

MABANK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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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, 2018 at a meeting of the board of school trustees of such school district on the _____ day of _____, 2018.

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2018, 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 Required Supplementary Information and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, schedule of the District's proportionate share of the net OPEB liability - TRS, schedule of District contributions for other post-employment benefits - 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, schedule of the District's proportionate share of the net OPEB liability - TRS, schedule of District contributions for other post-employment benefits - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial 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 and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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

December 11, 2018

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, 2018. 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. Current year's revenues and expenses are recorded regardless of cash payment and disbursement timing. 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, 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. A complete assessment of the overall health of the District 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 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 is operating under GASB Statement #34. 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 decreased from \$11,847,774 to (\$2,486,223). This change in governmental net assets was a result of operations and the impact of adjustments for GASB statements #68 and #75. The Statement of Net Position includes the elements required by GASB Statements #68 and #75, including Deferred Outflows related to TRS Pension and OPEB, Deferred Inflows related to TRS Pension and OPEB, and Net Pension and OPEB Liabilities (District Share). 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 decreased to (\$8,512,938) at August 31, 2018. This decrease was due to the prior period adjustment for Other Postemployment Benefits per GASB #75.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$11,707,435, which is lower than last year's total of \$12,207,717. Included in this year's total change in fund balance is an increase of \$213,417 in the District's General Fund, an increase of \$87,072 in the Debt Service Fund, a decrease of \$754,740 in the Capital Projects, and a decrease of \$46,031 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 2018, the District had \$55,180,956 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 2018, the District had \$37,939,995 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 2018-2019 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 continues to maintain the same total tax rate of \$1.365. Student growth continues to be steady and manageable. Property values continue to rise. The District's facilities are sufficient for the current and expected short-term needs.

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

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 2018	Governmental Activities 2017	Increase (Decrease)
Current and Other Assets	\$16,086,403	\$17,267,035	(\$1,180,632)
Capital Assets	<u>\$55,180,956</u>	<u>\$56,120,723</u>	(\$939,767)
Total Assets	\$71,267,359	\$73,387,758	(\$2,120,399)
Long-term Liabilities	\$52,605,292	\$54,592,236	(\$1,986,944)
Net Pension and OPEB Liabilites	\$15,914,870	\$5,991,196	\$9,923,674
Other Liabilities	<u>\$2,383,281</u>	<u>\$2,943,353</u>	(\$560,072)
Total Liabilities	\$70,903,443	\$63,526,785	\$7,376,658
Deferred Resources Outflow TRS	\$2,621,937	\$2,682,770	(\$60,833)
Deferred Resources Inflow TRS	<u>(\$5,472,076)</u>	<u>(\$695,969)</u>	(\$4,776,107)
Total Deferred Resources	(\$2,850,139)	\$1,986,801	\$4,715,274
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	\$2,575,664	\$1,528,487	\$1,047,177
Restricted	\$3,451,051	\$4,228,816	(\$777,765)
Unrestricted	<u>(\$8,512,938)</u>	<u>\$6,090,471</u>	(\$14,603,409)
Total Net Position	<u>(\$2,486,223)</u>	<u>\$11,847,774</u>	<u>(\$14,333,997)</u>

Table II
Mabank Independent School District

CHANGES IN NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	\$916,520	\$899,780	\$16,740
Operating Grants and Contributions	\$564,355	\$5,210,233	(\$4,645,878)
General Revenues:			
Maintenance and Operations Taxes	\$14,960,045	\$14,393,356	\$566,689
State Aid-Formula Grants	\$16,059,088	\$15,090,825	\$968,263
Grants and Contributions not restricted to specific functions	\$0	\$515,774	(\$515,774)
Investments Earnings	\$243,314	\$192,086	\$51,228
Miscellaneous	<u>\$1,017,033</u>	<u>\$958,746</u>	<u>\$58,287</u>
Total Revenue	\$33,760,355	\$37,260,800	(\$3,500,445)
Expenses:			
Instruction, Curriculum and Media Services	\$15,079,281	\$21,062,528	(\$5,983,247)
Instructional and School Leadership	\$1,336,979	\$1,988,840	(\$651,861)
Student Support Services	\$2,428,489	\$3,004,575	(\$576,086)
Child Nutrition	\$1,785,282	\$1,711,568	\$73,714
Co-curricular Activities	\$1,741,065	\$1,827,320	(\$86,255)
General Administration	\$777,792	\$1,070,152	(\$292,360)
Plant Maintenance, Security & Data Processing	\$4,382,817	\$4,535,627	(\$152,810)
Community Service	\$297,440	\$387,547	(\$90,107)
Debt Services	\$1,829,780	\$1,891,566	(\$61,786)
Facility Acquisition/Construction	\$0	\$0	\$0
Intergovernmental	<u>\$274,087</u>	<u>\$270,812</u>	<u>\$3,275</u>
Total Expenses	\$29,933,012	\$37,750,535	(\$7,817,523)
Increase (Decrease) in Net Position before transfers and Special items	\$3,827,343	(\$489,735)	\$4,317,078
Net Position at Beginning of Period	\$11,847,774	\$12,337,509	(\$489,735)
Prior Period Adjustment	<u>(\$18,161,340)</u>	<u>\$0</u>	<u>(\$18,161,340)</u>
Net Position at end of Period	<u>(\$2,486,223)</u>	<u>\$11,847,774</u>	<u>(\$14,333,997)</u>

FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 701,443
1120 Current Investments	10,775,917
1220 Property Taxes - Delinquent	1,940,018
1230 Allowance for Uncollectible Taxes	(97,001)
1240 Due from Other Governments	2,542,142
1260 Internal Balances	(2,358)
1267 Due from Fiduciary Funds	2,358
1290 Other Receivables, Net	32,055
1300 Inventories	112,501
1410 Prepayments	70,538
1490 Other Current Assets	8,790
Capital Assets:	
1510 Land	1,318,672
1520 Buildings, Net	50,461,240
1530 Furniture and Equipment, Net	3,401,044
1000 Total Assets	71,267,359
DEFERRED OUTFLOWS OF RESOURCES	
1703 Deferred Resource Outflow Related to TRS OPEB	172,451
1705 Deferred Resource Outflow Related to TRS Pension	2,449,486
1700 Total Deferred Outflows of Resources	2,621,937
LIABILITIES	
2110 Accounts Payable	533,250
2140 Interest Payable	59,246
2150 Payroll Deductions and Withholdings	13,980
2160 Accrued Wages Payable	1,714,029
2180 Due to Other Governments	16,281
2300 Unearned Revenue	46,495
Noncurrent Liabilities:	
2501 Due Within One Year	2,009,452
2502 Due in More Than One Year	50,595,840
2540 Net Pension Liability (District's Share)	5,558,407
2545 Net OPEB Liability (District's Share)	10,356,463
2000 Total Liabilities	70,903,443
DEFERRED INFLOWS OF RESOURCES	
2603 Deferred Resource Inflow Related to TRS OPEB	4,332,128
2605 Deferred Resource Inflow Related to TRS Pension	1,139,948
2600 Total Deferred Inflows of Resources	5,472,076
NET POSITION	
3200 Net Investment in Capital Assets	2,575,664
3820 Restricted for Federal and State Programs	77,973
3850 Restricted for Debt Service	3,107,880
3870 Restricted for Campus Activities	102,688
3890 Restricted for Other Purposes	162,510
3900 Unrestricted	(8,512,938)
3000 Total Net Position	\$ (2,486,223)

