

MABANK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

MABANK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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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, 2016 at a meeting of the board of school trustees of such school district on the _____ day of _____, 2016.

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. Lambright, CPA

Cheri E. Kirkland, CPA
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505 E. Tyler
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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, 2016, 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, 2016, 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, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, 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, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, 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 November 16, 2016 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
Athens, Texas

November 16, 2016

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, 2016. 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 \$10,978,260 to \$12,337,509. 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 \$279,424 to \$7,513,365 at August 31, 2016.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$21,318,827, which is higher than last year's total of \$10,469,312. Included in this year's total change in fund balance is an increase of \$1,139,408 in the District's General Fund, an increase of \$507,935 in the Debt Service Fund, an increase of \$8,998,969 in the Capital Projects, and an increase of \$203,203 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 2016, the District had \$48,710,314 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 2016, the District had \$41,229,976 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 2016-2017 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 received voter approval authorizing the sale of \$10,000,000 in School Bonds. They were sold in January 2016, and will fund campus expansions and projects to meet growing instructional and safety needs. All projects are expected to be completed within a year. The Debt Service tax rate remained constant.

The District continues to consider multi-year budget plans, based on projected revenues and expenses at the current state funding levels, and estimated student enrollment projections.

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.

Table I
Mabank Independent School District

NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Increase (Decrease)
Current and Other Assets	\$26,064,060	\$14,670,775	\$11,393,285
Capital Assets	<u>\$48,710,314</u>	<u>\$49,001,914</u>	(\$291,600)
Total Assets	\$74,774,374	\$63,672,689	\$11,101,685
Long-term Liabilities	\$62,852,478	\$51,060,001	\$11,792,477
Other Liabilities	<u>\$2,375,547</u>	<u>\$1,523,239</u>	<u>\$852,308</u>
Total Liabilities	\$65,228,025	\$52,583,240	\$12,644,785
Deferred Resources Outflow	\$3,291,385	\$775,538	\$2,515,847
Deferred Resources Inflow	(<u>\$500,225</u>)	(<u>\$886,727</u>)	<u>\$386,502</u>
Total Deferred Resources	\$2,791,160	(\$111,189)	\$2,129,345
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	\$1,224,620	\$840,632	\$383,988
Restricted	\$3,599,524	\$2,903,687	\$695,837
Unrestricted	<u>\$7,513,365</u>	<u>\$7,233,941</u>	<u>\$279,424</u>
Total Net Position	<u>\$12,337,509</u>	<u>\$10,978,260</u>	<u>\$1,359,249</u>

Table II
Mabank Independent School District

CHANGES IN NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	\$815,295	\$789,592	\$25,703
Operating Grants and Contributions	\$5,774,014	\$4,748,760	\$1,025,254
General Revenues:			
Maintenance and Operations Taxes	\$14,438,055	\$14,705,572	(\$267,517)
State Aid-Formula Grants	\$15,336,795	\$14,068,299	\$1,268,496
Grants and Contributions not restricted to specific functions	\$471,471	\$461,513	\$9,958
Investments Earnings	\$99,027	\$40,057	\$58,970
Miscellaneous	<u>\$1,086,197</u>	<u>\$1,199,927</u>	(\$113,730)
Total Revenue	\$38,020,854	\$36,013,720	\$2,007,134
Expenses:			
Instruction, Curriculum and Media Services	\$20,758,633	\$18,487,941	\$2,270,692
Instructional and School Leadership	\$2,006,989	\$1,918,046	\$88,943
Student Support Services	\$2,901,123	\$2,947,692	(\$46,569)
Child Nutrition	\$1,608,665	\$1,885,832	(\$277,167)
Co-curricular Activities	\$1,743,735	\$1,733,217	\$10,518
General Administration	\$1,103,283	\$998,299	\$104,984
Plant Maintenance, Security & Data Processing	\$4,217,632	\$3,993,724	\$223,908
Community Service	\$365,026	\$363,634	\$1,392
Debt Services	\$1,695,153	\$1,949,852	(\$254,699)
Facility Acquisition/Construction	\$0	\$0	\$0
Intergovernmental	<u>\$261,366</u>	<u>\$257,224</u>	\$4,142
Total Expenses	\$36,661,605	\$34,535,461	\$2,126,144
Increase (Decrease) in Net Position before transfers and Special items	\$1,359,249	\$1,478,259	(\$119,010)
Net Position at Beginning of Period	\$10,978,260	\$12,784,261	(\$1,806,001)
Prior Period Adjustment	<u>\$0</u>	<u>(\$3,284,260)</u>	<u>\$3,284,260</u>
Net Position at end of Period	<u>\$12,337,509</u>	<u>\$10,978,260</u>	<u>\$1,359,249</u>

FINANCIAL STATEMENTS

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,611,215
1120 Current Investments	18,708,983
1220 Property Taxes Receivable (Delinquent)	2,173,305
1230 Allowance for Uncollectible Taxes	(108,665)
1240 Due from Other Governments	1,552,109
1290 Other Receivables, net	25,441
1300 Inventories	49,997
1410 Prepayments	47,240
1490 Other Current Assets	4,435
Capital Assets:	
1510 Land	1,318,672
1520 Buildings, Net	43,542,008
1530 Furniture and Equipment, Net	2,820,550
1580 Construction in Progress	1,029,084
1000 Total Assets	74,774,374
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	3,291,385
1700 Total Deferred Outflows of Resources	3,291,385
LIABILITIES	
2110 Accounts Payable	542,371
2140 Interest Payable	61,476
2150 Payroll Deductions & Withholdings	23,582
2160 Accrued Wages Payable	1,382,034
2180 Due to Other Governments	16,281
2300 Unearned Revenue	349,803
Noncurrent Liabilities	
2501 Due Within One Year	2,434,999
2502 Due in More Than One Year	54,049,664
2540 Net Pension Liability (District's Share)	6,367,815
2000 Total Liabilities	65,228,025
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	500,225
2600 Total Deferred Inflows of Resources	500,225
NET POSITION	
3200 Net Investment in Capital Assets	1,224,620
3820 Restricted for Federal and State Programs	340,906
3850 Restricted for Debt Service	3,079,522
3870 Restricted for Campus Activities	72,447
3890 Restricted for Other Purposes	106,649
3900 Unrestricted	7,513,365
3000 Total Net Position	\$ 12,337,509

