

**MINEOLA
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

AUGUST 31, 2015

MINEOLA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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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, 2015 at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2015.

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)



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
Lanny G. Walker, C.P.A., P.F.S.
Kris Arnold, C.P.A., P.F.S.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.

MEMBER

American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

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, 2015, 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, 2015, and the respective changes in financial position, and where applicable, 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.

Emphasis of Matter

As discussed in Note I to the financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB #68 for its pension plan a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

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 on pages 4 through 12 and pages 45 and 46 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 November 4, 2015, 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.

November 4, 2015

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, 2015. 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 \$20.7 million at August 31, 2015. During the year, the District's total expenses exceeded revenues by \$239 thousand. Total expenses of the District were \$17.9 million for the year which is \$28 thousand less than the prior year. Revenue was down \$89 thousand. State aid was up \$300 thousand. Tax revenue was down \$200 thousand because of a decrease in taxable value.

The District reported fund balance in the general fund of \$6.29 million at August 31, 2015, which is an increase of approximately \$217 thousand. Revenues were up \$87 thousand. Revenues were different as in the previous paragraph. Expenditures were \$335 thousand less than the prior year. The District expended \$1.1 million for facilities renovation and construction. A note of \$850 thousand was obtained to pay for part of this renovation. The District spent \$344 thousand less in facilities acquisition and construction than the previous year.

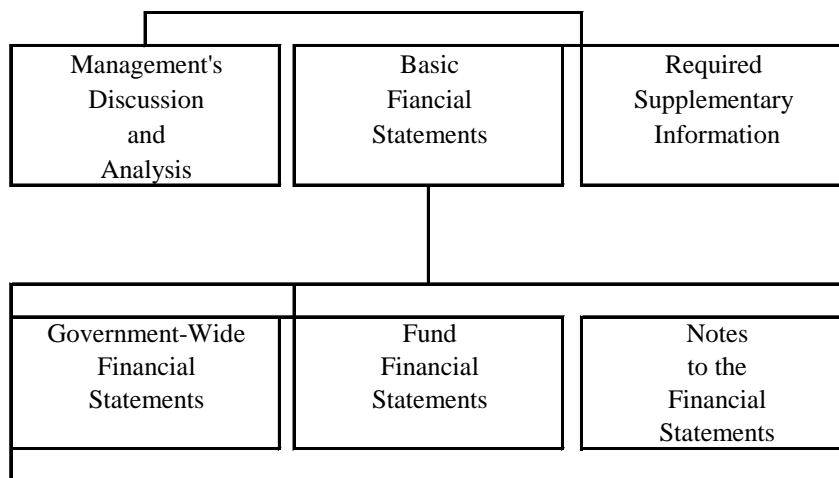
Approximately 97% of the taxes levied for 2014-15 were collected by fiscal year end.

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 changes in fiduciary net position
			*Statement of cash flows	
<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 \$20.7 million at August 31, 2015.

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

	Governmental Activities	
	2015	2014
Current and other assets	8,243	8,223
Capital and non-current assets	16,528	16,005
TOTAL ASSETS	24,771	24,228
Deferred charge for refunding	-	-
Deferred resource outflow related to TRS	387	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	387	-
Long-term liabilities	3,030	-
Other liabilities	716	836
TOTAL LIABILITIES	3,746	836
Unavailable revenue-property taxes	20	20
Deferred resource inflow related to TRS	656	-
TOTAL DEFERRED INFLOWS OF RESOURCES	676	20
Net position		
Invested in capital assets net of related debt	15,641	16,004
Restricted	723	816
Unrestricted	4,373	6,552
TOTAL NET POSITION	20,737	23,372

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 \$4.4 million of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

The \$723 thousand is restricted as follows:

Restricted for SSA's	605
Restricted for Food Service	11
Restricted for Debt Service	107
	<u>723</u>

Net position of the District's governmental activities decreased from \$23.4 million to \$20.7 million, or \$2.6 million. The decrease was the result of four main factors. First, the District's revenues exceeded expenditures by \$124 thousand. Second, the District acquired capital assets through purchase or construction of approximately \$1.17 million with the \$850 thousand borrowed to fund part of the additions. Third, the District recorded depreciation of \$643 thousand. Fourth, the District recorded a prior period adjustment of \$2.4 million related to recording the District's portion of the net pension liability as required by GASB 68. The net pension liability at August 31, 2015 is \$2.14 million.

