims administrator.

Q. CONSTRUCTION AND OTHER COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

R. 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; injuries to employees; and natural disaster. During fiscal year 2014 the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 11,418,100	\$ 11,696,100	\$ 11,872,372	\$ 176,272
5800	State Program Revenues	13,298,236	14,023,236	14,123,471	100,235
5900	Federal Program Revenues	163,500	313,500	317,408	3,908
5020	Total Revenues	24,879,836	26,032,836	26,313,251	280,415
EXPENDITURES:					
Current:					
0011	Instruction	13,860,838	13,733,258	13,622,497	110,761
0012	Instructional Resources and Media Services	458,878	428,878	376,012	52,866
0013	Curriculum and Instructional Staff Development	218,474	276,744	217,609	59,135
0021	Instructional Leadership	146,369	171,369	165,683	5,686
0023	School Leadership	1,571,105	1,574,125	1,549,577	24,548
0031	Guidance, Counseling and Evaluation Services	747,061	744,566	682,383	62,183
0032	Social Work Services	52,718	53,718	51,797	1,921
0033	Health Services	276,360	275,835	265,223	10,612
0034	Student (Pupil) Transportation	1,263,768	1,916,768	1,879,902	36,866
0035	Food Services	-	13,000	12,428	572
0036	Extracurricular Activities	1,193,068	1,172,378	1,046,726	125,652
0041	General Administration	917,071	927,571	926,859	712
0051	Facilities Maintenance and Operations	3,153,231	3,515,731	3,496,382	19,349
0052	Security and Monitoring Services	85,000	85,000	81,327	3,673
0053	Data Processing Services	359,779	432,779	423,796	8,983
Capital Outlay:					
0081	Facilities Acquisition and Construction	50,000	90,000	86,294	3,706
Intergovernmental:					
0099	Other Intergovernmental Charges	250,000	250,000	233,684	16,316
6030	Total Expenditures	24,603,720	25,661,720	25,118,179	543,541
1100	Excess of Revenues Over Expenditures	276,116	371,116	1,195,072	823,956
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	1,000	1,115	115
8911	Transfers Out (Use)	-	(370,000)	(379,092)	(9,092)
7080	Total Other Financing Sources (Uses)	-	(369,000)	(377,977)	(8,977)
1200	Net Change in Fund Balances	276,116	2,116	817,095	814,979
0100	Fund Balance - September 1 (Beginning)	6,422,822	6,422,822	6,422,822	-
3000	Fund Balance - August 31 (Ending)	\$ 6,698,938	\$ 6,424,938	\$ 7,239,917	\$ 814,979

COMBINING STATEMENTS

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ (30,043)	\$ (117,694)	\$ (78,411)	\$ (883)
1240	Receivables from Other Governments	87,826	156,046	103,923	1,858
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 57,783</u>	<u>\$ 38,352</u>	<u>\$ 25,512</u>	<u>\$ 975</u>
LIABILITIES					
2110	Accounts Payable	\$ 51,477	\$ 19,075	\$ -	\$ -
2160	Accrued Wages Payable	6,306	19,277	25,512	975
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>57,783</u>	<u>38,352</u>	<u>25,512</u>	<u>975</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 57,783</u>	<u>\$ 38,352</u>	<u>\$ 25,512</u>	<u>\$ 975</u>

EXHIBIT H-1 (Cont'd)

