

**MINEOLA
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

AUGUST 31, 2018

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

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CERTIFICATE OF BOARD

Mineola Independent School District
Name of School District

Wood
County

250-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved _____ disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2018.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mineola Independent School District
Mineola, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mineola Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type 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, statement of cash flows thereof and the respective budgetary comparison for the general fund 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 and net pension liability and contributions to TRS and net OPEB liability and contributions to OPEB on pages 4 through 12 and pages 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. The information is in Exhibits identified in the Table of Contents as J-1, J-4, and J-5. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.
October 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mineola Independent School District we offer readers of the Mineola Independent School District's financial statements this narrative overview and analysis of the financial activities of the Mineola Independent School District for the year ended August 31, 2018. The information presented here should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's total combined net position was \$12.1 million at August 31, 2018. During the year, the District's total revenues exceeded expenses by \$2.7 million. \$2.15 million of this is related to the net OPEB liability recorded this year. Total expenses of the District were \$13.8 million for the year. Revenue was \$16.6 million. These are both affected by a \$2.46 million negative effect from recording the on-behalf revenue and on-behalf expense on the net OPEB liability. State aid was up \$655 thousand. Tax revenue was up \$396 thousand because of an increase in taxable value. Gifts and bequests were up \$300 thousand. Charges for services and grant revenue were down \$2.8 million mainly because of the negative on-behalf revenue of \$2.46 million.

The District reported fund balance in the general fund of \$7.7 million at August 31, 2018, which is an increase of approximately \$912 thousand. Revenues were up \$1.37 million or 10%. Local revenues were up \$717 thousand. Property taxes and gifts and bequests were up as described above. Expenditures were \$638 thousand more than the prior year. Instructional payroll costs increased. Also, facilities maintenance and operating costs increased.

Under accounting standards as per GASB 68, the District's portion of the net pension liability has been recorded on the government-wide statements. The District's portion of this liability and the related deferred outflow and inflow is a net liability of \$2.75 million which is a decrease of \$20 thousand from the prior year.

Under new accounting standards as per GASB 75, the District's portion of the net OPEB liability for TRS Care has been recorded in the government-wide statements. The District's portion of this liability and the related deferred outflow and inflow is a net liability of \$8.67 million.

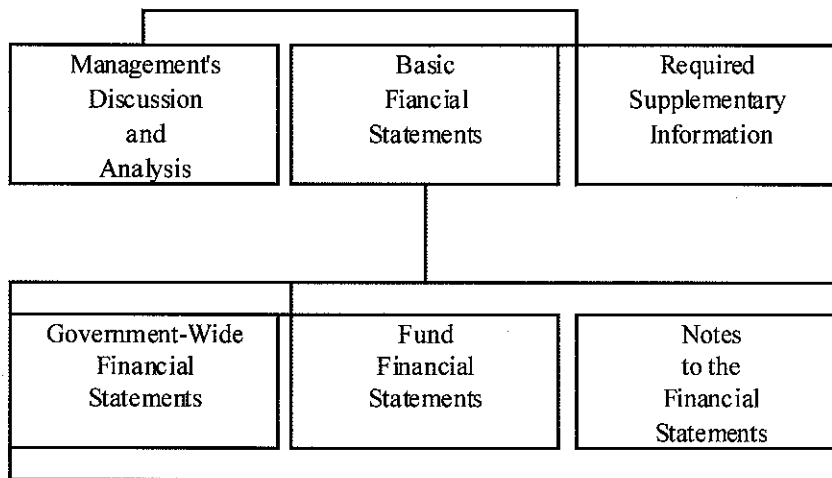
Approximately 97% of the taxes levied for 2017-18 were collected by fiscal year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as a snack bar or after school care program.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the District's Annual Financial Report



Summary ⇌ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position *Statement of cash flows	*Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	all assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

(A) The District has no enterprise funds.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. Also included are business-type activities. The District charges a fee to “customers” to help cover the costs of services provided.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no enterprise funds. *Internal service funds* are used to report activities that provide supplies and services for the District's other programs and activities—such as the District's Self Insurance Fund.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$12.08 million at August 31, 2018.

Table A-1
The District's Net Position
(in thousands of dollars)

	Governmental Activities	
	2018	2017
Current and other assets	9,854	8,825
Capital and non-current assets	15,139	15,620
TOTAL ASSETS	24,993	24,445
Deferred resource outflow related to TRS	1,157	1,558
Deferred resource outflow related to TRS OPEB	83	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,240	1,558
Long-term liabilities	9,665	4,392
Other liabilities	896	749
TOTAL LIABILITIES	10,561	5,141
Unavailable revenue-property taxes	14	30
Deferred resource inflow related to TRS	988	616
Deferred resource inflow related to TRS OPEB	2,581	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,583	646
Net position		
Invested in capital assets net of related debt	14,562	14,936
Restricted	795	810
Unrestricted	(3,268)	4,470
TOTAL NET POSITION	12,089	20,216

The unrestricted net position decreased \$7.7 million as the net OPEB liability and related deferred outflow and inflow is \$8.7 million. Net position invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets.

The \$795 thousand is restricted as follows:

Restricted for SSA's	637
Restricted for food service	48
Restricted for debt service	110
	<u>795</u>

Net position of the District's governmental activities decreased from \$20.2 million to \$12.08 million, or \$8 million. The decrease was the result of four main factors. First, the District's revenues exceeded expenditures by \$929 thousand. Second, the District acquired capital assets through purchase or construction of approximately \$325 thousand and paid debt principal of \$102 thousand. Third, the District recorded depreciation of \$804 thousand. The change to net pension liability for the year ended August 31, 2018 is a \$20 thousand decrease. The District recorded an OPEB liability of \$8.67 million including related deferred inflows and outflows.

Changes in net position.

The District's total revenues were \$16.6 million. 35% of this comes from taxes, 48% was from state aid formula grants and 3% came from operating grants and contributions.

The total cost of all programs was \$13.8 million. Approximately 69% of this was for instructional and student services. Expenses were about the same as the prior year.

Net position increased by \$2.7 million from the excess of revenues over expenses. \$2.15 thousand of this increase comes from the effect of booking the net OPEB liability and the related deferred inflow.

Table A-2
The District's Changes in Net Position
(in thousands of dollars)
Governmental
Activities

	2018	2017
Revenues		
<u>Program Revenues</u>		
Charges for Services	1,499	1,509
Operating Grants and Contributions	444	3,245
<u>General Revenues</u>		
Property Taxes	5,801	5,405
State aid - formula	7,956	7,301
Investment earnings	135	57
Other	757	368
Total Revenues	<u>16,592</u>	<u>17,885</u>
Expenses		
Instruction and instructional related	7,257	10,325
Instructional leadership/school administration	672	1,160
Guidance, social work, health, transportation	1,593	1,976
Food services	580	722
Extracurricular activities	676	841
General Administration	500	666
Plant maintenance and security	1,619	1,650
Data processing services	192	173
Community services	13	21
Debt service	15	18
Capital outlay	113	75
Pmts to fiscal agent/member districts - shared service	516	512
Other	118	115
Total Expenses	<u>13,864</u>	<u>18,254</u>
Increase (Decrease) in Net Position	2,728	(369)
Transfer in	-	-
Beginning Net Position	20,216	20,585
Prior Period Adjustment	(10,855)	-
Ending Net Position	<u>12,089</u>	<u>20,216</u>

The prior period adjustment is made to record the net effect of GASB 75 for the net OPEB liability on the beginning net position.