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, 2018

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Position

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 14,346,235	\$ 124,483	\$ 59,939	\$ (14,161,813)
12	Instructional Resources and Media Services	418,932	-	(51,936)	(470,868)
13	Curriculum and Instructional Staff Development	314,114	-	27,973	(286,141)
21	Instructional Leadership	198,866	-	(47,131)	(245,997)
23	School Leadership	1,138,113	-	(306,137)	(1,444,250)
31	Guidance, Counseling and Evaluation Services	801,096	-	136,071	(665,025)
32	Social Work Services	13,952	-	(4,325)	(18,277)
33	Health Services	228,308	-	(53,369)	(281,677)
34	Student (Pupil) Transportation	1,385,133	-	(239,714)	(1,624,847)
35	Food Services	1,785,282	380,269	1,372,327	(32,686)
36	Extracurricular Activities	1,741,065	381,393	(133,096)	(1,492,768)
41	General Administration	777,792	-	(123,160)	(900,952)
51	Facilities Maintenance and Operations	3,818,004	30,375	(182,539)	(3,970,168)
52	Security and Monitoring Services	161,216	-	(8,855)	(170,071)
53	Data Processing Services	403,597	-	(44,612)	(448,209)
61	Community Services	297,440	-	(57,073)	(354,513)
72	Debt Service - Interest on Long-Term Debt	1,827,353	-	219,992	(1,607,361)
73	Debt Service - Bond Issuance Cost and Fees	2,427	-	-	(2,427)
99	Other Intergovernmental Charges	274,087	-	-	(274,087)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 29,933,012	\$ 916,520	\$ 564,355	(28,452,137)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	11,395,304
DT	Property Taxes, Levied for Debt Service	3,564,741
SF	State Aid - Formula Grants	16,059,088
IE	Investment Earnings	243,314
MI	Miscellaneous Local and Intermediate Revenue	1,017,033
TR	Total General Revenues	32,279,480
CN	Change in Net Position	3,827,343
NB	Net Position - Beginning	11,847,774
PA	Prior Period Adjustment	(18,161,340)
NE	Net Position--Ending	\$ (2,486,223)

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 759,773	\$ 53,546	\$ -
1120 Investments - Current	7,601,449	2,999,249	-
1220 Property Taxes - Delinquent	1,515,434	424,584	-
1230 Allowance for Uncollectible Taxes	(75,772)	(21,229)	-
1240 Due from Other Governments	1,662,845	55,085	-
1260 Due from Other Funds	2,358	-	-
1290 Other Receivables	-	-	-
1300 Inventories	-	-	-
1410 Prepayments	70,538	-	-
1490 Other Current Assets	8,790	-	-
1000 Total Assets	<u>\$ 11,545,415</u>	<u>\$ 3,511,235</u>	<u>\$ -</u>
LIABILITIES			
2110 Accounts Payable	\$ 370,699	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	13,980	-	-
2160 Accrued Wages Payable	1,528,338	-	-
2170 Due to Other Funds	2,358	-	-
2180 Due to Other Governments	-	-	-
2300 Unearned Revenue	46,495	-	-
2000 Total Liabilities	<u>1,961,870</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,439,662	403,355	-
2600 Total Deferred Inflows of Resources	<u>1,439,662</u>	<u>403,355</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
3430 Prepaid Items	70,538	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	3,107,880	-
3490 Other Restricted Fund Balance	-	-	-
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	7,073,345	-	-
3000 Total Fund Balances	<u>8,143,883</u>	<u>3,107,880</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,545,415</u>	<u>\$ 3,511,235</u>	<u>\$ -</u>

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

Other Funds	Total Governmental Funds
\$ (148,573)	\$ 664,746
-	10,600,698
-	1,940,018
-	(97,001)
824,212	2,542,142
-	2,358
32,055	32,055
112,501	112,501
-	70,538
-	8,790
<u>\$ 820,195</u>	<u>\$ 15,876,845</u>
\$ 162,551	\$ 533,250
-	13,980
185,691	1,714,029
-	2,358
16,281	16,281
-	46,495
<u>364,523</u>	<u>2,326,393</u>
-	1,843,017
<u>-</u>	<u>1,843,017</u>
112,501	112,501
-	70,538
77,973	77,973
-	3,107,880
162,510	162,510
-	500,000
-	500,000
102,688	102,688
-	7,073,345
<u>455,672</u>	<u>11,707,435</u>
<u>\$ 820,195</u>	<u>\$ 15,876,845</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	11,707,435
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.		211,916
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 \$87,922,628 and the accumulated depreciation was (\$31,801,905). 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 \$54,592,236. 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. Note: Beginning Balances related to TRS are NOT included in this amount.		1,528,487
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 2018 capital outlays and debt principal payments is to increase (decrease) net position.		3,588,303
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. The net position related to TRS included a deferred resource outflow in the amount of \$2,449,486 a deferred resource inflow in the amount of \$1,139,948, and a net pension liability in the amount of \$5,558,407. This resulted in an increase (decrease) in net position.		(4,248,869)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$172,451, a deferred resource inflow in the amount of \$4,332,128 and a net OPEB liability in the amount of \$10,356,463.. This resulted in an increase (decrease) in net position.		(14,516,140)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,492,037)
7 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.		1,734,682
19 Net Position of Governmental Activities	\$	(2,486,223)