Changes in net position.

The District's total revenues were \$17.7 million. 35% of this comes from taxes, 34% was from state aid formula grants and 19% came from operating grants and contributions. Revenues were down 1/2% from the prior year.

The total cost of all programs was \$17.9 million. Approximately 75% of this was for instructional and student services. Expenses were about the same as the prior year.

Net position decreased by \$238 thousand from the excess of expenses over revenues.

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

	Governmental Activities	
	2015	2014
Revenues		
<u>Program Revenues</u>		
Charges for Services	1,589	1,673
Operating Grants and Contributions	3,409	3,406
<u>General Revenues</u>		
Property Taxes	6,183	6,349
State aid - formula	5,995	5,738
Investment earnings	41	45
Other	481	577
Total Revenues	<u>17,698</u>	<u>17,788</u>
Expenses		
Instruction and instructional related	10,686	10,731
Instructional leadership/school administration	966	889
Guidance, social work, health, transportation	1,813	1,952
Food services	704	684
Extracurricular activities	766	674
General Administration	598	551
Plant maintenance and security	1,603	1,620
Data processing services	165	262
Community services	20	44
Debt service	36	-
Facilities Acquisition & Construction	-	-
Pmts to fiscal agent/member districts - shared service	467	450
Other	112	107
Total Expenses	<u>17,936</u>	<u>17,964</u>
Increase (Decrease) in Net Position	(238)	(176)
Transfer in	3	-
Beginning Net Position	23,372	23,548
Prior Period Adjustment	(2,401)	-
Ending Net Position	<u>20,736</u>	<u>23,372</u>

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 \$17.9 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$6.2 million.
- Some of the cost was paid by those who directly benefited from the programs (\$1.6 million), or by grants and contributions (\$3.4 million).

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

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	10,686	10,731	7,849	7,937
School administration	966	889	883	797
Plant Maintenance & Operations	1,603	1,620	1,348	1,423
Guidance, social work, health & transportation	1,813	1,952	854	831

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$7 million reflecting a net increase of \$124 thousand. The general fund balance increased \$217 thousand.

Reasons for this decrease in the general fund are highlighted on page 4. The other governmental funds decreased \$93 thousand. The Special Education SSA Fund 437 decreased because one of the member Districts withdrew from the cooperative. They were paid \$181 thousand for their part of the fund balance.

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 2% or \$253 thousand. Actual revenues were more than budget by \$213 thousand. All functions were properly budgeted. A decrease of \$250 thousand to fund balance was budgeted. The actual increase was \$217 thousand. Most of the variance in expenditures was in instructional and facilities construction.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2015	2014
Land	1,017	1,017
Buildings and improvements	24,226	23,074
Furniture and equipment	3,519	3,505
Totals at historical cost	<u>28,762</u>	<u>27,596</u>
Total accumulated depreciation	<u>(12,234)</u>	<u>(11,592)</u>
Net capital assets	<u><u>16,528</u></u>	<u><u>16,004</u></u>

The District did major renovations during the year.

Long-Term Debt

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

	Governmental	
	2015	2014
Notes payable	<u>850</u>	<u>-</u>
Total notes payable	<u><u>850</u></u>	<u><u>-</u></u>

New maintenance tax note debt was issued this year. \$850 thousand of new debt was issued to fund various renovations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2016 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 and 2015. There was a downturn in the economy starting in 2008 and continuing through 2012, but a slight rebound started in 2013 and continued thru 2015. The current unemployment in the Mineola area is 5.3%, an increase of 100.0% from the prior year. The State's unemployment rate of 4.4 % is a decrease of 12.0% over the prior year. 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 2016. Amounts available for appropriation in the General Fund budget are \$13.16 million, a decrease of 0.07% over the final 2015 budget of \$14.15 million. Excluding the capital projects from the 2015 budget of \$1.11 million, there was a budget increase of 0.01%. The 2016 budget increased 0.05% from the prior year. The increase is due to funds the state is making up from the prior year's loss of oil and mineral values in excess of \$17 million. Property taxes and State per capita payments account for 99% of the revenue to support the 2016 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 2016. 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.