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting. This negative amount is \$2.47 million. Also, the District's portion of the direct plan expense used to calculate the ending net OPEB liability decreased expenses by \$1.7 million.

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

- The cost of all *governmental* activities this year was \$13.86 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$5.8 million.
- Some of the cost was paid by those who directly benefited from the programs (\$1.5 million), or by state aid of \$7.9 million.

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

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	7,257	10,325	6,983	7,939
School administration	672	1,160	763	1,021
Plant Maintenance & Operations	1,619	1,650	1,549	1,409
Guidance, social work, health & transportation	1,593	1,976	669	1,056

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$8.5 million reflecting a net increase of \$929 thousand. The general fund balance increased \$912 thousand.

Reasons for this increase in the general fund are highlighted on page 4. The other governmental funds increased \$18 thousand. The Special Education SSA Fund 437 increased \$16 thousand.

General Fund Budgetary Highlights

A few budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by approximately 3.6% or \$538 thousand. Actual revenues were more than budget by \$33 thousand. All functions were properly budgeted. An increase of \$341 thousand to fund balance was budgeted. The actual increase was \$912 thousand. Most of the variance in expenditures was in instructional and facilities maintenance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2018	2017
Land	1,017	1,017
Buildings and improvements	24,710	24,601
Furniture and equipment	3,987	3,771
Totals at historical cost	<u>29,714</u>	<u>29,389</u>
Total accumulated depreciation	<u>(14,575)</u>	<u>(13,770)</u>
Net capital assets	<u>15,139</u>	<u>15,619</u>

The District did minor renovations during the year and purchased a bus and car.

Long-Term Debt

Table A-5
District's Long-Term Debt
(in thousands of dollars)

	Governmental	
	2018	2017
Notes payable	<u>555</u>	<u>656</u>
Total notes payable	<u>555</u>	<u>656</u>

No new debt was obtained.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget and tax rate. Four of these factors are the reduction in state funding, the local economy, local property and mineral values and student population growth. The District's student population growth during 1998-2002 averaged annual losses of 0.41%. 2002 was the first year in five years that our student population stabilized. The District's growth from 2002-2010 averaged a gain of 0.05%. 2012 had 0.71% loss from 2011, but we saw an increase of 0.10% in 2013, a 0.0% growth in 2014 through 2017. 2018 saw the first signs of growth again of 0.9%. There was a downturn in the economy starting in 2008 and continuing through 2012, but a slight rebound started in 2013 and continued thru 2018. The current unemployment in the Mineola area is 4.3%, a zero present change from the prior year. The State's unemployment rate of 4.0 % remained the same also for 2017 and 2018. The State of Texas has continued to cut funding for all schools for the current biennium.

These indicators were taken into account when adopting the General Fund budget for 2019. Amounts available for appropriation in the General Fund budget are \$14.54 million, an increase of 1.27% over the final 2018 budget of \$14.36 million. Excluding the capital projects from the 2018 budget of \$0.23 million, there was a budget increase of 2.84%. The 2019 budget increased 6.12% from the prior year. This increase/decrease is due to funds the state is making up from the prior year's loss of oil and mineral values. Property taxes and State per capita payments account for 99% of the revenue to support the 2019 budget. The district will use its revenues to finance programs we currently offer.

If these estimates are realized, the District's budgetary General Fund is expected to remain the same by the close of 2019. This will all have been accomplished in spite of unfunded mandates and a reduction in state funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Mineola Independent School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the District's Central Business Office.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

MINEOLA 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	\$ 7,301,554
1120 Current Investments	1,656,581
1220 Property Taxes Receivable (Delinquent)	546,260
1230 Allowance for Uncollectible Taxes	(382,382)
1240 Due from Other Governments	728,503
1250 Accrued Interest	3,102
Capital Assets:	
1510 Land	1,016,596
1520 Buildings, Net	13,481,657
1530 Furniture and Equipment, Net	640,988
1000 Total Assets	24,992,859
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	1,156,935
1706 Deferred Outflow Related to TRS OPEB	83,223
1700 Total Deferred Outflows of Resources	1,240,158
LIABILITIES	
2110 Accounts Payable	151,070
2160 Accrued Wages Payable	667,243
2180 Due to Other Governments	7
2300 Unearned Revenue	77,711
Noncurrent Liabilities	
2501 Due Within One Year	104,525
2502 Due in More Than One Year	472,509
2540 Net Pension Liability (District's Share)	2,916,335
2545 Net OPEB Liability (District's Share)	6,171,287
2000 Total Liabilities	10,560,687
DEFERRED INFLOWS OF RESOURCES	
2601 Unavailable Revenue - Property Taxes	14,113
2605 Deferred Inflow Related to TRS Pension	987,678
2606 Deferred Inflow Related to TRS OPEB	2,581,461
2600 Total Deferred Inflows of Resources	3,583,252
NET POSITION	
3200 Net Investment in Capital Assets	14,562,207
3820 Restricted for Federal and State Programs	47,573
3850 Restricted for Debt Service	109,746
3890 Restricted for Other Purposes	637,560
3900 Unrestricted	(3,268,008)
3000 Total Net Position	\$ 12,089,078

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,859,229	\$ 419,376	\$ (193,036)	\$ (6,632,889)
12 Instructional Resources and Media Services	128,094	-	(30,489)	(158,583)
13 Curriculum and Staff Development	269,934	16,005	61,588	(192,341)
21 Instructional Leadership	129,103	71,193	(25,325)	(83,235)
23 School Leadership	543,188	-	(137,261)	(680,449)
31 Guidance, Counseling and Evaluation Services	591,582	220,056	373,898	2,372
33 Health Services	149,972	53,892	25,138	(70,942)
34 Student (Pupil) Transportation	850,555	164,435	85,749	(600,371)
35 Food Services	579,717	120,090	540,841	81,214
36 Extracurricular Activities	675,569	64,108	(63,296)	(674,757)
41 General Administration	500,254	84,293	(88,895)	(504,856)
51 Facilities Maintenance and Operations	1,532,264	157,519	(108,222)	(1,482,967)
52 Security and Monitoring Services	87,297	21,458	-	(65,839)
53 Data Processing Services	192,314	14,854	-	(177,460)
61 Community Services	12,792	5,000	3,292	(4,500)
72 Debt Service - Interest on Long Term Debt	14,728	-	-	(14,728)
73 Debt Service - Bond Issuance Cost and Fees	200	-	-	(200)
81 Capital Outlay	112,680	-	-	(112,680)
93 Payments related to Shared Services Arrangements	516,257	86,500	-	(429,757)
99 Other Intergovernmental Charges	118,443	-	-	(118,443)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 13,864,172	\$ 1,498,779	\$ 443,982	(11,921,411)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	5,800,895
SF	State Aid - Formula Grants	7,956,443
IE	Investment Earnings	135,048
MI	Miscellaneous Local and Intermediate Revenue	756,563
TR	Total General Revenues	14,648,949
CN	Change in Net Position	2,727,538
NB	Net Position - Beginning	20,216,165
PA	Prior Period Adjustment	(10,854,625)
NE	Net Position--Ending	\$ 12,089,078