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 12,173,505	\$ 3,717,962	\$ 11,242
5800 State Program Revenues	17,411,734	219,992	-
5900 Federal Program Revenues	457,976	-	-
5020 Total Revenues	<u>30,043,215</u>	<u>3,937,954</u>	<u>11,242</u>
EXPENDITURES:			
Current:			
0011 Instruction	16,616,126	-	-
0012 Instructional Resources and Media Services	438,331	-	-
0013 Curriculum and Instructional Staff Development	467,163	-	-
0021 Instructional Leadership	298,740	-	-
0023 School Leadership	1,729,632	-	-
0031 Guidance, Counseling and Evaluation Services	860,364	-	-
0032 Social Work Services	21,351	-	-
0033 Health Services	328,624	-	-
0034 Student (Pupil) Transportation	1,558,723	-	-
0035 Food Services	761	-	-
0036 Extracurricular Activities	1,388,108	-	-
0041 General Administration	1,046,363	-	-
0051 Facilities Maintenance and Operations	4,154,726	-	-
0052 Security and Monitoring Services	180,154	-	-
0053 Data Processing Services	509,791	-	-
0061 Community Services	1,791	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	1,640,812	-
0072 Interest on Long-Term Debt	-	2,207,643	-
0073 Bond Issuance Cost and Fees	-	2,427	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	163,967	-	765,982
Intergovernmental:			
0099 Other Intergovernmental Charges	274,087	-	-
6030 Total Expenditures	<u>30,038,802</u>	<u>3,850,882</u>	<u>765,982</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,413</u>	<u>87,072</u>	<u>(754,740)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	130,101	-	-
7915 Transfers In	87,303	-	-
8949 Other (Uses)	(8,400)	-	-
7080 Total Other Financing Sources (Uses)	<u>209,004</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	213,417	87,072	(754,740)
0100 Fund Balance - September 1 (Beginning)	<u>7,930,466</u>	<u>3,020,808</u>	<u>754,740</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,143,883</u>	<u>\$ 3,107,880</u>	<u>\$ -</u>

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

	Other Funds	Total Governmental Funds
\$	1,150,457	\$ 17,053,166
	513,294	18,145,020
	3,540,537	3,998,513
	5,204,288	39,196,699
	2,347,730	18,963,856
	-	438,331
	52,792	519,955
	-	298,740
	-	1,729,632
	260,808	1,121,172
	-	21,351
	-	328,624
	-	1,558,723
	1,883,016	1,883,777
	298,014	1,686,122
	-	1,046,363
	623	4,155,349
	8,625	188,779
	-	509,791
	398,711	400,502
	-	1,640,812
	-	2,207,643
	-	2,427
	-	929,949
	-	274,087
	5,250,319	39,905,985
	(46,031)	(709,286)
	-	130,101
	-	87,303
	-	(8,400)
	-	209,004
	(46,031)	(500,282)
	501,703	12,207,717
\$	455,672	\$ 11,707,435

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, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(500,282)
<p>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.</p>		
		(83,398)
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		3,588,303
<p>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.</p>		
		(2,492,037)
<p>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 increase (decrease) net position.</p>		
		(85,969)
<p>GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$597,074. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling \$562,367. Finally, the proportionate share of the pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$279,181. The net result is an increase (decrease) in the change in net position.</p>		
		(244,474)
<p>GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$170,832. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$122,473. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by (\$3,596,841). The net result is an increase (decrease) in the change in net position.</p>		
		3,645,200
Change in Net Position of Governmental Activities		\$ 3,827,343

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, 2018

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 36,697
Investments - Current	<u>175,219</u>
Total Assets	<u>211,916</u>
NET POSITION	
Unrestricted Net Position	<u>211,916</u>
Total Net Position	<u><u>\$ 211,916</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, 2018

	Governmental Activities -
	Internal Service Fund
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	\$ 3,905
Total Nonoperating Revenues (Expenses)	<u>3,905</u>
Income Before Transfers	3,905
Transfers Out	<u>(87,303)</u>
Change in Net Position	(83,398)
Total Net Position - September 1 (Beginning)	<u>295,314</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 211,916</u></u>

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, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(87,303)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	3,905
Net Decrease in Cash and Cash Equivalents	(83,398)
Cash and Cash Equivalents at Beginning of Year	295,314
Cash and Cash Equivalents at End of Year	\$ 211,916
<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, 2018

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 27,054	\$ 216,322
Total Assets	<u>27,054</u>	<u>\$ 216,322</u>
LIABILITIES		
Accounts Payable	4,500	\$ 1,224
Due to Student Groups	-	215,098
Total Liabilities	<u>4,500</u>	<u>\$ 216,322</u>
NET POSITION		
Restricted for Scholarships	22,354	
Restricted for Other Purposes	200	
Total Net Position	<u>\$ 22,554</u>	

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

MABANK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 38,058
Total Additions	<u>38,058</u>
DEDUCTIONS:	
Other Operating Costs	<u>26,347</u>
Total Deductions	<u>26,347</u>
Change in Net Position	11,711
Total Net Position - September 1 (Beginning)	<u>10,843</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 22,554</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, 2018

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.

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

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.

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

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.

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.

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

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 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, 2018

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, 2018

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.

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

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.

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.

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

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.
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.

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

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, 2018

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	\$ 1 318 672	\$	\$ 1 318 672	
Buildings & Improvements	68 002 305	25 891 086	42 111 219	
Furniture & Equipment	9 274 726	5 910 819	3 363 907	
Construction in Progress	<u>9 326 925</u>		<u>9 326 925</u>	
Totals	<u>\$ 87 922 628</u>	<u>\$ 31 801 905</u>		
Change in Net Position				<u>\$ 56 120 723</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 39 580 807	
Accretion Payable			7 849 003	
Premium (Discount) on Issuance of Bonds			6 938 501	
Compensated Absences			<u>223 925</u>	
Change in Net Position				<u>(54 592 236)</u>
Net Adjustment to Net Position				<u>\$ 1 528 487</u>

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

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	40 980		
Furniture & Equipment	626 157		
Construction in Progress	1 280 354		
Total Capital Outlay	1 947 491	1 947 491	1 947 491
Debt Payments:			
Bond Principal	1 640 812		
Total Principal Payments	1 640 812	1 640 812	1 640 812
Total Adjustment to Net Position		\$ 3 588 303	\$ 3 588 303