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, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 19,784,780	\$ 117,540	\$ 3,693,749	\$ (15,973,491)
12 Instructional Resources and Media Services	495,562	-	28,450	(467,112)
13 Curriculum and Staff Development	478,291	-	52,542	(425,749)
21 Instructional Leadership	280,710	-	21,944	(258,766)
23 School Leadership	1,726,279	-	146,325	(1,579,954)
31 Guidance, Counseling and Evaluation Services	876,311	-	246,116	(630,195)
32 Social Work Services	18,731	-	1,872	(16,859)
33 Health Services	352,219	-	28,165	(324,054)
34 Student (Pupil) Transportation	1,653,862	-	104,656	(1,549,206)
35 Food Services	1,608,665	405,117	1,196,177	(7,371)
36 Extracurricular Activities	1,743,735	258,456	51,522	(1,433,757)
41 General Administration	1,103,283	-	57,987	(1,045,296)
51 Facilities Maintenance and Operations	3,757,555	34,182	77,793	(3,645,580)
52 Security and Monitoring Services	97,505	-	6,852	(90,653)
53 Data Processing Services	362,572	-	15,990	(346,582)
61 Community Services	365,026	-	43,874	(321,152)
72 Debt Service - Interest on Long Term Debt	1,507,059	-	-	(1,507,059)
73 Debt Service - Bond Issuance Cost and Fees	188,094	-	-	(188,094)
99 Other Intergovernmental Charges	261,366	-	-	(261,366)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 36,661,605</u>	<u>\$ 815,295</u>	<u>\$ 5,774,014</u>	<u>(30,072,296)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			10,998,221
DT	Property Taxes, Levied for Debt Service			3,439,834
SF	State Aid - Formula Grants			15,336,795
GC	Grants and Contributions not Restricted			471,471
IE	Investment Earnings			99,027
MI	Miscellaneous Local and Intermediate Revenue			1,086,197
TR	Total General Revenues			<u>31,431,545</u>
CN	Change in Net Position			1,359,249
NB	Net Position - Beginning			<u>10,978,260</u>
NE	Net Position--Ending			<u>\$ 12,337,509</u>

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

MABANK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,239,160	\$ 156,479	\$ -
1120 Investments - Current	6,238,580	3,005,426	9,125,935
1220 Property Taxes - Delinquent	1,698,881	474,424	-
1230 Allowance for Uncollectible Taxes (Credit)	(84,944)	(23,721)	-
1240 Receivables from Other Governments	914,500	-	-
1290 Other Receivables	-	-	-
1300 Inventories	-	-	-
1410 Prepayments	47,240	-	-
1490 Other Current Assets	4,435	-	-
1000 Total Assets	<u>\$ 12,057,852</u>	<u>\$ 3,612,608</u>	<u>\$ 9,125,935</u>
LIABILITIES			
2110 Accounts Payable	\$ 257,133	\$ -	\$ 126,966
2150 Payroll Deductions and Withholdings Payable	23,582	-	-
2160 Accrued Wages Payable	1,225,443	-	-
2180 Due to Other Governments	-	-	-
2300 Unearned Revenues	267,420	82,383	-
2000 Total Liabilities	<u>1,773,578</u>	<u>82,383</u>	<u>126,966</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,613,937	450,703	-
2600 Total Deferred Inflows of Resources	<u>1,613,937</u>	<u>450,703</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
3430 Prepaid Items	47,240	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	3,079,522	-
3490 Other Restricted Fund Balance	-	-	8,998,969
Committed Fund Balance:			
3510 Construction	500,000	-	-
3545 Other Committed Fund Balance	500,000	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	7,623,097	-	-
3000 Total Fund Balances	<u>8,670,337</u>	<u>3,079,522</u>	<u>8,998,969</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,057,852</u>	<u>\$ 3,612,608</u>	<u>\$ 9,125,935</u>

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

Other Funds	Total Governmental Funds
\$ 188,096	\$ 3,583,735
-	18,369,941
-	2,173,305
-	(108,665)
637,609	1,552,109
25,441	25,441
49,997	49,997
-	47,240
-	4,435
<u>\$ 901,143</u>	<u>\$ 25,697,538</u>
\$ 158,272	\$ 542,371
-	23,582
156,591	1,382,034
16,281	16,281
-	349,803
<u>331,144</u>	<u>2,314,071</u>
-	2,064,640
-	2,064,640
49,997	49,997
-	47,240
340,906	340,906
-	3,079,522
106,649	9,105,618
-	500,000
-	500,000
72,447	72,447
-	7,623,097
<u>569,999</u>	<u>21,318,827</u>
<u>\$ 901,143</u>	<u>\$ 25,697,538</u>

MABANK INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	21,318,827
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 net position.		366,522
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 \$76,788,982 and the accumulated depreciation was (\$27,787,068). 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 \$48,161,282. 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.		840,632
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 2016 capital outlays and debt principal payments is to increase (decrease) net position.		3,448,262
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 6,367,815, a Deferred Resource Inflow related to TRS in the amount of \$500,225 and a Deferred Resource Outflow related to TRS in the amount of \$3,291,385. This amounted to a decrease in Net Position.		(3,576,655)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,310,660)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, 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.		(7,749,419)
19 Net Position of Governmental Activities	\$	12,337,509