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

**GOVERNMENTAL FUND FINANCIAL
STATEMENTS**

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 7,207,438	\$ 94,116	\$ 7,301,554
1120 Investments - Current	405,682	812,539	1,218,221
1220 Property Taxes - Delinquent	546,260	-	546,260
1230 Allowance for Uncollectible Taxes (Credit)	(382,382)	-	(382,382)
1240 Receivables from Other Governments	680,919	35,915	716,834
1250 Accrued Interest	3,102	-	3,102
1260 Due from Other Funds	27	-	27
1000 Total Assets	<u>\$ 8,461,046</u>	<u>\$ 942,570</u>	<u>\$ 9,403,616</u>
LIABILITIES			
2110 Accounts Payable	\$ 9,296	\$ -	\$ 9,296
2160 Accrued Wages Payable	597,263	69,980	667,243
2180 Due to Other Governments	7	-	7
2300 Unearned Revenues	-	77,711	77,711
2000 Total Liabilities	<u>606,566</u>	<u>147,691</u>	<u>754,257</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	166,561	-	166,561
2600 Total Deferred Inflows of Resources	<u>166,561</u>	<u>-</u>	<u>166,561</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	47,573	47,573
3480 Retirement of Long-Term Debt	-	109,746	109,746
3490 Other Restricted Fund Balance	-	637,560	637,560
Committed Fund Balance:			
3510 Construction	5,028,876	-	5,028,876
3545 Other Committed Fund Balance	500,000	-	500,000
3600 Unassigned Fund Balance	2,159,043	-	2,159,043
3000 Total Fund Balances	<u>7,687,919</u>	<u>794,879</u>	<u>8,482,798</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,461,046</u>	<u>\$ 942,570</u>	<u>\$ 9,403,616</u>

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

MINEOLA 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	\$	8,482,798
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.		308,228
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 \$29,389,030 and the accumulated depreciation was (\$13,770,351). 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 net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.		14,935,553
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 decrease net position.		426,389
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. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$1,558,461, a Deferred Resource Inflow in the amount of \$616,812 and a net pension liability in the amount of \$3,709,176. The impact of this on Net Position is (2,767,527). Changes from the current year reporting of the TRS plan resulted in an increase in net position in the amount of \$20,449. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$2,747,078).		(2,747,078)
5 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. Since this is the first year of implementation, a prior period adjustment had to be made in the amount of \$(10,821,314). The District's share of the TRS plan resulted in a net OPEB liability of \$6,171,287, a deferred outflow of \$83,223 and a deferred inflow of \$2,581,461. This resulted in a difference between the ending fund balance and the ending net position of \$(8,669,525).		(8,669,525)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(804,288)
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 net position.		157,001
19 Net Position of Governmental Activities	\$	12,089,078

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 6,624,848	\$ 1,453,121	\$ 8,077,969
5800	State Program Revenues	8,626,961	93,916	8,720,877
5900	Federal Program Revenues	53,073	2,430,808	2,483,881
5020	Total Revenues	<u>15,304,882</u>	<u>3,977,845</u>	<u>19,282,727</u>
EXPENDITURES:				
Current:				
0011	Instruction	7,718,016	1,788,424	9,506,440
0012	Instructional Resources and Media Services	204,390	-	204,390
0013	Curriculum and Instructional Staff Development	217,832	101,007	318,839
0021	Instructional Leadership	106,815	71,193	178,008
0023	School Leadership	864,010	-	864,010
0031	Guidance, Counseling and Evaluation Services	286,821	672,525	959,346
0033	Health Services	121,965	98,429	220,394
0034	Student (Pupil) Transportation	648,231	306,498	954,729
0035	Food Services	4,687	676,106	680,793
0036	Extracurricular Activities	787,548	-	787,548
0041	General Administration	585,171	84,326	669,497
0051	Facilities Maintenance and Operations	1,592,799	142,909	1,735,708
0052	Security and Monitoring Services	78,142	21,457	99,599
0053	Data Processing Services	177,460	14,854	192,314
0061	Community Services	4,500	8,292	12,792
Debt Service:				
0071	Principal on Long Term Debt	101,539	-	101,539
0072	Interest on Long Term Debt	19,281	-	19,281
0073	Bond Issuance Cost and Fees	200	-	200
Capital Outlay:				
0081	Facilities Acquisition and Construction	226,304	-	226,304
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	429,757	86,500	516,257
0099	Other Intergovernmental Charges	118,443	-	118,443
6030	Total Expenditures	<u>14,293,911</u>	<u>4,072,520</u>	<u>18,366,431</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,010,971</u>	<u>(94,675)</u>	<u>916,296</u>
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	184	12,811	12,995
7915	Transfers In	-	99,489	99,489
8911	Transfers Out (Use)	(99,489)	-	(99,489)
7080	Total Other Financing Sources (Uses)	<u>(99,305)</u>	<u>112,300</u>	<u>12,995</u>
1200	Net Change in Fund Balances	911,666	17,625	929,291
0100	Fund Balance - September 1 (Beginning)	6,776,253	810,565	7,586,818
1300	Prior Period Adjustment	-	(33,311)	(33,311)
3000	Fund Balance - August 31 (Ending)	<u>\$ 7,687,919</u>	<u>\$ 794,879</u>	<u>\$ 8,482,798</u>

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

MINEOLA 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	\$	929,291
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 net position.		(14,983)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to decrease net position.		426,389
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.		(804,288)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		18,891
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in a prior period adjustment in the amount of \$(10,821,314). The changes in the ending net position as a result of reporting the OPEB items was an increase in the change in net position in the amount of \$2,151,789.		2,151,789
Current year changes due to GASB 68 increased revenues in the amount of \$387,269 but also increased expenditures in the amount of \$366,820. The net effect on the change in the ending net position was an increase in the amount of \$20,449.		20,449
Change in Net Position of Governmental Activities	\$	2,727,538