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

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:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Position</u>
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 476 439	\$ (476 439)	\$
Uncollected taxes(assumed collectible) from Current Year Levy	438 416	438 416	438 416
Uncollected Taxes (assumed collectible) from Prior Year Levy	1 404 601		1 404 601
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	948 138	(948 138)	(948 138)
Current Year Paid	819 187	819 187	819 187
Reclassify Liabilities Incurred but not Liquidated this Year:			
Unused Vacation Pay and/or Unused Sick Leave	33 015	(33 015)	(33 015)
Accrued Interest on Debt:			
Prior Year	60 389	60 389	
Current Year	59 246	(59 246)	(59 246)
Bond Premium Amortization:			
Current Year	508 098	508 098	508 098
Capital Asset Adjustment	395 221	<u>(395 221)</u>	<u>(395 221)</u>
Total		<u>\$ (85 969)</u>	<u>\$ 1 734 682</u>

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

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:

	August 31, 2018 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 178 328
Non-appropriated Budget Funds	<u>277 344</u>
All Special Revenue Funds	<u>\$ 455 672</u>

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District made expenditures in excess of the budgeted amount in functional areas of the General Fund in amounts that were immaterial in relation to the total ledger. The District should review planned expenditures to make certain they are within the budgeted amounts.

C. 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. Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. 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 2018-2019 budget.

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

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 2017-2018 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 \$5,513,704 and occurred on January 2, 2018. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$6,138,521. 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, 2018

- 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, 2018, the amount of the District's cash balance in checking accounts was \$944,819.

INVESTMENTS - CASH EQUIVALENTS

The District's investments - cash equivalents at August 31, 2018, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Texpool	\$ 8 603 783	\$ 8 604 826	.090411
First Public / Lone Star Investment Pool	2 171 042	2 170 755	.126027
MBIA Texas Class	<u>1 092</u>	<u>1 099</u>	.202740
 Total Investments	 <u>\$ 10 775 917</u>	 <u>\$ 10 776 680</u>	

INVESTMENTS - OTHER

The District's investments - other at August 31, 2018, are shown below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
N/A	<u>\$</u>	<u>\$</u>	
 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, 2018

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 on January 1, 2017 upon which the levy for the 2017-2018 fiscal year was based, was \$1,102,458,426. The tax rates assessed for the year ended August 31, 2018 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, 2018 were 96.9% of the year end adjusted tax levy. As of August 31, 2018, property taxes receivable totaled \$1,515,434 and \$424,584 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, 2018 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
State Entitlements	\$ 1 662 845	\$	\$	\$	\$ 1 662 845
Federal Grants				491 216	491 216
State Grants				332 996	332 996
Existing Debt Allotment		55 085			55 085
Total	<u>\$ 1 662 845</u>	<u>\$ 55 085</u>	<u>\$ 0</u>	<u>\$ 824 212</u>	<u>\$ 2 542 142</u>

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2018 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Due From</u>	<u>Due to</u>
General Fund:		
General Fund	<u>\$ 2 358</u>	<u>\$ 2 358</u>

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Internal Service Fund	<u>\$ 87 303</u>	<u>\$</u>
Internal Service Fund:		
General Fund	<u></u>	<u>87 303</u>
Totals	<u>\$ 87 303</u>	<u>\$ 87 303</u>

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

E. RECEIVABLES AND PAYABLES

Receivables at August 31, 2018, were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property Taxes (Net)	\$ 1 439 662	\$ 403 355		\$	\$ 1 843 017
Other Governments	1 662 845	55 085		824 212	2 542 142
Other Funds	2 358				2 358
Other Receivables				32 055	32 055
Totals	<u>\$ 3 104 865</u>	<u>\$ 458 440</u>	<u>\$ 0</u>	<u>\$ 856 267</u>	<u>\$ 4 419 572</u>

Payables at August 31, 2018, were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Accounts Payable	\$ 370 699	\$	\$	\$ 162 551	\$ 533 250
Other Funds	2 358				2 358
Accrued Wages	1 528 338			185 691	1 714 029
Payroll Deductions	13 980				13 980
Other Governments				16 281	16 281
Totals	<u>\$ 1 915 375</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 364 523</u>	<u>\$ 2 279 898</u>

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

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ 1 318 672	\$	\$	\$ 1 318 672
Construction in Progress	9 326 925	1 280 354	(10 607 279)	0
Non Depreciable Assets - Grants				
Subtotal Nondepreciable Assets	<u>10 645 597</u>	<u>1 280 354</u>	<u>(10 607 279)</u>	<u>1 318 672</u>
Depreciable Capital Assets				
Building & Improvements	68 002 305	40 980	(275 723)	78 172 779
			10 405 217	
Furniture & Equipment	9 274 726	626 157	(540 490)	9 562 455
			202 062	
Subtotal Depreciable Assets	<u>77 277 031</u>	<u>667 137</u>	<u>9 791 066</u>	<u>87 735 234</u>
Total at Historical Cost	<u>87 922 628</u>	<u>1 947 491</u>	<u>(816 213)</u>	<u>89 053 906</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	25 891 086	1 852 994	(32 541)	27 711 539
Furniture & Equipment	<u>5 910 819</u>	<u>639 043</u>	<u>(388 451)</u>	<u>6 161 411</u>
Total Accumulated Depreciation	<u>31 801 905</u>	<u>2 492 037</u>	<u>(420 992)</u>	<u>33 872 950</u>
Governmental Activities Capital Assets, Net				
	<u>\$ 56 120 723</u>	<u>\$ (544 546)</u>	<u>\$ (395 221)</u>	<u>\$ 55 180 956</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$	1 529 139
12	Instructional Resources and Media Services		75 192
13	Curriculum & Instructional Staff Development		57 008
23	School Leadership		23 491
31	Guidance, Counseling and Evaluation Services		20 236
33	Health Services		5 573
34	Student (Pupil) Transportation		243 132
35	Food Services		79 187
36	Cocurricular/Extracurricular Activities		349 366
41	General Administration		15 013
51	Plant Maintenance and Operations		48 078
52	Security and Monitoring Services		36 441
53	Data Processing/Technology		9 848
61	Community Services		333
	Total Depreciation Expense	<u>\$</u>	<u>2 492 037</u>