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, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 11,913,645	\$ 3,592,921	\$ 28,053
5800 State Program Revenues	16,278,859	236,543	-
5900 Federal Program Revenues	477,482	-	-
5020 Total Revenues	<u>28,669,986</u>	<u>3,829,464</u>	<u>28,053</u>
EXPENDITURES:			
Current:			
0011 Instruction	15,496,382	-	-
0012 Instructional Resources and Media Services	409,290	-	-
0013 Curriculum and Instructional Staff Development	395,446	-	-
0021 Instructional Leadership	266,504	-	-
0023 School Leadership	1,616,454	-	-
0031 Guidance, Counseling and Evaluation Services	809,784	-	-
0032 Social Work Services	17,741	-	-
0033 Health Services	330,065	-	-
0034 Student (Pupil) Transportation	1,727,205	-	-
0035 Food Services	2,283	-	-
0036 Extracurricular Activities	1,182,921	-	-
0041 General Administration	1,057,027	-	-
0051 Facilities Maintenance and Operations	3,761,798	-	-
0052 Security and Monitoring Services	98,552	-	-
0053 Data Processing Services	354,334	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	1,284,050	-
0072 Interest on Long Term Debt	-	2,045,342	-
0073 Bond Issuance Cost and Fees	-	188,094	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	41,661	-	1,029,084
Intergovernmental:			
0099 Other Intergovernmental Charges	261,366	-	-
6030 Total Expenditures	<u>27,828,813</u>	<u>3,517,486</u>	<u>1,029,084</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>841,173</u>	<u>311,978</u>	<u>(1,001,031)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	9,765,000	10,000,000
7912 Sale of Real and Personal Property	166,650	-	-
7915 Transfers In	131,585	-	-
7916 Premium or Discount on Issuance of Bonds	-	2,595,957	-
8949 Other (Uses)	-	(12,165,000)	-
7080 Total Other Financing Sources (Uses)	<u>298,235</u>	<u>195,957</u>	<u>10,000,000</u>
1200 Net Change in Fund Balances	1,139,408	507,935	8,998,969
0100 Fund Balance - September 1 (Beginning)	<u>7,530,929</u>	<u>2,571,587</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,670,337</u>	<u>\$ 3,079,522</u>	<u>\$ 8,998,969</u>

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

	Other Funds	Total Governmental Funds
\$	1,048,244	\$ 16,582,863
	364,353	16,879,755
	3,544,545	4,022,027
	<u>4,957,142</u>	<u>37,484,645</u>
	2,438,369	17,934,751
	-	409,290
	43,723	439,169
	493	266,997
	2,466	1,618,920
	181,118	990,902
	-	17,741
	2,466	332,531
	493	1,727,698
	1,540,100	1,542,383
	192,328	1,375,249
	1,479	1,058,506
	560	3,762,358
	-	98,552
	-	354,334
	350,344	350,344
	-	1,284,050
	-	2,045,342
	-	188,094
	-	1,070,745
	-	261,366
	<u>4,753,939</u>	<u>37,129,322</u>
	<u>203,203</u>	<u>355,323</u>
	-	19,765,000
	-	166,650
	-	131,585
	-	2,595,957
	-	(12,165,000)
	-	<u>10,494,192</u>
	203,203	10,849,515
	366,796	10,469,312
\$	<u>569,999</u>	<u>\$ 21,318,827</u>

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	10,849,515
 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.		(129,889)
 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 2016 capital outlays and debt principal payments is to increase (decrease) net position.		3,448,262
 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.		(2,310,660)
 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, 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 decrease net position.		(9,931,232)
 The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$556,785. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position of \$542,288. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$581,244. The net result is to increase (decrease) the change in net position,		(566,747)
 Change in Net Position of Governmental Activities	\$	1,359,249

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, 2016

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 27,480
Investments - Current	<u>339,042</u>
Total Assets	<u>366,522</u>
NET POSITION	
Unrestricted Net Position	<u>366,522</u>
Total Net Position	<u><u>\$ 366,522</u></u>

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, 2016

	Governmental Activities -
	Internal Service Fund
<hr/>	
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	\$ 1,696
Total Nonoperating Revenues (Expenses)	1,696
Income Before Transfers	1,696
Transfers Out	(131,585)
Change in Net Position	(129,889)
Total Net Position - September 1 (Beginning)	496,411
Total Net Position - August 31 (Ending)	\$ 366,522

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, 2016

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(131,585)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	1,696
Net Decrease in Cash and Cash Equivalents	(129,889)
Cash and Cash Equivalents at Beginning of Year	496,411
Cash and Cash Equivalents at End of Year	\$ 366,522
<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, 2016

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 8,377	\$ 221,138
Total Assets	8,377	221,138
LIABILITIES		
Accounts Payable	-	\$ 5,667
Due to Student Groups	-	215,471
Total Liabilities	-	\$ 221,138
NET POSITION		
Restricted for Scholarships	8,177	
Restricted for Other Purposes	200	
Total Net Position	\$ 8,377	

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, 2016

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 800
Total Additions	<u>800</u>
DEDUCTIONS:	
Other Operating Costs	<u>1,550</u>
Total Deductions	<u>1,550</u>
Change in Net Position	(750)
Total Net Position - September 1 (Beginning)	<u>9,127</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 8,377</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, 2016

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 *GASB Statement No. 56*; 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.

Pensions. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. REPORTING ENTITY

The Board of Trustees (the “Board”) has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public, has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has primary accountability for fiscal matters. As such, the District is not included in any other governmental “reporting entity” as defined by *GASB Statement No. 14, The Financial Reporting Entity*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

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. Direct costs are identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. 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.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from /to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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 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

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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 Statement of Net Position. The total net position is segregated into invested in capital assets net of related debt, restricted Net Position, and unrestricted net position.

The 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 Agency funds apply the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

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 and alumni hall of fame.
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.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, local government investment pools, Treasury bills, and commercial paper that have a maturity from time of purchase of three months or less.

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.

G. PREPAYMENTS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements.

H. 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

Land and construction in progress are not depreciated.

I. 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.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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.

J. 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.

K. 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.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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.

L. 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.

M. 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.

N. TEACHER RETIREMENT SYSTEM

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deduction from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments of the system are reported at fair value.

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2016

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	\$ 1 338 738	\$	\$ 1 338 738	
Buildings & Improvements	68 162 572	23 022 850	45 139 722	
Furniture & Equipment	7 287 672	4 764 218	2 523 454	
Construction in Progress				
Totals	<u>\$ 76 788 982</u>	<u>\$ 27 787 068</u>		
Change in Net Position				<u>\$ 49 001 914</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 34 914 026	
Accretion Payable			7 379 240	
Premium (Discount) on Issuance of Bonds			5 671 296	
Compensated Absences			<u>196 720</u>	
Change in Net Position				<u>(48 161 282)</u>
Net Adjustment to Net Position				<u>\$ 840 632</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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:			
Land & Improvements	\$	\$	\$
Buildings & Improvements	85 551		
Furniture & Equipment	1 049 577		
Construction in Progress	1 029 084		
Total Capital Outlay	2 164 212	2 164 212	2 164 212
Debt Payments:			
Bond Principal	1 284 050		
Total Principal Payments	1 284 050	1 284 050	1 284 050
Total Adjustment to Net Position		\$ 3 448 262	\$ 3 448 262