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

MINEOLA 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	\$ 6,030,934	\$ 6,555,724	\$ 6,624,848	\$ 69,124
5800	State Program Revenues	7,737,573	8,666,253	8,626,961	(39,292)
5900	Federal Program Revenues	25,000	50,000	53,073	3,073
5020	Total Revenues	13,793,507	15,271,977	15,304,882	32,905
EXPENDITURES:					
Current:					
0011	Instruction	7,835,048	7,894,117	7,718,016	176,101
0012	Instructional Resources and Media Services	216,991	212,819	204,390	8,429
0013	Curriculum and Instructional Staff Development	191,050	222,305	217,832	4,473
0021	Instructional Leadership	101,572	107,575	106,815	760
0023	School Leadership	842,125	900,420	864,010	36,410
0031	Guidance, Counseling and Evaluation Services	260,575	306,361	286,821	19,540
0033	Health Services	106,551	131,535	121,965	9,570
0034	Student (Pupil) Transportation	464,158	684,647	648,231	36,416
0035	Food Services	-	6,000	4,687	1,313
0036	Extracurricular Activities	746,780	824,445	787,548	36,897
0041	General Administration	537,391	617,601	585,171	32,430
0051	Facilities Maintenance and Operations	1,489,093	1,732,551	1,592,799	139,752
0052	Security and Monitoring Services	50,200	102,700	78,142	24,558
0053	Data Processing Services	179,360	186,700	177,460	9,240
0061	Community Services	8,500	4,500	4,500	-
Debt Service:					
0071	Principal on Long Term Debt	101,539	101,540	101,539	1
0072	Interest on Long Term Debt	19,281	19,281	19,281	-
0073	Bond Issuance Cost and Fees	-	200	200	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	227,815	226,304	1,511
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	431,978	430,000	429,757	243
0099	Other Intergovernmental Charges	124,412	118,500	118,443	57
6030	Total Expenditures	13,706,604	14,831,612	14,293,911	537,701
1100	Excess of Revenues Over Expenditures	86,903	440,365	1,010,971	570,606
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	150	184	34
8911	Transfers Out (Use)	-	(99,489)	(99,489)	-
7080	Total Other Financing Sources (Uses)	-	(99,339)	(99,305)	34
1200	Net Change in Fund Balances	86,903	341,026	911,666	570,640
0100	Fund Balance - September 1 (Beginning)	6,776,253	6,776,253	6,776,253	-
3000	Fund Balance - August 31 (Ending)	\$ 6,863,156	\$ 7,117,279	\$ 7,687,919	\$ 570,640

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

**PROPRIETARY FUND FINANCIAL
STATEMENTS**

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2018

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Investments - Current	\$ 438,360
Due from Other Governments	11,669
Total Assets	450,029
LIABILITIES	
Current Liabilities:	
Accounts Payable	141,774
Due to Other Funds	27
Total Liabilities	141,801
NET POSITION	
Unrestricted Net Position	308,228
Total Net Position	\$ 308,228

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 29,881
Total Operating Revenues	29,881
OPERATING EXPENSES:	
Payroll Costs	44,864
Total Operating Expenses	44,864
Operating Income (Loss)	(14,983)
Total Net Position - September 1 (Beginning)	323,211
Total Net Position - August 31 (Ending)	\$ 308,228

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Total
	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 20,316
Cash Payments for Insurance Claims	(25,494)
Net Cash Used for Operating Activities	<u>(5,178)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	-
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	-
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	-
Net Decrease in Cash and Cash Equivalents	(5,178)
Cash and Cash Equivalents at Beginning of Year	<u>443,538</u>
Cash and Cash Equivalents at End of Year	<u>\$ 438,360</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (14,983)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(9,565)
Increase (decrease) in Accounts Payable	19,370
Net Cash Used for Operating Activities	<u>\$ (5,178)</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 384,745
Restricted Assets	946,359	-
Total Assets	946,359	\$ 384,745
LIABILITIES		
Payroll Deductions and Withholdings Payable	-	\$ 550
Due to Student Groups	-	384,195
Total Liabilities	-	\$ 384,745
NET POSITION		
Restricted for Scholarships	946,359	
Total Net Position	\$ 946,359	

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

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

EXHIBIT E-2

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 63,026
Total Additions	63,026
DEDUCTIONS:	
Other Operating Costs	7,500
Total Deductions	7,500
Change in Net Position	55,526
Total Net Position - September 1 (Beginning)	890,833
Total Net Position - August 31 (Ending)	\$ 946,359

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

MINEOLA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

MINEOLA INDEPENDENT SCHOOL DISTRICT applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District's investments are accounted for using the cost amortization method.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the MINEOLA INDEPENDENT SCHOOL DISTRICT with most of the inter-fund 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 those that are clearly 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 include 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.

Inter-fund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

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 un-matured 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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

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 funds assets, liabilities, equity, revenues and expenditures.

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Governmental Funds:

1. **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.
2. **Debt Service Funds** -- 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.

Proprietary Funds:

1. **Internal Service Funds** - 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 a self-funded worker's compensation fund.

Fiduciary Funds:

1. **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 Fund is a Scholarship trust fund.
2. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity funds.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities 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 and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-50
Vehicles	10
Office Equipment	10
Computer Equipment	5

4. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
5. Investments are carried at fair value.
6. The District has self-insurance fund for worker's compensation insurance.
7. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change.
8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

9. 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 State-wide data base for policy development and funding plans.
10. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.
11. Fund balance measures the net financial resources available to finance expenditures of future periods.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Mineola ISD Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Mineola ISD Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent and Chief Financial Officer.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

12. Deferred Outflows/Inflows of Resources—The District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended August 31, 2013. The District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions for the year ended August 31, 2015. The District implemented GASB Statement No. 75 Accounting and Financial Reporting for Other Post-Employment Benefits for the year ended August 31, 2018. In addition to assets, the statement of net position will sometimes 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. The District has three types of items that qualify for reporting in this category, deferred charge for refunding bonded indebtedness and deferred outflows related to TRS as per GASB 68 related to pension accounting, and related to TRS OPEB related to TRS Care. These will be recognized as an outflow of resources in the subsequent years as they are amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category, property taxes and deferred inflows related to TRS, and related to TRS Care. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

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 District has no long-term debt. 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>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	1,016,596	-	1,016,596	
Buildings	24,601,449	(10,666,930)	13,934,519	
Furniture & Equipment	3,770,985	(3,103,421)	667,564	
Construction in progress	-	-	-	
Change in Net Assets	<u>29,389,030</u>	<u>(13,770,351)</u>		<u>15,618,679</u>
Long-term Liabilities <u>at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			-	
Loans Payable			(655,809)	
Leases Payable			-	
Unamortized Premium/Discount			<u>(27,317)</u>	
Change in Net Position				<u>(683,126)</u>
Net Adjustment to Net Position				<u><u>14,935,553</u></u>

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. The District has no long-term debt. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Land	-	-	-
Buildings	108,270	108,270	108,270
Furniture & Equipment	216,580	216,580	216,580
Total Capital Outlay	<u>324,850</u>	<u>324,850</u>	<u>324,850</u>
Disposition of Assets	<u>-</u>	<u>-</u>	<u>-</u>
 <u>Debt Principal Payments</u>			
Total Principal Payments	<u>101,539</u>	<u>101,539</u>	<u>101,539</u>
Total Adjustment to Net Position		<u><u>426,389</u></u>	<u><u>426,389</u></u>

Another element of the reconciliation on Exhibit 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 Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	163,684	(163,684)	-
Uncollected taxes (assumed collectible) from Current Year Levy	128,376	128,376	128,376
Uncollected Taxes (assumed collectible) from Prior Year Levy	24,072	-	24,072
Effect of prior year tax entries	49,646	49,646	-
Other Adjustments			
Amortization of premium	4,553	4,553	4,553
Total		<u><u>18,891</u></u>	<u><u>157,001</u></u>

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 Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds if they are considered major funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-4 and J-5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. 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	47,573
Nonappropriated Budget Funds	<u>637,560</u>
All Special Revenue Funds	<u><u>685,133</u></u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not allowing foreign currency investments.

As of August 31, 2018, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	\$ 719,656	9.1%	\$ 719,656	-	-	N/A
Money Markets and FDIC Insured Accounts	7,048,242	89.5%	7,048,242	-	-	N/A
Investment Pools:						
Cash and Money Market						
Texpool	110,991	1.4%	110,991	-	-	AAAm
Total Investment Pools:	110,991	1.4%	110,991	-	-	
Total Cash and Cash Equivalents	\$ 7,878,889	100%	\$ 7,878,889	-	-	

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

- a. Depository: Wood County National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$4,364,124.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$8,796,485 and occurred during the month of January, 2018.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000 and a letter of credit for \$5,000,000.