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

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, 2018 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/17</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 8/31/18</u>	<u>Interest Current Year</u>
Unlimited Tax School Building and Refunding Bonds Series 2002	4.0% to 5.98%	\$ 8 101 432	\$ 990 683		\$ 350 812	\$ 639 871	\$ 819 188
Unlimited Tax School Building and Refunding Bonds Series 2006	4.0% to 5.0%	\$ 31 665 041	\$ 50 041			\$ 50 041	
Unlimited Tax Refunding Bonds Series 2012	2.0% to 3.42%	\$ 6 095 083	\$ 4 285 083		\$ 555 000	\$ 3 730 083	\$ 22 100
Unlimited Tax Refunding Bonds Series 2014	2.0% to 4.0%	\$ 6 705 000	\$ 6 350 000		\$ 160 000	\$ 6 190 000	\$ 240 800
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	\$ 19 010 000		\$ 575 000	\$ 18 435 000	\$ 791 400
Totals			<u>\$ 39 580 807</u>	<u>\$ 0</u>	<u>\$ 1 640 812</u>	<u>\$ 37 939 995</u>	<u>\$ 2 207 643</u>

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

Debt service requirements are as follows:

<u>Year Ended</u> <u>August 31</u>	General Obligations		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
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	695 732	3 151 673	3 847 405
2023	1 888 930	1 960 075	3 849 005
2024 - 2028	9 903 888	9 332 938	19 236 826
2029 - 2033	13 971 130	5 265 646	19 236 776
2034 - 2038	7 700 000	876 755	8 576 755
2039 - 2041	1 535 000	124 600	1 659 600
Totals	\$ 37 939 995	\$ 30 015 735	\$ 67 955 730

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, 2018.

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, 2018 \$54,254,921 considered defeased in prior years are still outstanding.

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

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 39 580 807	\$ _____	\$ 1 640 812	\$37 939 995	\$1 154 723
Accretion Payable:					
Capital Appreciation Bonds	<u>7 849 003</u>	<u>948 138</u>	<u>819 187</u>	<u>7 977 954</u>	<u>854 729</u>
Premium (Discount) on Issuance of Bonds:					
Premium	<u>6 938 501</u>	<u>_____</u>	<u>508 098</u>	<u>6 430 403</u>	<u>_____</u>
Compensated Absences	<u>223 925</u>	<u>33 015</u>	<u>_____</u>	<u>256 940</u>	<u>_____</u>
Total Governmental Activities Long-term Liabilities					
	<u>\$ 54 592 236</u>	<u>\$ 981 153</u>	<u>\$ 2 968 097</u>	<u>\$ 52 605 292</u>	<u>\$ 2 009 452</u>

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

I. UNEARNED REVENUE AND UNAVAILABLE REVENUE

Unearned revenue at the fiscal year-end 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>
Tuition and Fees	\$ 46 495	\$	\$	\$	\$ 46 495
Total	<u>\$ 46 495</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 46 495</u>

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

Net Property Taxes	<u>\$ 1 439 662</u>	<u>\$ 403 355</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1 843 017</u>
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MABANK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

J. FUND BALANCE

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

<u>Fund Balance</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:					
Inventory	\$	\$	\$	\$ 112 501	\$ 112 501
Prepaid Items	70 538				70 538
Restricted:					
Federal Grants				65 827	65 827
State Grants				12 146	12 146
Debt Service		3 107 880			3 107 880
Capital Projects					
Other				162 510	162 510
Committed:					
Construction	500 000				500 000
Other	500 000				500 000
Assigned:					
Campus Activity				102 688	102 688
Unassigned	<u>7 073 345</u>				<u>7 073 345</u>
Total Fund Balances	<u>\$ 8 143 883</u>	<u>\$ 3 107 880</u>	<u>\$ 0</u>	<u>\$ 455 672</u>	<u>\$ 11 707 435</u>

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

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	\$ 11 430 221	\$ 3 567 847	\$	\$	\$ 14 998 068
Penalties, Interest & Other					
Tax Related Income	222 972	66 137			289 109
Investment Income	143 224	83 978	11 242	965	239 409
Food Sales				373 915	373 915
Co-curricular Student					
Activities	133 371			254 376	387 747
Services To Other Districts	55 500				55 500
Other	<u>188 217</u>			<u>521 201</u>	<u>709 418</u>
	<u>\$ 12 173 505</u>	<u>\$ 3 717 962</u>	<u>\$ 11 242</u>	<u>\$ 1 150 457</u>	<u>\$ 17 053 166</u>

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

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.texas.gov/TRS%20Documents/cafr2016.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic 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, 2018

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

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Current Fiscal Year Contributions		\$ <u>597 074</u>
District's 2018 Current Fiscal Year Member Contributions		\$ <u>1 544 567</u>
District's 2017 Measurement Year NECE On-Behalf Contributions		\$ <u>991 691</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, a privately sponsored source, from non-educational and general, or local funds.

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

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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age, Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
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, 2018

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, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
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	<u>100%</u>		<u>8.7%</u>

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

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

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 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>9 370 377</u>	\$ <u>5 558 407</u>	\$ <u>2 384 324</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the District reported a liability of \$5,558,407 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	\$ 5 558 407
State's proportionate share that is associated with the District	9 695 318
Total	<u>\$ 15 253 725</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was .0173838148%, which was an increase (decrease) of .0015292709% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$739,520 and revenue of \$739,520 for support provided by the State.

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

At August 31, 2018, 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	\$ 81 322	\$ 299 758
Changes in actuarial assumptions	253 194	144 948
Difference between projected and actual investment earnings		405 084
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1 517 896	290 158
Total as of August 31, 2017 measurement date	1 852 412	1 139 948
Contributions paid to TRS subsequent to the measurement date	597 074	
Total as of fiscal year end	\$ 2 449 486	\$ 1 139 948

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

Year ended August 31:	Pension Expense Amount
2019	\$ 109 096
2020	463 903
2021	81 834
2022	(28 899)
2023	32 539
Thereafter	53 991

Long Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 5 991 196	\$ 136 951	\$ 569 740	\$ 5 558 407

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

M. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Plan Premium Rates
 Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82
* or surviving spouse			

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

Contributions

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

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

CONTRIBUTION RATES		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
District's 2018 Employer Contributions		\$ 170 832
District's 2018 Member Contributions		\$ 130 386
District's 2017 NECE On-behalf Contributions		\$ 177 162

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2016 and \$182.6 million in fiscal year 2018.