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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	\$ 671 532	\$ (671 532)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	504 049	504 049	504 049
Uncollected Taxes (assumed collectible) from Prior Year Levy	1 560 591		1 560 591
Reclassify Proceeds of Bonds:			
Bond Proceeds	19 675 000	(19 765 000)	(19 765 000)
Bonds Refunded	12 165 000	12 165 000	12 165 000
Reclassify Bond Related Items:			
Bond Premium	2 595 957	(2 595 957)	(2 595 957)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	1 022 154	(1 022 154)	(1 022 154)
Current Year Paid	750 950	750 950	750 950
Reclassify Liabilities Incurred but not Liquidated this Year:			
Unused Vacation Pay and/or Unused Sick Leave	39 077	39 077	39 077
Accrued Interest on Debt:			
Prior Year	50 310	50 310	
Current Year	61 476	(61 476)	(61 476)
Bond Premium Amortization:			
Current Year	820 653	820 653	820 653
Capital Asset Adjustment	145 152	<u>(145 152)</u>	<u>(145 152)</u>
Total		<u>\$ (9 931 232)</u>	<u>\$ (7 749 419)</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2016

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 basic financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.

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, 2016</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 359 270
Non-appropriated Budget Funds	<u>210 729</u>
All Special Revenue Funds	<u>\$ 569 999</u>

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 2016-2017 budget.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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 2015-2016 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 \$12,017,308 and occurred on January 31, 2016. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$11,764,337. 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, 2016

- 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, 2016, the amount of the District's cash balance in checking accounts was \$3,840,730.

INVESTMENTS - CASH EQUIVALENTS

The District's investments - cash equivalents at August 31, 2016, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Texpool	\$ 16 592 535	\$ 16 594 536	.101370
First Public / Lone Star Investment Pool	2 115 378	2 115 588	.101370
MBIA Texas Class	<u>1 069</u>	<u>1 069</u>	.128767
Total Investments	<u>\$ 18 708 983</u>	<u>\$ 18 711 193</u>	

INVESTMENTS - OTHER

The District's investments - other at August 31, 2016, are shown below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
N/A	\$ _____	\$ _____	
Total Investments	<u>\$ _____</u>	<u>\$ _____</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, 2016

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 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 2015-16 fiscal year was based, was \$1,061,727,457. The tax rates assessed for the year ended August 31, 2016 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$.325 per \$100 valuation, respectively, for a total of \$1.365 per \$100 valuation. Current tax collections for the year ended August 31, 2016 were 96.3% of the year end adjusted tax levy. As of August 31, 2016, property taxes receivable totaled \$1,698,881 and \$474,724 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, 2016 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	Capital Projects Fund	Other Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
State Entitlements	\$ 914 500	\$	\$	\$	\$ 914 500
Federal Grants				637 609	637 609
State Grants					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 914 500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 637 609</u>	<u>\$ 1 552 109</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2016

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2016 consisted of the following individual fund receivables and payables:

<u>Fund</u> _____	<u>Due From</u>	<u>Due to</u>
General Fund:		
Special Revenue Fund	\$ _____	\$ _____
Special Revenue Fund:		
General Fund	_____	_____
Totals	<u>\$ 0</u>	<u>\$ 0</u>

Interfund transfers for the year ended August 31, 2016 consisted of the following individual fund amounts:

<u>Fund</u> _____	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Internal Service Fund	\$ 131 585	\$ _____
Internal Service Fund:		
General Fund	_____	131 585
Totals	<u>\$ 131 585</u>	<u>\$ 131 585</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes (Net)	\$ 1 613 937	\$ 450 703		\$	\$ 2 064 640
Other Governments	914 500	637 609			1 552 109
Other Funds					
Other Receivables				25 441	25 441
Totals	<u>\$ 2 528 437</u>	<u>\$ 1 088 312</u>	<u>\$ 0</u>	<u>\$ 25 441</u>	<u>\$ 3 642 190</u>

Payables at August 31, 2016, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Payable	\$ 257 133	\$	\$ 126 996	\$ 158 272	\$ 542 371
Other Funds					
Accrued Wages	1 225 443			156 591	1 382 034
Payroll Deductions	23 582				23 582
Other Governments				16 281	16 281
Totals	<u>\$ 1 506 158</u>	<u>\$ 0</u>	<u>\$ 126 996</u>	<u>\$ 331 144</u>	<u>\$ 1 964 268</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ 1 338 738	\$	\$ (20 066)	\$ 1 318 672
Construction in Progress	0	1 029 084		1 029 084
Non Depreciable Assets - Grants		256 625	754,344	1 010 969
Subtotal Nondepreciable Assets	<u>1 338 738</u>	<u>1 285 709</u>	<u>734 278</u>	<u>3 358 725</u>
Depreciable Capital Assets				
Building & Improvements	68 162 572	85 551	4 190	68 252 313
Furniture & Equipment	<u>7 287 672</u>	<u>792 952</u>	<u>(960 211)</u>	<u>7 120 413</u>
Subtotal Depreciable Assets	<u>75 450 244</u>	<u>878 503</u>	<u>(956 021)</u>	<u>75 372 726</u>
Total at Historical Cost	<u>76 788 982</u>	<u>2 164 212</u>	<u>(221 743)</u>	<u>78 731 451</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	23 022 850	1 687 455		24 710 305
Furniture & Equipment	<u>4 764 218</u>	<u>623 205</u>	<u>(76 591)</u>	<u>5 310 832</u>
Total Accumulated Depreciation	<u>27 787 068</u>	<u>2 310 660</u>	<u>(76 591)</u>	<u>30 021 137</u>
Governmental Activities Capital Assets, Net	<u>\$ 49 001 914</u>	<u>\$ (146 448)</u>	<u>\$ (145 152)</u>	<u>\$ 48 710 314</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$	1 437 257
12	Instructional Resources and Media Services		70 921
13	Curriculum & Instructional Staff Development		31 352
23	School Leadership		21 795
31	Guidance, Counseling and Evaluation Services		18 188
33	Health Services		5 101
34	Student (Pupil) Transportation		247 415
35	Food Services		60 722
36	Cocurricular/Extracurricular Activities		359 909
41	General Administration		11 808
51	Plant Maintenance and Operations		44 609
52	Security and Monitoring Services		1 250
61	Community Services		<u>333</u>
Total Depreciation Expense		\$	<u>2 310 660</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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, 2016 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/15</u>	<u>Issued</u>	<u>Retired/ Refunded</u>	<u>Amounts Outstanding 8/31/16</u>	<u>Interest Current Year</u>
Unlimited Tax School Building and Refunding Bonds Series 2002	4.0% to 5.98%	\$ 8 101 432	\$ 1 763 902	\$	\$ 399 050	\$ 1 364 852	\$ 750 950
Unlimited Tax School Building and Refunding Bonds Series 2006	4.0% to 5.0%	\$ 31 665 041	\$ 12 215 041	\$	0 \$ 12 165 000	\$ 50 041	\$ 265 988
Unlimited Tax Refunding Bonds Series 2012	2.0% to 3.42%	\$ 6 095 083	\$ 5 385 083	\$	\$ 550 000	\$ 4 835 083	\$ 44 100
Unlimited Tax Refunding Bonds Series 2014	2.0% to 4.0%	\$ 6 705 000	\$ 6 655 000	\$	\$ 150 000	\$ 6 505 000	\$ 246 900
Unlimited Tax Refunding Bonds Series 2015	2.0% to 4.0%	\$ 9 020 000	\$ 8 895 000			8 895 000	334 155
Unlimited Tax School Building and Refunding Bonds Series 2016	2.0% to 5.0%	\$ 19 765 000	\$ 0	\$ 19 765 000	\$ 185 000	\$ 19 580 000	\$ 403 250
Totals			<u>\$ 34 914 026</u>	<u>\$ 19 765 000</u>	<u>\$ 13 449 050</u>	<u>\$ 41 229 976</u>	<u>\$ 2 045 343</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Debt service requirements are as follows:

<u>Year Ended</u> <u>August 31</u>	General Obligations		<u>Total</u> <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 1 649 169	\$ 2 199 786	\$ 3 848 955
2018	1 640 812	2 207 643	3 848 455
2019	1 154 723	2 692 931	3 847 654
2020	377 651	3 478 703	3 856 354
2021	712 941	3 132 414	3 845 355
2022 - 2026	8 398 673	10 840 052	19 238 725
2027 - 2031	11 461 007	7 776 170	19 237 177
2032 - 2036	13 360 000	1 791 265	15 151 265
2037 - 2041	2 475 000	304 200	2 779 200
Totals	<u>\$ 41 229 976</u>	<u>\$ 34 423 164</u>	<u>\$ 75 653 140</u>

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, 2016.

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, 2016 \$56,619,921 of bonds considered defeased in prior years are still outstanding.

On February 15, 2016 the Mabank Independent School District issued \$19,765,000 in Unlimited Tax School Building and Refunding Bonds, Series 2016, with interest rates of 2.0% to 5.0%.

The Bonds are being issued in accordance with the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended, an election held within the District on November 3, 2015 and a Bond Order passed by the Board. Proceeds from the sale of the Bonds will be used to (i) construct, acquire and equip school buildings of the district and purchase school buses, (ii) refund certain outstanding debt of the District for debt service savings and (iii) 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 \$1,913,648.

The Order provides that from the proceeds of the sale of the Bonds received from the Underwriter, the District will deposit with the Deposit Agent an amount, together with other lawfully available fund, if any, which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held uninvested by the Deposit Agent pending their disbursement to redeem the Refunded Bonds on the redemption date, and such funds will be irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Refunded Bonds.

U.S. Bank National Association, in its capacity as the paying agent and registrar for the Refunded Bonds, will verify at the time of delivery of the Bonds to the Underwriter that the cash deposited with the Deposit Agent will be sufficient to pay the principal of an dinterest on the Refunded Bonds on their redemption date.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

By the cash deposit with the Deposit Agent pursuant to the Deposit Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the order authorizing the issuance of the Refunded Bonds. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payment from the cash held for such purpose by the Deposit Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the order authorizing their issuance or for any other purpose. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Texas Permanent School Fund.

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2016, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 34 914 026	\$ 19 765 000	\$ 13 449 050	\$ 41 229 976	\$ 1 649 169
Accretion Payable:					
Capital Appreciation Bonds	<u>7 379 240</u>	<u>1 022 154</u>	<u>750 950</u>	<u>7 650 444</u>	<u>785 830</u>
Premium (Discount) on					
Issuance of Bonds:					
Premium	<u>5 671 296</u>	<u>2 595 957</u>	<u>820 653</u>	<u>7 446 600</u>	<u> </u>
Compensated Absences	<u>196 720</u>	<u> </u>	<u>39 077</u>	<u>157 643</u>	<u> </u>
Total Governmental					
Activities Long-term	<u>\$ 48 161 282</u>	<u>\$ 23 383 111</u>	<u>\$ 15 059 730</u>	<u>\$ 56 484 663</u>	<u>\$ 2 434 999</u>
Liabilities					

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2016

I. UNEARNED REVENUE AND UNAVAILABLE REVENUE

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
State Foundation	\$ 206 392	\$		\$	\$ 206 392
Existing Debt Allotment		82 383			82 383
Tuition and Fees	61 028				61 028
Total	<u>\$ 267 420</u>	<u>\$ 82 383</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 349 803</u>

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

Net Property Taxes	<u>\$ 1 613 937</u>	<u>\$ 450 703</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2 064 640</u>
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MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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	Capital Projects Fund	Other Funds	Total
Nonspendable:					
Prepays	\$ 47 240	\$	\$	\$	\$ 47 240
Inventory				49 997	49 997
Total Nonspendable	<u>47 240</u>			<u>49 997</u>	<u>97 237</u>
Restricted:					
Federal Grants				309 273	309 273
State Grants				31 633	31 633
Debt Service		3 079 522			3 079 522
Other			8 998 969	106 649	9 105 618
Total Restricted		<u>3 079 522</u>	<u>8 998 969</u>	<u>447 555</u>	<u>12 526 046</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				72 447	72 447
Total Assigned				<u>72 447</u>	<u>72 447</u>
Unassigned	<u>7 623 097</u>				<u>7 623 097</u>
Total Fund Balances	<u>\$ 8 670 337</u>	<u>\$ 3 079 522</u>	<u>\$ 8 998 969</u>	<u>\$ 569 999</u>	<u>\$ 21 318 827</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 11 126 311	\$ 3 479 227	\$	\$	\$ 14 605 538
Penalties, Interest & Other					
Tax Related Income	303 223	85 910			389 133
Investment Income	41 090	26 760	28 053	1 428	97 331
Food Sales				405 117	405 117
Co-curricular Student					
Activities	70 410			188 046	258 456
Services To Other Districts	55 760				55 760
Other	<u>316 851</u>	<u>1 024</u>	<u> </u>	<u>453 653</u>	<u>771 528</u>
	<u>\$ 11 913 645</u>	<u>\$ 3 592 921</u>	<u>\$ 28 053</u>	<u>\$ 1 048 244</u>	<u>\$ 16 582 863</u>