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	397 Advanced Placement Incentives	409 College For All	410 State Textbook Fund
\$ 340,413	\$ -	\$ (54,756)	\$ -	\$ -	\$ 5,818	\$ (19,096)	\$ (192,198)
26,560	-	61,110	471	-	-	19,096	209,939
-	-	-	-	-	-	-	-
39,304	-	-	-	-	-	-	-
<u>\$ 406,277</u>	<u>\$ -</u>	<u>\$ 6,354</u>	<u>\$ 471</u>	<u>\$ -</u>	<u>\$ 5,818</u>	<u>\$ -</u>	<u>\$ 17,741</u>
\$ 74,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,694
1,485	-	6,354	471	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,047
<u>75,805</u>	<u>-</u>	<u>6,354</u>	<u>471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,741</u>
39,304	-	-	-	-	-	-	-
291,168	-	-	-	-	5,818	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>330,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,818</u>	<u>-</u>	<u>-</u>
<u>\$ 406,277</u>	<u>\$ -</u>	<u>\$ 6,354</u>	<u>\$ 471</u>	<u>\$ -</u>	<u>\$ 5,818</u>	<u>\$ -</u>	<u>\$ 17,741</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	427 Read To Succeed	429 HB 5 Section 18.05 Contingency	461 Campus Activity Funds	480 Child Development Center	
ASSETS					
1110	Cash and Cash Equivalents	\$ 475	\$ -	\$ 91,541	\$ 3,432
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	-	11,578
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 475</u>	<u>\$ -</u>	<u>\$ 91,541</u>	<u>\$ 15,010</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 3,472	\$ 3,432
2160	Accrued Wages Payable	-	-	-	11,578
2180	Due to Other Governments	-	-	16,281	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>19,753</u>	<u>15,010</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	475	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	71,788	-
3000	Total Fund Balances	<u>475</u>	<u>-</u>	<u>71,788</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 475</u>	<u>\$ -</u>	<u>\$ 91,541</u>	<u>\$ 15,010</u>

483 ExxonMobil Educational Alliance	486 MISD Education Grants	490 MISD Fitness Center	Total Nonmajor Governmental Funds
\$ 1,445	\$ 4,626	\$ 5,478	\$ (39,853)
-	-	-	666,829
-	-	-	11,578
-	-	-	39,304
<u>\$ 1,445</u>	<u>\$ 4,626</u>	<u>\$ 5,478</u>	<u>\$ 677,858</u>
\$ -	\$ -	\$ -	\$ 167,470
-	-	-	71,958
-	-	-	16,281
-	-	-	2,047
<u>-</u>	<u>-</u>	<u>-</u>	<u>257,756</u>
-	-	-	39,304
-	-	-	297,461
1,445	4,626	5,478	11,549
-	-	-	71,788
<u>1,445</u>	<u>4,626</u>	<u>5,478</u>	<u>420,102</u>
<u>\$ 1,445</u>	<u>\$ 4,626</u>	<u>\$ 5,478</u>	<u>\$ 677,858</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	157,668	721,078	547,711	17,137
5020 Total Revenues	<u>157,668</u>	<u>721,078</u>	<u>547,711</u>	<u>17,137</u>
EXPENDITURES:				
Current:				
0011 Instruction	107,668	672,578	360,882	17,137
0013 Curriculum and Instructional Staff Development	-	39,500	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	9,000	186,829	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	50,000	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>157,668</u>	<u>721,078</u>	<u>547,711</u>	<u>17,137</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
8949 Other (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	397 Advanced Placement Incentives	409 College For All	410 State Textbook Fund
\$ 491,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,775	-	-	-	-	-	50,164	444,950
1,255,152	37,819	103,758	6,067	22,681	-	-	-
<u>1,756,494</u>	<u>37,819</u>	<u>103,758</u>	<u>6,067</u>	<u>22,681</u>	<u>-</u>	<u>50,164</u>	<u>444,950</u>
-	34,747	80,197	6,067	11,350	-	31,285	444,950
-	700	23,561	-	-	-	18,879	-
-	-	-	-	274	-	-	-
-	-	-	-	2,038	-	-	-
-	764	-	-	5,789	-	-	-
-	-	-	-	2,709	-	-	-
-	-	-	-	168	-	-	-
1,618,378	-	-	-	-	-	-	-
-	1,608	-	-	-	-	-	-
-	-	-	-	353	-	-	-
-	-	-	-	-	-	-	-
<u>1,618,378</u>	<u>37,819</u>	<u>103,758</u>	<u>6,067</u>	<u>22,681</u>	<u>-</u>	<u>50,164</u>	<u>444,950</u>
138,116	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
138,116	-	-	-	-	-	-	-
192,356	-	-	-	-	5,818	-	-
<u>\$ 330,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,818</u>	<u>\$ -</u>	<u>\$ -</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	427 Read To Succeed	429 HB 5 Section 18.05 Contingency	461 Campus Activity Funds	480 Child Development Center
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 151,381	\$ 252,842
5800 State Program Revenues	-	4,428	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>4,428</u>	<u>151,381</u>	<u>252,842</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	4,428	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	154,894	-
0041 General Administration	-	-	-	-
0061 Community Services	-	-	-	252,842
6030 Total Expenditures	<u>-</u>	<u>4,428</u>	<u>154,894</u>	<u>252,842</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(3,513)	-
OTHER FINANCING SOURCES (USES):				
8949 Other (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	(3,513)	-
0100 Fund Balance - September 1 (Beginning)	<u>475</u>	<u>-</u>	<u>75,301</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 475</u>	<u>\$ -</u>	<u>\$ 71,788</u>	<u>\$ -</u>