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. MINEOLA INDEPENDENT SCHOOL DISTRICT is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for MINEOLA INDEPENDENT SCHOOL DISTRICT are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2016, the district's investments in commercial paper were rated, AAAf/SI+ and AAAM by Standard & Poor's.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

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

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

As of August 31, 2018, MINEOLA INDEPENDENT SCHOOL DISTRICT had the following investments subject to the fair value measurement.

<u>Investment by Fair Value Level</u>	Fair Value Measurements Using Quoted Prices in				Credit Rating
	Balance at August 31, 2018	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Debt Securities:					
Agencies	1,767,594	1,767,594	-	-	AAAm
Repurchase Agreement	515,196	515,196	-	-	AAAm
Treasurys	127,557	127,557	-	-	AAAm
Total Debt Securities	2,410,347	2,410,347	-	-	
Total	2,410,347	2,410,347	-	-	

The above securities have a maturity of less than one year.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. MINEOLA INDEPENDENT SCHOOL DISTRICT has no investments measured at the Net Asset Value (NAV) per Share. The fair value of the commercial paper at August 31, 2018 was determined primarily based on level 2 inputs. The District estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. This is acquired through the investment pool mix.

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are deposited into the general fund. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND RECEIVABLES AND PAYABLES

Inter-fund balances at August 31, 2018 consisted of the following individual fund balances:

Due to General Fund from:	
Internal Service Fund	27
Total	<u>27</u>

\$99,489 was transferred from the general fund to the special education cooperative fund (Fund 437) on Mineola I.S.D.'s books to assist in funding the coop's transportation costs.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2018, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	546,260	680,919	27	3,101	1,230,307
Nonmajor Governmental Funds	-	35,915	-	-	35,915
Internal Service Fund	-	11,669	-	-	11,669
Total-Governmental Activities	<u>546,260</u>	<u>728,503</u>	<u>27</u>	<u>3,101</u>	<u>1,277,891</u>
Amount not scheduled for collection during the subsequent year	<u>382,382</u>	-	-	-	<u>382,382</u>

Payables at August 31, 2018, were as follows:

	Accounts	Loans, Leases, and Bonds Payable- Current	Salaries & Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:							
General Fund	9,296	-	597,263	-	7	-	606,566
Nonmajor Governmental Funds	-	-	69,980	-	-	-	69,980
Internal Service Fund	141,774	-	-	27	-	-	141,801
Total-Governmental Activities	<u>151,070</u>	<u>-</u>	<u>667,243</u>	<u>27</u>	<u>7</u>	<u>-</u>	<u>818,347</u>
Amount not scheduled for payment during the subsequent year	-	-	-	-	-	-	-

F. CAPITAL ASSET ACTIVITY

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
District:				
Land	1,016,596	-	-	1,016,596
Buildings and Improvements	24,601,449	108,270	-	24,709,719
Furniture and Equipment	3,770,985	216,580	-	3,987,565
Construction in Progress	-	-	-	-
Totals at Historic Cost	<u>29,389,030</u>	<u>324,850</u>	<u>-</u>	<u>29,713,880</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(10,666,930)	(561,132)	-	(11,228,062)
Furniture and Equipment	(3,103,421)	(243,156)	-	(3,346,577)
Total Accumulated Depreciation	<u>(13,770,351)</u>	<u>(804,288)</u>	<u>-</u>	<u>(14,574,639)</u>
Governmental Activities Capital Assets, Net	<u>15,618,679</u>	<u>(479,438)</u>	<u>-</u>	<u>15,139,241</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	490,145
Student (Pupil) Transportation	183,255
Food Services	46,720
Curricular/Extracurricular Activities	42,322
General Administration	26,377
Plant Maintenance and Operations	15,469
Total Depreciation Expense	<u>804,288</u>

G. NOTE PAYABLE

On May 15, 2015 the District authorized the issuance and sale of its Mineola Independent School District Maintenance Note, Series 2015, pursuant to Chapter 45.108, Texas Education Code, as amended, in the amount of \$850,000 for the purpose of paying maintenance expenses of the District. The effective interest rate is 2.94%. Principal and interest payments are accounted for in the general fund. Interest and principal are being paid annually beginning fiscal year 2016 and will continue until maturity in fiscal 2023.

A summary of changes in note payable debt for the year ended August 31, 2018 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable		Outstanding 8/31/2018
				Amounts Outstanding 9/1/2017	Issued Retired	
Maintenance Tax Notes-Series 2015	2.94%	850,000		655,809	- (101,539)	554,270
Unamortized Premium		36,423	-	27,317	- (4,553)	22,764
			-	<u>683,126</u>	<u>- (106,092)</u>	<u>577,034</u>

Debt service requirements are as follows:

Year Ended August 31	General Obligations		Total Requirements
	Principal	Interest	
2019	104,525	16,295	120,820
2020	107,598	13,222	120,820
2021	110,761	10,059	120,820
2022	114,017	6,803	120,820
2023	117,369	3,451	120,820
Total	<u>554,270</u>	<u>49,830</u>	<u>604,100</u>

H. DEFINED BENEFIT PENSION PLAN

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

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

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

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 179,336,534,819
Less: Plan Fiduciary Net Position	<u>(147,361,922,120)</u>
Net Pension Liability	<u>\$ 31,974,612,699</u>
Net Position as percentage of Total Pension Liability	82.17%

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 in (A) above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. 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.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.2%	7.2%
Non-Employer Contributing Entity	6.8%	6.8%
TRS		
Employers	6.8%	6.8%
District's 2018 Employer Contributions		\$ 425,934
District's 2018 Member Contributions		\$ 786,406
District's 2018 NECE On-Behalf Contributions		\$ 640,432

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 the following instances:

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

In addition to the employer contributions listed above, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$4,620,838	\$2,916,335	\$1,250,986

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, MINEOLA INDEPENDENT SCHOOL DISTRICT reported a liability of \$2,916,335 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to MINEOLA INDEPENDENT SCHOOL DISTRICT. The amount recognized by MINEOLA INDEPENDENT SCHOOL DISTRICT as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with MINEOLA INDEPENDENT SCHOOL DISTRICT were as follows:

District's proportionate share of the collective net pension liability	\$ 2,916,335
State' proportionate share that is associated with the District	<u>5,077,208</u>
Total	<u><u>\$ 7,993,543</u></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 .000091207818% which was a decrease of 7.6% 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.