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

L. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Mabank ISD 2016 Employer Contributions	\$	<u>556,785</u>
Mabank ISD 2016 Member Contributions	\$	<u>1,350,817</u>
Mabank ISD 2015 NECE On-Behalf Contributions	\$	<u>963,057</u>

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

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

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

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2016

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age, Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflations Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

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

MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2016

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ <u>9,977,166</u>	\$ <u>6,367,815</u>	\$ <u>3,361,450</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the District reported a liability of \$6,367,815 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 6,347,815
State's proportionate share that is associated with the District	<u>11,493,476</u>
Total	<u><u>\$ 17,861,291</u></u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0180143%, which was an increase (decrease) of .0071623% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2015, the District recognized pension expense of \$1,637,635 and revenue of \$1,637,635 for support provided by the State.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37 284	\$ 244 721
Changes in actuarial assumptions	156 703	227 176
Difference between projected and actual investment earnings	903 776	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1 636 837	28 328
Total as of August 31, 2015 measurement date	2 734 600	500 225
Contributions paid to TRS subsequent to the measurement date	556 785	
Total as of fiscal year end	\$ 3 291 385	\$ 500 225

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

Year ended August 31:	Pension Expense Amount
2017	\$ 402 365
2018	402 365
2019	402 366
2020	623 856
2021	229 474
Thereafter	173 949

Long Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 2 898 719	\$ 4 002 506	\$ 533 410	\$ 6 367 815

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

M. HEALTH CARE

During the year ended August 31, 2016, 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 Aetna. 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 is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

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

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, 2016 is estimated by TRS at \$56,846.

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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, 2016 were \$157,643 and are recorded in the Long Term Debt Account Group.

P. SELF-INSURED WORKERS' COMPENSATION

During the year ended AUGUST 31, 2016 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 \$63,430, 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 \$192,376 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$132,406 covering plan periods ending August 31, 2016, and has accrued \$62,649 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, 2016 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 2016 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, 2016

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	\$ 11,238,000	\$ 11,761,507	\$ 11,913,645	\$ 152,138
5800	State Program Revenues	15,842,251	16,117,251	16,278,859	161,608
5900	Federal Program Revenues	253,500	478,500	477,482	(1,018)
5020	Total Revenues	27,333,751	28,357,258	28,669,986	312,728
EXPENDITURES:					
Current:					
0011	Instruction	15,702,262	15,683,227	15,496,382	186,845
0012	Instructional Resources and Media Services	420,292	435,292	409,290	26,002
0013	Curriculum and Instructional Staff Development	383,182	416,432	395,446	20,986
0021	Instructional Leadership	257,615	272,615	266,504	6,111
0023	School Leadership	1,601,200	1,616,707	1,616,454	253
0031	Guidance, Counseling and Evaluation Services	802,661	824,826	809,784	15,042
0032	Social Work Services	19,260	19,260	17,741	1,519
0033	Health Services	312,683	360,668	330,065	30,603
0034	Student (Pupil) Transportation	1,888,490	1,888,490	1,727,205	161,285
0035	Food Services	1,000	3,000	2,283	717
0036	Extracurricular Activities	1,253,191	1,256,826	1,182,921	73,905
0041	General Administration	1,038,297	1,060,297	1,057,027	3,270
0051	Facilities Maintenance and Operations	3,565,873	3,880,873	3,761,798	119,075
0052	Security and Monitoring Services	113,420	113,420	98,552	14,868
0053	Data Processing Services	380,521	380,521	354,334	26,187
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	50,000	41,661	8,339
Intergovernmental:					
0099	Other Intergovernmental Charges	265,000	265,000	261,366	3,634
6030	Total Expenditures	28,004,947	28,527,454	27,828,813	698,641
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(671,196)	(170,196)	841,173	1,011,369
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	160,000	166,500	166,650	150
7915	Transfers In	-	-	131,585	131,585
7949	Other Resources	-	145,000	-	(145,000)
7080	Total Other Financing Sources (Uses)	160,000	311,500	298,235	(13,265)
1200	Net Change in Fund Balances	(511,196)	141,304	1,139,408	998,104
0100	Fund Balance - September 1 (Beginning)	7,530,929	7,530,929	7,530,929	-
3000	Fund Balance - August 31 (Ending)	\$ 7,019,733	\$ 7,672,233	\$ 8,670,337	\$ 998,104

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-2

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0180143%	0.010852%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,367,815	\$ 2,898,719
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	11,493,476	9,140,887
Total	\$ 17,861,291	\$ 12,039,606
District's Covered-Employee Payroll	\$ 18,219,667	\$ 16,631,740
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	34.95%	17.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 556,785	\$ 542,288
Contribution in Relation to the Contractually Required Contribution	(556,785)	(542,288)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 18,763,139	\$ 18,219,667
Contributions as a Percentage of Covered-Employee Payroll	2.97%	2.98%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MABANK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