483 ExxonMobil Educational Alliance	486 MISD Education Grants	490 MISD Fitness Center	Total Nonmajor Governmental Funds
\$ 500	\$ 22,675	\$ 42,776	\$ 961,741
-	-	96	509,413
-	-	-	2,869,071
<u>500</u>	<u>22,675</u>	<u>42,872</u>	<u>4,340,225</u>
443	-	-	1,771,732
-	-	-	82,640
-	-	-	274
-	-	-	2,038
-	-	-	202,382
-	-	-	2,709
-	-	-	50,168
-	-	-	1,618,378
-	20,873	13,888	191,263
-	-	-	353
-	-	-	252,842
<u>443</u>	<u>20,873</u>	<u>13,888</u>	<u>4,174,779</u>
57	1,802	28,984	165,446
-	-	(132,023)	(132,023)
57	1,802	(103,039)	33,423
<u>1,388</u>	<u>2,824</u>	<u>108,517</u>	<u>386,679</u>
<u>\$ 1,445</u>	<u>\$ 4,626</u>	<u>\$ 5,478</u>	<u>\$ 420,102</u>

REQUIRED TEA SCHEDULES

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.460000	0.300000	738,354,983
2007	1.334000	0.340000	813,123,417
2008	1.040000	0.324000	871,738,086
2009	1.040000	0.315000	989,773,016
2010	1.040000	0.340000	1,022,214,798
2011	1.040000	0.340000	1,018,992,808
2012	1.040000	0.340000	1,034,633,564
2013	1.040000	0.340000	1,048,231,620
2014 (School year under audit)	1.040000	0.340000	1,071,449,830
1000 TOTALS			

	(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$	329,755	\$ -	\$ 14,215	\$ 603	\$ (18,095)	\$ 296,842
	137,143	-	8,670	1,782	(3,976)	122,715
	174,212	-	7,698	1,962	(4,095)	160,457
	178,840	-	11,360	3,550	(4,702)	159,228
	179,741	-	21,435	6,492	(5,810)	146,004
	245,174	-	64,981	21,244	7,798	166,747
	264,165	-	57,471	18,789	9,339	197,244
	356,414	-	108,200	35,373	4,697	217,538
	663,700	-	253,345	82,824	(4,299)	323,232
	-	14,786,008	10,657,045	3,484,034	(80,387)	564,542
<u>\$</u>	<u>2,529,144</u>	<u>\$ 14,786,008</u>	<u>\$ 11,204,420</u>	<u>\$ 3,656,653</u>	<u>\$ (99,530)</u>	<u>\$ 2,354,549</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2014

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/14 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 7,239,917
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 45,812	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	1,000,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
7	Estimate of two month's average cash disbursements during the fiscal year.	4,000,000	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	534,718	
10	Estimate of delayed payments from federal sources (59xx)	411,234	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>5,991,764</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ 1,248,153</u>

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

Projects planned for the 2014-2015 fiscal year include the purchase of five buses, four other vehicles, continued improvements of existing facilities, and increased purchases of instructional technology materials.

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 552,903	\$ 492,903	\$ 491,567	\$ (1,336)
5800	State Program Revenues	10,222	10,222	9,775	(447)
5900	Federal Program Revenues	1,245,406	1,245,406	1,255,152	9,746
5020	Total Revenues	1,808,531	1,748,531	1,756,494	7,963
EXPENDITURES:					
0035	Food Services	1,786,269	1,786,269	1,618,378	167,891
6030	Total Expenditures	1,786,269	1,786,269	1,618,378	167,891
1200	Net Change in Fund Balances	22,262	(37,738)	138,116	175,854
0100	Fund Balance - September 1 (Beginning)	192,356	192,356	192,356	-
3000	Fund Balance - August 31 (Ending)	\$ 214,618	\$ 154,618	\$ 330,472	\$ 175,854