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

Actuarial Assumptions

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.5%
Discount Rate	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.5%
Projected Salary Increases	3.5% - 9.5%
Healthcare Trend Rates	4.5% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information

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

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

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected *to not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. **The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20 -year Municipal GO AA Index” as of August 31, 2017.**

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District’s proportionate share of the Net OPEB liability:	\$ <u>12 223 198</u>	\$ <u>10 356 463</u>	\$ <u>8 856 030</u>

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase in
Proportionate share of net OPEB liability:	\$ <u>8 622 790</u>	\$ <u>10 356 463</u>	\$ <u>12 631 261</u>

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB's

At August 31, 2018, the District reported a liability of \$10,356,463 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability the related State support and total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$ 10 356 463
State's proportionate share that is associated with the District	14 818 390

Total	\$ 25 174 853

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .0238154903%.

Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation- the following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability since the prior measurement period:

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of (\$4,958,627) and revenue of (\$4,958,627). For support provided by the State. (Refer to the 2017 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 74 & 75.)

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

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$	\$ 216 199
Changes in actuarial assumptions	\$	\$ 4 115 929
Difference between projected and actual investment earnings	\$ 1 573	\$
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	46	
Total as of August 31 measurement date	<u>1 619</u>	<u>4 332 128</u>
Contributions paid to TRS subsequent to the measurement date (To be calculated by employer)	170 832	\$
Total as of fiscal year end	<u>\$ 172 451</u>	<u>\$ 4 332 128</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2019	\$ (571 415)
2020	(571 415)
2021	(571 415)
2022	(571 415)
2023	(571 808)
Thereafter	(1 473 041)

Long-Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	<u>\$ 18 283 813</u>	<u>\$ (7 803 533)</u>	<u>\$ 123 817</u>	<u>\$ 10 356 463</u>

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

N. HEALTH CARE

During the year ended August 31, 2018, 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.

O. 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, 2018 is estimated by TRS at \$90,552.

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

P. 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, 2018 were \$256,940 and are recorded in the Long Term Debt Account Group.

Q. SELF-INSURED WORKERS' COMPENSATION

During the year ended August 31, 2018 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 \$67,594, 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 \$178,662 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$87,303 covering plan periods ending August 31, 2018, and has accrued \$84,228 as a liability for unpaid claims determined by the claims administrator.

R. 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, 2018 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.

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

S. 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 2018 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.

T. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 11, 2018; the date which the financial statements were available for distribution. There were none noted.

U. PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(18,161,340) which resulted in a restated beginning net position balance of \$(6,313,566).

REQUIRED SUPPLEMENTARY INFORMATION

MABANK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

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	\$ 11,895,750	\$ 12,150,214	\$ 12,173,505	\$ 23,291
5800	State Program Revenues	16,472,159	17,172,159	17,411,734	239,575
5900	Federal Program Revenues	399,500	444,500	457,976	13,476
5020	Total Revenues	28,767,409	29,766,873	30,043,215	276,342
EXPENDITURES:					
Current:					
0011	Instruction	16,632,737	16,585,737	16,616,126	(30,389)
0012	Instructional Resources and Media Services	515,839	465,839	438,331	27,508
0013	Curriculum and Instructional Staff Development	448,602	488,602	467,163	21,439
0021	Instructional Leadership	347,739	312,739	298,740	13,999
0023	School Leadership	1,678,662	1,728,662	1,729,632	(970)
0031	Guidance, Counseling and Evaluation Services	782,403	857,403	860,364	(2,961)
0032	Social Work Services	19,701	21,701	21,351	350
0033	Health Services	380,915	345,915	328,624	17,291
0034	Student (Pupil) Transportation	1,487,339	1,562,339	1,558,723	3,616
0035	Food Services	2,025	2,025	761	1,264
0036	Extracurricular Activities	1,291,831	1,399,798	1,388,108	11,690
0041	General Administration	1,094,982	1,069,982	1,046,363	23,619
0051	Facilities Maintenance and Operations	3,838,177	4,158,177	4,154,726	3,451
0052	Security and Monitoring Services	109,397	159,397	180,154	(20,757)
0053	Data Processing Services	547,625	512,625	509,791	2,834
0061	Community Services	-	1,000	1,791	(791)
Capital Outlay:					
0081	Facilities Acquisition and Construction	117,000	159,000	163,967	(4,967)
Intergovernmental:					
0099	Other Intergovernmental Charges	275,000	275,000	274,087	913
6030	Total Expenditures	29,569,974	30,105,941	30,038,802	67,139
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(802,565)	(339,068)	4,413	343,481
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	150,000	130,000	130,101	101
7915	Transfers In	-	80,000	87,303	7,303
8949	Other (Uses)	-	-	(8,400)	(8,400)
7080	Total Other Financing Sources (Uses)	150,000	210,000	209,004	(996)
1200	Net Change in Fund Balances	(652,565)	(129,068)	213,417	342,485
0100	Fund Balance - September 1 (Beginning)	7,930,466	7,930,466	7,930,466	-
3000	Fund Balance - August 31 (Ending)	\$ 7,277,901	\$ 7,801,398	\$ 8,143,883	\$ 342,485

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, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.017383815%	0.015854544%	0.0180143%	0.010852%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,558,407	\$ 5,991,196	\$ 6,367,815	\$ 2,898,719
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	9,695,318	12,194,118	11,493,476	9,140,887
Total	<u>\$ 15,253,725</u>	<u>\$ 18,185,314</u>	<u>\$ 17,861,291</u>	<u>\$ 12,039,606</u>
District's Covered Payroll	\$ 19,403,922	\$ 18,763,139	\$ 18,219,667	\$ 16,631,740
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	28.65%	31.93%	34.95%	17.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	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, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four 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'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 597,074	\$ 562,367	\$ 556,785	\$ 542,288
Contribution in Relation to the Contractually Required Contribution	(597,074)	(562,367)	(556,785)	(542,288)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 20,077,322	\$ 19,403,922	\$ 18,763,139	\$ 18,219,667
Contributions as a Percentage of Covered Payroll	2.97%	2.90%	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 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four 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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.02381549%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 10,356,463
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	14,818,390
Total	<u>\$ 25,174,853</u>
District's Covered Payroll	\$ 19,403,922
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	53.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

MABANK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 170,832
Contribution in Relation to the Contractually Required Contribution	(170,832)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 20,077,322
Contributions as a Percentage of Covered Payroll	0.85%

Note: GASB Codification, Vol. 2, P50.238 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 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

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

PENSIONS:

Changes of Benefit Terms

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

Changes of Assumptions

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

OTHER POST-EMPLOYMENT BENEFITS:

Changes of Benefit Term

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

Changes of Assumptions

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

COMBINING STATEMENTS

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

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	\$ (52,377)	\$ (84,457)	\$ (59,723)	\$ (486)
1240	Due from Other Governments	68,401	115,106	154,983	2,635
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 16,024</u>	<u>\$ 30,649</u>	<u>\$ 95,260</u>	<u>\$ 2,149</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 7,216	\$ -
2160	Accrued Wages Payable	16,024	30,649	88,044	2,149
2180	Due to Other Governments	-	-	-	-
2000	Total Liabilities	<u>16,024</u>	<u>30,649</u>	<u>95,260</u>	<u>2,149</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>\$ 16,024</u>	<u>\$ 30,649</u>	<u>\$ 95,260</u>	<u>\$ 2,149</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	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	289 Title IV, Part A	410 Textbook / Technology Lending Funds
\$ 140,772	\$ -	\$ (31,006)	\$ (2,144)	\$ (5,451)	\$ -	\$ (18,664)	\$ (327,507)
78,157	-	44,732	3,087	5,451	-	18,664	332,996
-	-	-	-	-	-	-	-
112,501	-	-	-	-	-	-	-
<u>\$ 331,430</u>	<u>\$ -</u>	<u>\$ 13,726</u>	<u>\$ 943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,489</u>
\$ 151,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,101	-	13,726	943	-	-	-	-
-	-	-	-	-	-	-	-
<u>153,102</u>	<u>-</u>	<u>13,726</u>	<u>943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
112,501	-	-	-	-	-	-	-
65,827	-	-	-	-	-	-	5,489
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>178,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,489</u>
<u>\$ 331,430</u>	<u>\$ -</u>	<u>\$ 13,726</u>	<u>\$ 943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,489</u>

MABANK INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	427 Ready To Read	429 Other State Grants	461 Campus Activity Funds	480 Child Development Center	
ASSETS					
1110	Cash and Cash Equivalents	\$ 116	\$ 6,541	\$ 119,034	\$ 3,785
1240	Due from Other Governments	-	-	-	-
1290	Other Receivables	-	-	-	32,055
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 116</u>	<u>\$ 6,541</u>	<u>\$ 119,034</u>	<u>\$ 35,840</u>
LIABILITIES					
2110	Accounts Payable	-	-	65	3,785
2160	Accrued Wages Payable	-	-	-	32,055
2180	Due to Other Governments	-	-	16,281	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>16,346</u>	<u>35,840</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	116	6,541	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	102,688	-
3000	Total Fund Balances	<u>116</u>	<u>6,541</u>	<u>102,688</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 116</u>	<u>\$ 6,541</u>	<u>\$ 119,034</u>	<u>\$ 35,840</u>

483 ExxonMobil Educational Alliance	486 MISD Education Grants	488 Other Grants	490 MISD Fitness Center	Total Nonmajor Governmental Funds
\$ 1,184	\$ 7,091	\$ 297	\$ 154,422	\$ (148,573)
-	-	-	-	824,212
-	-	-	-	32,055
-	-	-	-	112,501
<u>\$ 1,184</u>	<u>\$ 7,091</u>	<u>\$ 297</u>	<u>\$ 154,422</u>	<u>\$ 820,195</u>
\$ -	\$ 217	\$ 215	\$ 52	\$ 162,551
-	-	-	-	185,691
-	-	-	-	16,281
<u>-</u>	<u>217</u>	<u>215</u>	<u>52</u>	<u>364,523</u>
-	-	-	-	112,501
-	-	-	-	77,973
1,184	6,874	82	154,370	162,510
-	-	-	-	102,688
<u>1,184</u>	<u>6,874</u>	<u>82</u>	<u>154,370</u>	<u>455,672</u>
<u>\$ 1,184</u>	<u>\$ 7,091</u>	<u>\$ 297</u>	<u>\$ 154,422</u>	<u>\$ 820,195</u>

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

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	201,419	825,954	884,075	22,620
5020 Total Revenues	201,419	825,954	884,075	22,620
EXPENDITURES:				
Current:				
0011 Instruction	201,419	779,127	644,769	22,620
0013 Curriculum and Instructional Staff Development	-	25,325	-	-
0031 Guidance, Counseling and Evaluation Services	-	21,502	239,306	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	201,419	825,954	884,075	22,620
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

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	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	289 Title IV, Part A	410 Textbook / Technology Lending Funds
\$ 435,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,041	-	-	-	-	-	-	484,033
1,363,286	37,161	98,399	8,219	55,050	3,672	40,682	-
1,807,891	37,161	98,399	8,219	55,050	3,672	40,682	484,033
-	36,117	98,399	8,219	39,846	3,672	22,018	483,578
-	1,024	-	-	15,204	-	10,039	1,200
-	-	-	-	-	-	-	-
1,883,016	-	-	-	-	-	-	-
-	20	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,625	-
-	-	-	-	-	-	-	-
1,883,016	37,161	98,399	8,219	55,050	3,672	40,682	484,778
(75,125)	-	-	-	-	-	-	(745)
253,453	-	-	-	-	-	-	6,234
\$ 178,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,489

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

Data Control Codes	427 Ready To Read	429 Other State Grants	461 Campus Activity Funds	480 Child Development Center
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 254,376	\$ 379,590
5800 State Program Revenues	-	1,099	-	19,121
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	-	1,099	254,376	398,711
EXPENDITURES:				
Current:				
0011 Instruction	-	389	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	249,641	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	398,711
6030 Total Expenditures	-	389	249,641	398,711
1200 Net Change in Fund Balance	-	710	4,735	-
0100 Fund Balance - September 1 (Beginning)	116	5,831	97,953	-
3000 Fund Balance - August 31 (Ending)	\$ 116	\$ 6,541	\$ 102,688	\$ -

	483 ExxonMobil Educational Alliance	486 MISD Education Grants	488 Other Grants	490 MISD Fitness Center	Total Nonmajor Governmental Funds
\$	500	\$ 31,810	\$ 4,457	\$ 44,160	\$ 1,150,457
	-	-	-	-	513,294
	-	-	-	-	3,540,537
	500	31,810	4,457	44,160	5,204,288
	182	-	7,375	-	2,347,730
	-	-	-	-	52,792
	-	-	-	-	260,808
	-	-	-	-	1,883,016
	-	48,156	-	197	298,014
	-	-	-	623	623
	-	-	-	-	8,625
	-	-	-	-	398,711
	182	48,156	7,375	820	5,250,319
	318	(16,346)	(2,918)	43,340	(46,031)
	866	23,220	3,000	111,030	501,703
\$	1,184	\$ 6,874	\$ 82	\$ 154,370	\$ 455,672

REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
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	1.040000	0.325000	1,061,727,457
2017	1.040000	0.325000	1,073,017,867
2018 (School year under audit)	1.040000	0.325000	1,102,458,426
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 511,191	\$ -	\$ 16,017	\$ 4,666	\$ (42,443)	\$ 448,065
96,035	-	4,418	1,338	(2,649)	87,630
98,654	-	5,568	1,820	(826)	90,440
99,867	-	8,037	2,628	(718)	88,484
117,766	-	26,426	3,405	8,667	96,602
137,414	-	24,798	8,107	9,907	114,416
185,107	-	39,848	13,027	10,975	143,207
264,412	-	71,602	22,376	7,762	178,196
469,595	-	168,825	52,758	(16,525)	231,487
-	15,048,558	11,064,682	3,457,722	(64,663)	461,491
<u>\$ 1,980,041</u>	<u>\$ 15,048,558</u>	<u>\$ 11,430,221</u>	<u>\$ 3,567,847</u>	<u>\$ (90,513)</u>	<u>\$ 1,940,018</u>

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, 2018

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	\$ 403,751	\$ 423,751	\$ 435,564	\$ 11,813
5800 State Program Revenues	9,776	9,000	9,041	41
5900 Federal Program Revenues	1,261,412	1,361,412	1,363,286	1,874
5020 Total Revenues	1,674,939	1,794,163	1,807,891	13,728
EXPENDITURES:				
0035 Food Services	1,700,065	1,956,815	1,883,016	73,799
6030 Total Expenditures	1,700,065	1,956,815	1,883,016	73,799
1200 Net Change in Fund Balances	(25,126)	(162,652)	(75,125)	87,527
0100 Fund Balance - September 1 (Beginning)	253,453	253,453	253,453	-
3000 Fund Balance - August 31 (Ending)	\$ 228,327	\$ 90,801	\$ 178,328	\$ 87,527

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, 2018

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	\$ 3,650,000	\$ 3,710,000	\$ 3,717,962	\$ 7,962
5800	State Program Revenues	170,000	220,000	219,992	(8)
5020	Total Revenues	3,820,000	3,930,000	3,937,954	7,954
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	1,640,812	1,640,812	1,640,812	-
0072	Interest on Long-Term Debt	2,207,644	2,207,644	2,207,643	1
0073	Bond Issuance Cost and Fees	3,544	3,544	2,427	1,117
6030	Total Expenditures	3,852,000	3,852,000	3,850,882	1,118
1200	Net Change in Fund Balances	(32,000)	78,000	87,072	9,072
0100	Fund Balance - September 1 (Beginning)	3,020,808	3,020,808	3,020,808	-
3000	Fund Balance - August 31 (Ending)	\$ 2,988,808	\$ 3,098,808	\$ 3,107,880	\$ 9,072

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2018.

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 controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

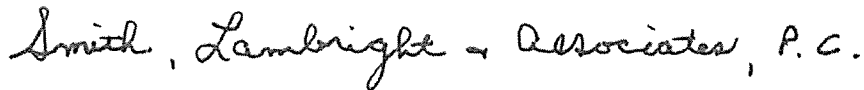
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

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

December 11, 2018

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

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

Cheri E. Kirkland, CPA
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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, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations 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, 2018.

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.

Respectfully submitted,

Smith, Lambright & Associates, P.C.

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

December 11, 2018

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

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, 2018

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, 2018

N/A

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

N/A

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

(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. GENERAL SERVICES ADMINISTRATION			
<u>Passed Through Texas Facilities Commission</u>			
Federal Surplus Personal Property	39.003	26392	\$ 8,400
Total Passed Through Texas Facilities Commission			<u>8,400</u>
TOTAL U.S. GENERAL SERVICES ADMINISTRATION			<u>8,400</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		5,304
Total Direct Programs			<u>5,304</u>
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-610101129905	760,012
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19-610101129905	65,942
Total CFDA Number 84.010A			<u>825,954</u>
*IDEA - Part B, Formula	84.027	18-660001129905	790,006
*IDEA - Part B, Formula	84.027	19-660001129905	94,069
Total CFDA Number 84.027			<u>884,075</u>
*IDEA - Part B, Preschool	84.173	18-661001129905	20,471
*IDEA - Part B, Preschool	84.173	19-661001129905	2,149
Total CFDA Number 84.173			<u>22,620</u>
Total Special Education Cluster (IDEA)			<u>906,695</u>
Career and Technical - Basic Grant	84.048	18-420006129905	37,161
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	18-696001129905	55,050
Title III, Part A - English Language Acquisition	84.365A	18-671001057950	7,276
Title III, Part A - English Language Acquisition	84.365A	19-671001057950	943
Total CFDA Number 84.365A			<u>8,219</u>
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18-694501057950	84,673
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	19-694501057950	13,726
Total CFDA Number 84.367A			<u>98,399</u>
Title IV, Part A	84.424A	18-680101129905	22,307
Title IV, Part A	84.424A	19-680101129905	18,375
Total CFDA Number 84.424A			<u>40,682</u>
Total Passed Through State Department of Education			<u>1,972,160</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,977,464</u>
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	3,672
Total Passed Through Texas Dept of Human Services			<u>3,672</u>
<u>Passed Through State Department of Education</u>			
Head Start	93.600	18-06CH7092	185,395
Head Start	93.600	19-06CH7092	16,024
Total CFDA Number 93.600			<u>201,419</u>
Total Passed Through State Department of Education			<u>201,419</u>

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

(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 HEALTH AND HUMAN SERVICES			205,091
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553		272,556
**National School Lunch Program-Cash Assistance	10.555		887,976
**National School Lunch Prog.-Non-Cash Assistance	10.555		202,754
Total CFDA Number 10.555			1,090,730
Total Child Nutrition Cluster			1,363,286
Total Passed Through the State Department of Agriculture			1,363,286
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,363,286
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,554,241

*Clustered Programs

**Clustered Programs

Note A - Impact Aid of \$5,304 is included in the General Fund.

Note B - Federal surplus personal property received through the Texas Facilities Commission of \$8,400 is included in the General Fund.

Note C - Funds received from the SHARS program of \$444,272 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, 2018

- 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 \$	3 554 241
SHARS Revenue reported in the General Fund	444 272
Federal Program Revenue Reported on Exhibit C-3	\$ 3 998 513