Changes of Benefit Terms

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

Changes of Assumptions

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

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

COMBINING STATEMENTS

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

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	\$ (29,537)	\$ (288,577)	\$ (119,907)	\$ (3,676)
1240 Receivables from Other Governments	45,168	321,564	192,712	5,503
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 15,631</u>	<u>\$ 32,987</u>	<u>\$ 72,805</u>	<u>\$ 1,827</u>
LIABILITIES				
2110 Accounts Payable	\$ 2,441	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	13,190	32,987	72,805	1,827
2180 Due to Other Governments	-	-	-	-
2000 Total Liabilities	<u>15,631</u>	<u>32,987</u>	<u>72,805</u>	<u>1,827</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>\$ 15,631</u>	<u>\$ 32,987</u>	<u>\$ 72,805</u>	<u>\$ 1,827</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	410 State Textbook Fund	427 Ready To Read
\$ 387,321	\$ -	\$ -	\$ -	\$ -	\$ (1,246)	\$ 35,314	\$ 116
60,606	-	11,281	775	-	-	-	-
2,108	-	-	-	-	1,246	-	-
49,997	-	-	-	-	-	-	-
<u>\$ 500,032</u>	<u>\$ -</u>	<u>\$ 11,281</u>	<u>\$ 775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,314</u>	<u>\$ 116</u>
\$ 139,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,419	\$ -
1,282	-	11,281	775	-	-	-	-
-	-	-	-	-	-	-	-
<u>140,762</u>	<u>-</u>	<u>11,281</u>	<u>775</u>	<u>-</u>	<u>-</u>	<u>7,419</u>	<u>-</u>
49,997	-	-	-	-	-	-	-
309,273	-	-	-	-	-	27,895	116
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>359,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,895</u>	<u>116</u>
<u>\$ 500,032</u>	<u>\$ -</u>	<u>\$ 11,281</u>	<u>\$ 775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,314</u>	<u>\$ 116</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	429 HB 5 Section 18.05 Contingency	461 Campus Activity Funds	480 Child Development Center	483 ExxonMobil Educational Alliance	
ASSETS					
1110	Cash and Cash Equivalents	\$ 3,979	\$ 93,053	\$ 2,108	\$ 1,909
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	22,087	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 3,979</u>	<u>\$ 93,053</u>	<u>\$ 24,195</u>	<u>\$ 1,909</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 4,325	\$ 2,108	\$ -
2160	Accrued Wages Payable	357	-	22,087	-
2180	Due to Other Governments	-	16,281	-	-
2000	Total Liabilities	<u>357</u>	<u>20,606</u>	<u>24,195</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	3,622	-	-	-
3490	Other Restricted Fund Balance	-	-	-	1,909
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	72,447	-	-
3000	Total Fund Balances	<u>3,622</u>	<u>72,447</u>	<u>-</u>	<u>1,909</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,979</u>	<u>\$ 93,053</u>	<u>\$ 24,195</u>	<u>\$ 1,909</u>

486 MISD Education Grants	490 MISD Fitness Center	Total Nonmajor Governmental Funds
\$ 29,505	\$ 77,734	\$ 188,096
-	-	637,609
-	-	25,441
-	-	49,997
<u>\$ 29,505</u>	<u>\$ 77,734</u>	<u>\$ 901,143</u>
\$ 2,499	\$ -	\$ 158,272
-	-	156,591
-	-	16,281
<u>2,499</u>	<u>-</u>	<u>331,144</u>
-	-	49,997
-	-	340,906
27,006	77,734	106,649
-	-	72,447
<u>27,006</u>	<u>77,734</u>	<u>569,999</u>
<u>\$ 29,505</u>	<u>\$ 77,734</u>	<u>\$ 901,143</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

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	198,110	1,071,104	871,348	21,853
5020 Total Revenues	<u>198,110</u>	<u>1,071,104</u>	<u>871,348</u>	<u>21,853</u>
EXPENDITURES:				
Current:				
0011 Instruction	198,110	1,021,094	707,162	21,853
0013 Curriculum and Instructional Staff Development	-	38,010	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	12,000	164,186	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>198,110</u>	<u>1,071,104</u>	<u>871,348</u>	<u>21,853</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	410 State Textbook Fund	427 Ready To Read
\$ 454,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,374	-	-	-	-	1,246	334,914	-
1,186,803	50,388	113,841	6,439	24,659	-	-	-
<u>1,651,007</u>	<u>50,388</u>	<u>113,841</u>	<u>6,439</u>	<u>24,659</u>	<u>1,246</u>	<u>334,914</u>	<u>-</u>
-	48,695	113,841	6,439	12,330	-	306,520	-
-	1,650	-	-	-	3,564	499	-
-	-	-	-	493	-	-	-
-	-	-	-	2,466	-	-	-
-	-	-	-	4,932	-	-	-
-	-	-	-	2,466	-	-	-
-	-	-	-	493	-	-	-
1,540,100	-	-	-	-	-	-	-
-	43	-	-	-	-	-	-
-	-	-	-	1,479	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,540,100</u>	<u>50,388</u>	<u>113,841</u>	<u>6,439</u>	<u>24,659</u>	<u>3,564</u>	<u>307,019</u>	<u>-</u>
110,907	-	-	-	-	(2,318)	27,895	-
248,363	-	-	-	-	2,318	-	116
<u>\$ 359,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,895</u>	<u>\$ 116</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	429 HB 5 Section 18.05 Contingency	461 Campus Activity Funds	480 Child Development Center	483 ExxonMobil Educational Alliance
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 188,046	\$ 333,302	\$ 1,000
5800 State Program Revenues	1,777	-	17,042	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,777</u>	<u>188,046</u>	<u>350,344</u>	<u>1,000</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,784	-	-	541
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	-	175,483	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	350,344	-
6030 Total Expenditures	<u>1,784</u>	<u>175,483</u>	<u>350,344</u>	<u>541</u>
1200 Net Change in Fund Balance	(7)	12,563	-	459
0100 Fund Balance - September 1 (Beginning)	<u>3,629</u>	<u>59,884</u>	<u>-</u>	<u>1,450</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,622</u>	<u>\$ 72,447</u>	<u>\$ -</u>	<u>\$ 1,909</u>

486 MISD Education Grants	490 MISD Fitness Center	Total Nonmajor Governmental Funds
\$ 33,381	\$ 37,685	\$ 1,048,244
-	-	364,353
-	-	3,544,545
<u>33,381</u>	<u>37,685</u>	<u>4,957,142</u>
-	-	2,438,369
-	-	43,723
-	-	493
-	-	2,466
-	-	181,118
-	-	2,466
-	-	493
-	-	1,540,100
14,414	2,388	192,328
-	-	1,479
-	560	560
-	-	350,344
<u>14,414</u>	<u>2,948</u>	<u>4,753,939</u>
18,967	34,737	203,203
8,039	42,997	366,796
<u>\$ 27,006</u>	<u>\$ 77,734</u>	<u>\$ 569,999</u>

REQUIRED TEA SCHEDULES

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
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	1.040000	0.340000	1,071,449,830
2015	1.040000	0.340000	1,080,489,293
2016 (School year under audit)	1.040000	0.325000	1,061,727,457
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 474,817	\$ -	\$ 22,342	\$ 3,196	\$ (20,756)	\$ 428,523
148,069	-	13,059	4,081	(5,045)	125,884
132,302	-	13,635	4,130	(3,934)	110,603
139,519	-	19,035	6,223	(5,090)	109,171
147,780	-	21,046	6,880	(5,836)	114,018
165,187	-	28,640	9,363	(4,661)	122,523
215,594	-	45,222	14,784	(5,862)	149,726
311,486	-	85,049	27,804	(9,113)	189,520
614,849	-	228,963	74,853	(18,274)	292,759
-	14,492,580	10,649,320	3,327,913	15,231	530,578
<u>\$ 2,349,603</u>	<u>\$ 14,492,580</u>	<u>\$ 11,126,311</u>	<u>\$ 3,479,227</u>	<u>\$ (63,340)</u>	<u>\$ 2,173,305</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2016

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/16 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 8,670,337
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 47,240	
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.	4,400,000	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	637,609	
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>6,084,849</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ 2,585,488</u>

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

The fund balance will be used for purchase of buses, purchase of equipment, replacement of roofs and additional needs due to student growth.