At August 31, 2017, MINEOLA INDEPENDENT SCHOOL DISTRICT reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 42,667	\$ 157,274
Changes in actuarial assumptions	132,844	76,050
Difference between projected and actual investment earnings	-	212,537
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	555,490	541,817
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	425,934	-
Total	\$ 1,156,935	\$ 987,678

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	\$ (59,104)
2020	\$ 127,053
2021	\$ (73,403)
2022	\$ (131,411)
2023	\$ (89,912)
Thereafter	\$ (29,900)

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2018, 2017 and 2016 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Required District Contributions	\$ 425,934	\$ 375,350	\$ 388,718
Actual District Contributions	425,934	375,350	388,718
Federal Contributions	66,398	51,832	44,674
State Contributions	640,432	649,807	716,453
Employee Contributions	786,406	775,287	716,879

I. 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.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	
0.91%	

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

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

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

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

	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 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 *or surviving spouse	28	62	82

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

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

	<u>2017</u>	<u>2018</u>
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 FY Employer Contributions		\$ 76,598
District's 2018 FY Member Contributions		\$ 66,385
Measurement Year NECE On-Behalf Contributions		\$ 88,177

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the
delivery of health care benefits are	included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% - 9.50%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 70% participation prior
to age 65 and	75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

**Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.*

***Includes inflation at 2.50%*

****Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

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.

Sensitivity of the Net OPEB Liability:

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%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	\$7,283,598	\$ 6,171,287	\$ 5,277,201

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
District's proportionate share of the Net OPEB Liability:	\$ 5,138,215	\$ 6,171,287	\$ 7,526,814

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, MINEOLA INDEPENDENT SCHOOL DISTRICT reported a liability of \$2,878,166 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with MINEOLA INDEPENDENT SCHOOL DISTRICT were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 6,171,287
State's proportionate share that is associated with the District	<u>7,375,423</u>
Total	<u>\$13,546,710</u>

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .000141913525% which was the same proportion measured as of August 31, 2016.

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:

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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, MINEOLA INDEPENDENT SCHOOL DISTRICT recognized OPEB expense of \$88,177 and revenue of \$88,177 for support provided by the State.

At August 31, 2018, MINEOLA INDEPENDENT SCHOOL 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	\$0	\$128,830
Changes in actuarial assumptions	0	2,452,631
Net Difference between projected and actual investment earnings	937	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	30	0
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	82,256	0
Total	\$83,223	\$2,581,461

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (340,499)
2020	(340,499)
2021	(340,499)
2022	(340,499)
2023	(340,733)
Thereafter	(877,765)

J. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. MINEOLA INDEPENDENT SCHOOL DISTRICT participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code 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 required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2016, 2017 and 2018. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal problems, the federal programs are required to contribution 1.0 %.

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2018, 2017, and 2016 the subsidy payments received by TRS-Care on-behalf of the District were \$66,398, \$51,832, and \$44,674 respectively. The information for the year ended August 31, 2018 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Active Employee Health Care Coverage

Plan Description. The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

K. HEALTH CARE COVERAGE

Employees of the District are covered by a health insurance plan with TRS Active-Care through August 31, 2018. The District paid \$250 per month per month per employee.

Maintenance of Effort--

Total Annual Premiums for Health Care 2017-2018	537,869
Subtract any non-medical expenditures	-
Maintenance of effort for 2017-2018	<u>537,869</u>

L. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Total
Super Net II SSA	-	77,711	77,711
Total Deferred Revenue	-	77,711	77,711

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from 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 Due from State Agencies.

	State Settlements	Federal Grants	Other	Total
General	678,236	-	2,683	680,919
Special Revenue	-	35,915	-	35,915
Internal Service	-	-	11,669	11,669
Total Deferred Revenue	678,236	35,915	14,352	728,503

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Non-major Special Revenue Fund	Total
Property Taxes	5,786,557	-	-	5,786,557
Penalties, Interest and Other	-	-	-	-
Tax-related Income	105,404	-	-	105,404
Investment Income	121,020	1,584	12,453	135,057
Food Sales	-	-	120,090	120,090
Co-curricular Student Activities	64,108	-	-	64,108
Head Start Reimbursement	102,642	-	-	102,642
Foundations, Gifts, & Bequests	334,929	-	-	334,929
SSA-Special Ed	-	-	1,240,004	1,240,004
SSA-Super Net II	-	-	58,442	58,442
Other	110,188	-	20,548	130,736
Total	6,624,848	1,584	1,451,537	8,077,969

O. 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 disasters. 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 years.

P. WORKERS' COMPENSATION COVERAGE

The District sponsors a modified self-insurance plan to provide workers' compensation benefits to staff members. Transactions related to the plan are accounted for in the workers' compensation fund, an internal service fund of the District. Fixed costs for excess insurance, claims administration, safety and loss control for 2017/2018 will be approximately \$25,000. The loss fund maximum estimated for 2017/2018 is approximately \$65,000. The workers' compensation fund has a cash balance of \$438,360 at August 31, 2018. Estimates of claims payable and of claims incurred, but not reported at August 31, 2018, are reflected as accounts payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balance of claims liabilities during the past year are as follows:

	<u>8/31/2018</u>	<u>8/31/2017</u>
Unpaid claims, beginning of year	83,570	63,507
Insured claims	50,905	44,292
Claim, payments	<u>(23,528)</u>	<u>(24,229)</u>
Unpaid claims, end of year	<u><u>110,947</u></u>	<u><u>83,570</u></u>

Q. COMMITMENTS AND CONTINGENCIES

The District has no significant commitments or contingencies at August 31, 2018.

R. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

S. LITIGATION

The District has no pending litigation at August 31, 2018.

T. SUBSEQUENT EVENTS

Administration has evaluated subsequent events through October 31, 2018, the financial statement issuance date.

U. SHARED SERVICE ARRANGEMENT—SPECIAL EDUCATION COOPERATIVE

Mineola I.S.D. is the fiscal agent for the Wood County Special Education Cooperative. Local Revenue contributed by the members of the cooperative during the year ended August 31, 2018 was as follows:

Alba-Golden I.S.D.	231,439
Hawkins I.S.D.	191,596
Quitman I.S.D.	301,922
Yantis I.S.D.	94,069
Mineola I.S.D.	420,978
	<u><u>1,240,004</u></u>

V. SHARED SERVICE ARRANGEMENT—SUPER NET II

Mineola I.S.D. is the fiscal agent for Super Net II, an internet consortium. Local Revenue contributed by the members of the cooperative during the year ended August 31, 2018 was as follows:

Beckville I.S.D.	5,754
Brownsboro I.S.D.	7,131
Marshall I.S.D.	4,735
Quitman I.S.D.	5,949
Rusk I.S.D.	6,736
Troup I.S.D.	6,051
Waskom I.S.D.	5,940
Martins Mill I.S.D.	3,627
Hughes Springs I.S.D.	6,139
Mineola I.S.D.	6,380
	<u>58,442</u>

W. PRIOR PERIOD ADJUSTMENT

Prior period adjustments are made to the beginning net position on the government wide statements to record the net OPEB liability on TRS Care as related to prior years. This decreases the beginning net position by \$10.8 million. This was as a result of adoption of GASB 75. Also, a prior period adjustment is made to the SSA-Super Net II fund, fund 459, a non-major special revenue fund for a decrease to beginning fund balance of \$33 thousand to reclassify this to unearned revenue. This also effects the government wide statements beginning net position.