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,629,500	\$ 3,704,500	\$ 3,760,196	\$ 55,696
5800 State Program Revenues	120,000	190,000	183,728	(6,272)
5020 Total Revenues	3,749,500	3,894,500	3,943,924	49,424
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	929,065	929,065	929,065	-
0072 Interest on Long Term Debt	2,509,585	2,509,585	2,509,585	-
0073 Bond Issuance Cost and Fees	3,000	123,000	118,621	4,379
6030 Total Expenditures	3,441,650	3,561,650	3,557,271	4,379
1100 Excess of Revenues Over Expenditures	307,850	332,850	386,653	53,803
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	6,705,000	6,705,000	-
7916 Premium or Discount on Issuance of Bonds	-	120,000	197,404	77,404
8949 Other (Uses)	-	(6,705,000)	(6,780,000)	(75,000)
7080 Total Other Financing Sources (Uses)	-	120,000	122,404	2,404
1200 Net Change in Fund Balances	307,850	452,850	509,057	56,207
0100 Fund Balance - September 1 (Beginning)	1,625,122	1,625,122	1,625,122	-
3000 Fund Balance - August 31 (Ending)	\$ 1,932,972	\$ 2,077,972	\$ 2,134,179	\$ 56,207

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of School Trustees
Mabank Independent School District
310 E Market Street
Mabank, Texas 75147

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2014.

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 opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C.".

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

October 20, 2014

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance;
and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

Board of School Trustees
Mabank Independent School District
310 E Market Street
Mabank, Texas 75147

Report on Compliance for Each Major Federal Program

We have audited the District 's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. 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 the requirements of laws, regulations, contracts and grants applicable to its major 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 OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 on 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 year ended August 31, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended August 31, 2014, and have issued our report thereon dated October 20, 2014 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

October 20, 2014

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2014

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X no

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

Any audit findings disclosed that are required to be reported in accordance with Section _____.510 (a), OMB Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.533	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low risk auditee? _____ X _____ yes _____ no

District Contact Person William S. Adams
Assistant Superintendent

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2014

II. Financial Statement Findings

The audit disclosed no finding required to be reported.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no finding required to be reported.

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

N/A

MABANK INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

N/A

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 4,345
Total Direct Programs			\$ 4,345
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14-610101129905	\$ 670,401
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	15-610101129905	50,677
Total CFDA Number 84.010A			721,078
Total Title I, Part A Cluster			721,078
**IDEA - Part B, Formula	84.027	14-660001129905	513,713
**IDEA - Part B, Formula	84.027	15-660001129905	33,998
Total CFDA Number 84.027			547,711
**IDEA - Part B, Preschool	84.173	14-661001129905	16,162
**IDEA - Part B, Preschool	84.173	15-661001129905	975
Total CFDA Number 84.173			17,137
Total Special Education Cluster (IDEA)			564,848
Career and Technical - Basic Grant	84.048	14-420006129905	37,819
Title III, Part A - English Language Acquisition	84.365A	14-671001057950	5,596
Title III, Part A - English Language Acquisition	84.365A	15-671001057950	471
Total CFDA Number 84.365A			6,067
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14-694501057950	97,404
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15-694501057950	6,354
Total CFDA Number 84.367A			103,758
Total Passed Through State Department of Education			\$ 1,433,570
TOTAL DEPARTMENT OF EDUCATION			\$ 1,437,915
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-11-0033-00012	\$ 22,681
Total Passed Through Texas Dept of Human Services			\$ 22,681
<u>Passed Through State Department of Education</u>			
Head Start	93.600	14-06CH7092	\$ 151,362
Head Start	93.600	15-06CH7092	6,306
Total CFDA Number 93.600			157,668
Total Passed Through State Department of Education			\$ 157,668
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 180,349
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
***School Breakfast Program	10.553		\$ 269,712
***National School Lunch Program-Cash Assistance	10.555		875,908
***National School Lunch Prog.-Non-Cash Assistance	10.555		109,532

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Total CFDA Number 10.555			985,440
Total Child Nutrition Cluster			1,255,152
Total Passed Through the State Department of Agriculture			\$ 1,255,152
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,255,152
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,873,416

*Clustered Programs
 **Clustered Programs
 ***Clustered Programs

Note A - Impact Aid of \$4,345 is included in the General Fund.

Note B - Funds received from the SHARS program of \$313,063 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A - 133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.