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, 2016

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	\$ 478,001	\$ 453,001	\$ 454,830	\$ 1,829
5800 State Program Revenues	9,775	9,775	9,374	(401)
5900 Federal Program Revenues	1,254,215	1,159,215	1,186,803	27,588
5020 Total Revenues	1,741,991	1,621,991	1,651,007	29,016
EXPENDITURES:				
0035 Food Services	1,757,610	1,637,610	1,540,100	97,510
6030 Total Expenditures	1,757,610	1,637,610	1,540,100	97,510
1200 Net Change in Fund Balances	(15,619)	(15,619)	110,907	126,526
0100 Fund Balance - September 1 (Beginning)	248,363	248,363	248,363	-
3000 Fund Balance - August 31 (Ending)	\$ 232,744	\$ 232,744	\$ 359,270	\$ 126,526

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, 2016

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	\$ 3,580,000	\$ 3,565,000	\$ 3,592,921	\$ 27,921
5800	State Program Revenues	245,000	200,000	236,543	36,543
5020	Total Revenues	3,825,000	3,765,000	3,829,464	64,464
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,424,050	1,424,050	1,284,050	140,000
0072	Interest on Long Term Debt	1,908,171	1,908,171	2,045,342	(137,171)
0073	Bond Issuance Cost and Fees	3,000	198,000	188,094	9,906
6030	Total Expenditures	3,335,221	3,530,221	3,517,486	12,735
1100	Excess of Revenues Over Expenditures	489,779	234,779	311,978	77,199
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	9,765,000	9,765,000	-
7916	Premium or Discount on Issuance of Bonds	-	2,595,000	2,595,957	957
8949	Other (Uses)	-	(12,165,000)	(12,165,000)	-
7080	Total Other Financing Sources (Uses)	-	195,000	195,957	957
1200	Net Change in Fund Balances	489,779	429,779	507,935	78,156
0100	Fund Balance - September 1 (Beginning)	2,571,587	2,571,587	2,571,587	-
3000	Fund Balance - August 31 (Ending)	\$ 3,061,366	\$ 3,001,366	\$ 3,079,522	\$ 78,156

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

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

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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, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2016.

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,

Smith, Lambright & Associates, P.C.

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

November 16, 2016

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
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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 the Uniform Guidance**

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 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, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended August 31, 2016, and have issued our report thereon dated November 16, 2016 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 the Uniform Guidance 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.

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

November 16, 2016

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2016

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 Title 2 CFR 200.516(a) _____ 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: \$ 750,000

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, 2016

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

N/A

MABANK INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

N/A

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 5,107
Total Direct Programs			\$ 5,107
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16-610101129905	\$ 999,304
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17-610101129905	71,800
Total CFDA Number 84.010A			1,071,104
*IDEA - Part B, Formula	84.027	16-660001129905	794,320
*IDEA - Part B, Formula	84.027	17-660001129905	77,028
Total CFDA Number 84.027			871,348
*IDEA - Part B, Preschool	84.173	16-661001129905	20,026
*IDEA - Part B, Preschool	84.173	17-661001129905	1,827
Total CFDA Number 84.173			21,853
Total Special Education Cluster (IDEA)			893,201
Career and Technical - Basic Grant	84.048	16-420006129905	50,388
Title III, Part A - English Language Acquisition	84.365A	16-671001057950	5,664
Title III, Part A - English Language Acquisition	84.365A	17-671001057950	775
Total CFDA Number 84.365A			6,439
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16-694501057950	102,560
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17-694501057950	11,281
Total CFDA Number 84.367A			113,841
Total Passed Through State Department of Education			\$ 2,134,973
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,140,080
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	\$ 24,659
Total Passed Through Texas Dept of Human Services			\$ 24,659
<u>Passed Through State Department of Education</u>			
Head Start	93.600	16-06CH7092	\$ 184,920
Head Start	93.600	17-06CH7092	13,190
Total CFDA Number 93.600			198,110
Total Passed Through State Department of Education			\$ 198,110
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 222,769
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553		\$ 249,906
**National School Lunch Program-Cash Assistance	10.555		824,954
**National School Lunch Prog.-Non-Cash Assistance	10.555		111,943
Total CFDA Number 10.555			936,897
Total Child Nutrition Cluster			1,186,803
Total Passed Through the State Department of Agriculture			\$ 1,186,803

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 1,186,803
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,549,652</u>

*Clustered Programs
 **Clustered Programs

Note A - Impact Aid of \$5,107 is included in the General Fund.

Note B - Funds received from the SHARS program of \$472,375 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, 2016

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

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

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of the Period of Availability of Federal Funds.
- The National School Breakfast and Lunch Programs and the USDA donated commodities are accounted for in the nonmajor governmental funds. The Impact Aid, if any, is accounted for in the General Fund. Expenditures are not specifically attributable to these revenue sources and are shown on this schedule in an amount equal to revenue for balancing purposes only. The revenue for indirect costs is recognized in the General Fund.
- The expenditures shown on the Schedule of Expenditures of Federal Awards (SEFA) does not equal to total federal revenues shown on Exhibit C-3 by the amount of federal revenue recorded in various funds as shown below. These amounts are not subject to the Single Audit Act and are not required to be included in the SEFA.

Amount reported on the Schedule of Expenditures of Federal Awards \$	3 549 652
SHARS Revenue reported in the General Fund	472 375
Federal Program Revenue Reported on Exhibit C-3	\$ 4 022 027