X. NEGATIVE OPERATING GRANTS & CONTRIBUTIONS- STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On- Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11- Instruction	(193,036)	(1,702,117)	1,509,081
12- Instructional Resources and Media Services	(30,489)	(36,164)	5,675
13- Curriculum and Instructional Staff Development	61,588	(27,772)	89,360
21- Instructional Leadership	(25,325)	(30,039)	4,714
23- School Leadership	(137,261)	(162,808)	25,547
31- Guidance, Counseling and Evaluation Services	373,898	(93,194)	467,092
33- Health Services	25,138	(23,009)	48,147
34- Student (Pupil) Transportation	85,749	(66,795)	152,544
35- Food Services	540,841	(17,252)	558,093
36- Extracurricular Activities	(63,296)	(75,077)	11,781
41- General Administration	(88,895)	(105,440)	16,545
51- Facilities Maintenance and Operations	(108,222)	(128,364)	20,142
61- Community Service	3,292	-	3,292
	443,982	(2,468,031)	2,912,013

REQUIRED SUPPLEMENTAL INFORMATION

MINEOLA 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)	0.000091271%	0.000098156%	0.000117044%	0.00008025%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,916,335	\$ 3,709,176	\$ 4,137,350	\$ 2,143,588
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	5,077,208	6,029,209	5,979,607	5,287,338
Total	<u>\$ 7,993,543</u>	<u>\$ 9,738,385</u>	<u>\$ 10,116,957</u>	<u>\$ 7,430,926</u>
District's Covered Payroll	\$ 10,213,077	\$ 10,067,143	\$ 9,956,656	\$ 10,186,551
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	28.55%	36.84%	41.55%	28.85%
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."

MINEOLA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 425,934	\$ 375,350	\$ 388,718	\$ 409,381
Contribution in Relation to the Contractually Required Contribution	(425,934)	(375,350)	(388,718)	(409,381)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 10,213,077	\$ 10,067,143	\$ 9,956,656	\$ 10,186,551
Contributions as a Percentage of Covered Payroll	4.17%	3.73%	3.90%	4.02%

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."

MINEOLA 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

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.000141914%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 6,171,287
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	7,375,423
Total	<u>\$ 13,546,710</u>
District's Covered Payroll	\$ 10,213,077
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.42%
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.

MINEOLA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 76,598
Contribution in Relation to the Contractually Required Contribution	(76,598)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 10,213,077
Contributions as a Percentage of Covered Payroll	0.75%

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.

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

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

COMBINING SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

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

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ (22,368)	\$ -
1120 Investments - Current	-	48,109	-
1240 Receivables from Other Governments	-	35,915	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 61,656</u>	<u>\$ -</u>
LIABILITIES			
2160 Accrued Wages Payable	\$ -	\$ 14,083	\$ -
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>-</u>	<u>14,083</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	47,573	-
3480 Retirement of Long-Term Debt	-	-	-
3490 Other Restricted Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>47,573</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 61,656</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	410 State Textbook Fund	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Data Control Codes	434 SSA - SSVI Visually Impaired	437 SSA Special Education	459 Other SSA Special Revenue Funds	Total Nonmajor Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 38,773	\$ 77,711	\$ 94,116
1120	Investments - Current	-	654,684	-	702,793
1240	Receivables from Other Governments	-	-	-	35,915
1000	Total Assets	<u>\$ -</u>	<u>\$ 693,457</u>	<u>\$ 77,711</u>	<u>\$ 832,824</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ -	\$ 55,897	\$ -	\$ 69,980
2300	Unearned Revenues	-	-	77,711	77,711
2000	Total Liabilities	<u>-</u>	<u>55,897</u>	<u>77,711</u>	<u>147,691</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	47,573
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	637,560	-	637,560
3000	Total Fund Balances	<u>-</u>	<u>637,560</u>	<u>-</u>	<u>685,133</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 693,457</u>	<u>\$ 77,711</u>	<u>\$ 832,824</u>

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 94,116
109,746	812,539
-	35,915
<u>\$ 109,746</u>	<u>\$ 942,570</u>
\$ -	\$ 69,980
-	77,711
-	147,691
-	47,573
109,746	109,746
-	637,560
<u>109,746</u>	<u>794,879</u>
<u>\$ 109,746</u>	<u>\$ 942,570</u>

MINEOLA 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	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ 121,175	\$ -
5800 State Program Revenues	-	3,943	-
5900 Federal Program Revenues	469,992	551,443	103,185
5020 Total Revenues	<u>469,992</u>	<u>676,561</u>	<u>103,185</u>
EXPENDITURES:			
Current:			
0011 Instruction	370,976	-	100,221
0013 Curriculum and Instructional Staff Development	27,719	-	-
0021 Instructional Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	68,005	-	2,964
0033 Health Services	-	-	-
0034 Student (Pupil) Transportation	-	-	-
0035 Food Services	-	676,106	-
0041 General Administration	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0052 Security and Monitoring Services	-	-	-
0053 Data Processing Services	-	-	-
0061 Community Services	3,292	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
6030 Total Expenditures	<u>469,992</u>	<u>676,106</u>	<u>103,185</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>455</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	-	-	-
7915 Transfers In	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	455	-
0100 Fund Balance - September 1 (Beginning)	-	47,118	-
1300 Prior Period Adjustment	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 47,573</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	410 State Textbook Fund	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	88,498	350
56,983	26,908	12,832	996,799	30,719	181,947	-	-
56,983	26,908	12,832	996,799	30,719	181,947	88,498	350
-	26,908	12,532	428,699	30,719	181,947	88,498	350
56,983	-	300	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	381,500	-	-	-	-
-	-	-	44,537	-	-	-	-
-	-	-	142,063	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
56,983	26,908	12,832	996,799	30,719	181,947	88,498	350
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MINEOLA 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	434 SSA - SSVI Visually Impaired	437 SSA Special Education	459 Other SSA Special Revenue Funds	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 1,271,920	\$ 58,442	\$ 1,451,537
5800 State Program Revenues	1,125	-	-	93,916
5900 Federal Program Revenues	-	-	-	2,430,808
5020 Total Revenues	<u>1,125</u>	<u>1,271,920</u>	<u>58,442</u>	<u>3,976,261</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,125	545,949	500	1,788,424
0013 Curriculum and Instructional Staff Development	-	16,005	-	101,007
0021 Instructional Leadership	-	71,193	-	71,193
0031 Guidance, Counseling and Evaluation Services	-	220,056	-	672,525
0033 Health Services	-	53,892	-	98,429
0034 Student (Pupil) Transportation	-	164,435	-	306,498
0035 Food Services	-	-	-	676,106
0041 General Administration	-	84,252	74	84,326
0051 Facilities Maintenance and Operations	-	97,041	45,868	142,909
0052 Security and Monitoring Services	-	21,457	-	21,457
0053 Data Processing Services	-	14,854	-	14,854
0061 Community Services	-	5,000	-	8,292
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	74,500	12,000	86,500
6030 Total Expenditures	<u>1,125</u>	<u>1,368,634</u>	<u>58,442</u>	<u>4,072,520</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(96,714)</u>	<u>-</u>	<u>(96,259)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	12,811	-	12,811
7915 Transfers In	-	99,489	-	99,489
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>112,300</u>	<u>-</u>	<u>112,300</u>
1200 Net Change in Fund Balance	-	15,586	-	16,041
0100 Fund Balance - September 1 (Beginning)	-	621,974	33,311	702,403
1300 Prior Period Adjustment	-	-	(33,311)	(33,311)
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 637,560</u>	<u>\$ -</u>	<u>\$ 685,133</u>