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

Data		Primary Government	
Control		Governmental	
Codes		Activities	
<hr/>			
ASSETS			
1110	Cash and Cash Equivalents	\$	7,622,112
1220	Property Taxes Receivable (Delinquent)		595,046
1230	Allowance for Uncollectible Taxes		(416,532)
1240	Due from Other Governments		435,536
1250	Accrued Interest		7,063
Capital Assets:			
1510	Land		1,016,596
1520	Buildings, Net		14,668,215
1530	Furniture and Equipment, Net		843,093
			<hr/>
1000	Total Assets		24,771,129
			<hr/>
DEFERRED OUTFLOWS OF RESOURCES			
1702	Deferred Resource Outflow #2		387,622
			<hr/>
1700	Total Deferred Outflows of Resources		387,622
			<hr/>
LIABILITIES			
2110	Accounts Payable		154,944
2160	Accrued Wages Payable		536,896
2300	Unearned Revenue		24,468
Noncurrent Liabilities			
2501	Due Within One Year		95,552
2502	Due in More Than One Year		790,871
2540	Net Pension Liability (District's Share)		2,143,589
			<hr/>
2000	Total Liabilities		3,746,320
			<hr/>
DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes		20,350
2603	Deferred Resource Inflow #3		655,730
			<hr/>
2600	Total Deferred Inflows of Resources		676,080
			<hr/>
NET POSITION			
3200	Net Investment in Capital Assets		15,641,481
3820	Restricted for Federal and State Programs		10,792
3850	Restricted for Debt Service		107,182
3890	Restricted for Other Purposes		605,452
3900	Unrestricted		4,371,444
			<hr/>
3000	Total Net Position	\$	20,736,351

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, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 10,298,703	\$ 595,822	\$ 2,134,027	\$ (7,568,854)
12 Instructional Resources and Media Services	209,430	-	-	(209,430)
13 Curriculum and Staff Development	176,322	16,271	89,242	(70,809)
21 Instructional Leadership	168,784	61,028	22,436	(85,320)
23 School Leadership	797,668	-	-	(797,668)
31 Guidance, Counseling and Evaluation Services	872,621	162,926	431,796	(277,899)
33 Health Services	167,160	51,952	-	(115,208)
34 Student (Pupil) Transportation	773,235	112,694	199,716	(460,825)
35 Food Services	704,151	122,558	503,149	(78,444)
36 Extracurricular Activities	765,890	69,563	1,595	(694,732)
41 General Administration	598,351	68,047	-	(530,304)
51 Facilities Maintenance and Operations	1,568,773	239,064	16,280	(1,313,429)
52 Security and Monitoring Services	34,249	100	-	(34,149)
53 Data Processing Services	165,234	22,642	-	(142,592)
61 Community Services	19,975	2,500	10,175	(7,300)
73 Debt Service - Bond Issuance Cost and Fees	36,423	-	-	(36,423)
93 Payments related to Shared Services Arrangements	466,805	64,062	-	(402,743)
99 Other Intergovernmental Charges	112,452	-	-	(112,452)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 17,936,226	\$ 1,589,229	\$ 3,408,416	(12,938,581)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			6,182,528
SF	State Aid - Formula Grants			5,995,242
IE	Investment Earnings			41,094
MI	Miscellaneous Local and Intermediate Revenue			481,309
FR	Transfers In (Out):			(178,403)
TR	Total General Revenues & Transfers			12,521,770
CN	Change in Net Position			(416,811)
NB	Net Position - Beginning			23,372,321
PA	Prior Period Adjustment			(2,400,562)
NE	Net Position--Ending			\$ 20,554,948