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,584	\$ 1,453,121
-	93,916
-	2,430,808
<u>1,584</u>	<u>3,977,845</u>
-	1,788,424
-	101,007
-	71,193
-	672,525
-	98,429
-	306,498
-	676,106
-	84,326
-	142,909
-	21,457
-	14,854
-	8,292
-	86,500
<u>-</u>	<u>4,072,520</u>
1,584	(94,675)
-	12,811
<u>-</u>	<u>99,489</u>
<u>-</u>	<u>112,300</u>
1,584	17,625
108,162	810,565
<u>-</u>	<u>(33,311)</u>
<u>\$ 109,746</u>	<u>\$ 794,879</u>

PRIVATE PURPOSE TRUST FUNDS

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2018

	846	847	848	849	Total Private Purpose Trust Funds
	Wilson Trust	Peacock Trust	English Trust	Judge Trust	
ASSETS					
Restricted Assets	\$ 562,350	\$ 18,011	\$ 284,397	\$ 81,601	\$ 946,359
Total Assets	<u>562,350</u>	<u>18,011</u>	<u>284,397</u>	<u>81,601</u>	<u>946,359</u>
NET POSITION					
Restricted for Scholarships	\$ 562,350	\$ 18,011	\$ 284,397	\$ 81,601	\$ 946,359
Total Net Position	<u>\$ 562,350</u>	<u>\$ 18,011</u>	<u>\$ 284,397</u>	<u>\$ 81,601</u>	<u>\$ 946,359</u>

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

	846	847	848	849	Total Private Purpose Trust Funds
	Wilson Trust	Peacock Trust	English Trust	Judge Trust	
ADDITIONS:					
Local and Intermediate Sources	\$ 40,121	\$ 998	\$ 19,793	\$ 2,114	\$ 63,026
Total Additions	40,121	998	19,793	2,114	63,026
DEDUCTIONS:					
Other Operating Costs	5,000	500	2,000	-	7,500
Total Deductions	5,000	500	2,000	-	7,500
Change in Net Position	35,121	498	17,793	2,114	55,526
Net Position - September 1 (Beginning)	527,229	17,513	266,604	79,487	890,833
Net Position - August 31 (Ending)	\$ 562,350	\$ 18,011	\$ 284,397	\$ 81,601	\$ 946,359

REQUIRED T.E.A. SCHEDULES

MINEOLA 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	1.170000	0.000000	446,317,778
2011	1.170000	0.000000	447,892,564
2012	1.170000	0.000000	471,854,017
2013	1.170000	0.000000	549,269,915
2014	1.170000	0.000000	546,662,051
2015	1.170000	0.000000	529,362,991
2016	1.170000	0.000000	487,524,786
2017	1.170000	0.000000	463,983,333
2018 (School year under audit)	1.170000	0.000000	491,055,556
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
\$ 131,153	\$ -	\$ 19,565	\$ -	\$ -	\$ 111,588
19,689	-	2,672	-	-	17,017
24,023	-	2,763	-	-	21,260
27,410	-	3,479	-	-	23,931
33,761	-	4,470	-	-	29,291
38,112	-	4,470	-	-	33,642
47,361	-	8,367	-	-	38,994
82,585	-	39,101	-	-	43,484
145,380	-	78,797	-	-	66,583
-	5,745,350	5,622,873	-	37,993	160,470
<u>\$ 549,474</u>	<u>\$ 5,745,350</u>	<u>\$ 5,786,557</u>	<u>\$ -</u>	<u>\$ 37,993</u>	<u>\$ 546,260</u>

MINEOLA 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	\$ 129,000	\$ 116,225	\$ 121,175	\$ 4,950
5800 State Program Revenues	4,000	3,900	3,943	43
5900 Federal Program Revenues	547,000	510,900	551,443	40,543
5020 Total Revenues	680,000	631,025	676,561	45,536
EXPENDITURES:				
0035 Food Services	680,000	738,705	676,106	62,599
6030 Total Expenditures	680,000	738,705	676,106	62,599
1200 Net Change in Fund Balances	-	(107,680)	455	108,135
0100 Fund Balance - September 1 (Beginning)	47,118	47,118	47,118	-
3000 Fund Balance - August 31 (Ending)	\$ 47,118	\$ (60,562)	\$ 47,573	\$ 108,135

MINEOLA 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	\$ -	\$ 1,400	\$ 1,584	\$ 184
5020 Total Revenues	-	1,400	1,584	184
1200 Net Change in Fund Balances	-	1,400	1,584	184
0100 Fund Balance - September 1 (Beginning)	108,162	108,162	108,162	-
3000 Fund Balance - August 31 (Ending)	\$ 108,162	\$ 109,562	\$ 109,746	\$ 184

**REPORTS ON INTERNAL CONTROL,
COMPLIANCE, AND FEDERAL AWARDS**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Mineola Independent School District
Mineola, Texas

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Mineola Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 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 control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

October 31, 2018

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

Board of Trustees
Mineola Independent School District
Mineola, Texas

Report on Compliance for Each Major Federal Program

We have audited the Mineola Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of 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 of the District's compliance.

Opinion on Each Major Federal Program

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

October 31, 2018

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

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Mineola Independent School District was an unmodified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. NONE
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. NONE
- e. The type of report the auditor issued on compliance for major programs. unmodified opinion
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under "Uniform Guidance under section 200.516 Audit Findings paragraph (a)" as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). : NONE
- g. An identification of major programs: ESEA Title I Part A CFDA#84.010A and ESEA Title II Part A CFDA# 84.367A
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$750,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. Yes

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

None

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

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

None

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

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

CORRECTIVE ACTION

N/A

The contact at the District is Kim Tunnell at (903) 569-2448.

MINEOLA 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. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101250903	\$ 469,992
*SSA - IDEA - Part B, Formula	84.027	186600012509036600	996,799
*SSA - IDEA - Part B, Discretionary	84.027	18660002259036677	181,947
Total CFDA Number 84.027			1,178,746
*SSA - IDEA - Part B, Preschool	84.173	186610012509036610	30,719
Total Special Education Cluster (IDEA)			1,209,465
Career and Technical - Basic Grant	84.048	18420006250903	103,185
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	18696001250903	26,908
ESEA Title II Part A Teacher/Principal Training	84.367A	18694501250903	56,983
ESEA Title IV Part A	FD289	18680101250903	12,832
Total Passed Through State Department of Education			1,879,365
TOTAL U.S. DEPARTMENT OF EDUCATION			1,879,365
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	53,073
Total Passed Through Texas Dept of Human Services			53,073
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			53,073
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	117,729
*National School Lunch Program - Cash Assistance	10.555	N/A	383,490
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	50,224
Total CFDA Number 10.555			433,714
Total Child Nutrition Cluster			551,443
Total Passed Through the State Department of Agriculture			551,443
TOTAL U.S. DEPARTMENT OF AGRICULTURE			551,443
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,483,881

*Clustered Programs

MINEOLA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
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 and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

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 performance 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 90 days after the end date of the period of performance as specified in the terms and conditions of the federal award under 2 CFR Section 200.343b (Uniform Guidance).

CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering MINEOLA Independent School District fiscal year beginning September 1, 2013, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

The District has not elected to use the 10% de minimis indirect cost rate.