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 6,361,170	\$ 798,944	\$ 7,160,114
1220 Property Taxes - Delinquent	595,046	-	595,046
1230 Allowance for Uncollectible Taxes (Credit)	(416,532)	-	(416,532)
1240 Receivables from Other Governments	401,020	15,077	416,097
1250 Accrued Interest	7,063	-	7,063
1260 Due from Other Funds	27	-	27
1000 Total Assets	<u>\$ 6,947,794</u>	<u>\$ 814,021</u>	<u>\$ 7,761,815</u>
LIABILITIES			
2110 Accounts Payable	\$ 9,589	\$ -	\$ 9,589
2160 Accrued Wages Payable	470,769	66,127	536,896
2300 Unearned Revenues	-	24,468	24,468
2000 Total Liabilities	<u>480,358</u>	<u>90,595</u>	<u>570,953</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	182,427	-	182,427
2600 Total Deferred Inflows of Resources	<u>182,427</u>	<u>-</u>	<u>182,427</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	10,792	10,792
3480 Retirement of Long-Term Debt	-	107,182	107,182
3490 Other Restricted Fund Balance	-	605,452	605,452
Committed Fund Balance:			
3510 Construction	2,499,893	-	2,499,893
3530 Capital Expenditures for Equipment	900,681	-	900,681
3545 Other Committed Fund Balance	500,000	-	500,000
3600 Unassigned Fund Balance	2,384,435	-	2,384,435
3000 Total Fund Balances	<u>6,285,009</u>	<u>723,426</u>	<u>7,008,435</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,947,794</u>	<u>\$ 814,021</u>	<u>\$ 7,761,815</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, 2015

Total Fund Balances - Governmental Funds	\$ 7,008,435
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.	336,055
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 \$27,596,227 and the accumulated depreciation was \$11,591,828. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.	16,004,399
3 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase (decrease) net position.	1,166,028
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(642,523)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(724,347)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,143,588 a Deferred Resource Inflow related to TRS in the amount of \$655,730, and a Deferred Resource Outflow related to TRS in the amount of \$387,622. This amounted to a decrease in Net Position in the amount of \$2,411,696.	(2,411,696)
19 Net Position of Governmental Activities	<u><u>\$ 20,736,351</u></u>

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, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 6,816,239	\$ 1,692,110	\$ 8,508,349
5800 State Program Revenues	6,659,920	92,205	6,752,125
5900 Federal Program Revenues	35,242	2,588,846	2,624,088
5020 Total Revenues	<u>13,511,401</u>	<u>4,373,161</u>	<u>17,884,562</u>
EXPENDITURES:			
Current:			
0011 Instruction	7,659,064	2,246,114	9,905,178
0012 Instructional Resources and Media Services	209,430	-	209,430
0013 Curriculum and Instructional Staff Development	70,809	105,513	176,322
0021 Instructional Leadership	85,320	83,464	168,784
0023 School Leadership	797,668	-	797,668
0031 Guidance, Counseling and Evaluation Services	277,899	594,722	872,621
0033 Health Services	115,208	51,952	167,160
0034 Student (Pupil) Transportation	324,790	312,410	637,200
0035 Food Services	7,400	659,872	667,272
0036 Extracurricular Activities	771,449	1,595	773,044
0041 General Administration	511,287	68,047	579,334
0051 Facilities Maintenance and Operations	1,329,811	234,730	1,564,541
0052 Security and Monitoring Services	34,149	100	34,249
0053 Data Processing Services	142,592	22,642	165,234
0061 Community Services	7,300	12,675	19,975
Debt Service:			
0073 Bond Issuance Cost and Fees	36,423	-	36,423
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,114,941	-	1,114,941
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	390,743	76,062	466,805
0099 Other Intergovernmental Charges	112,452	-	112,452
6030 Total Expenditures	<u>13,998,735</u>	<u>4,469,898</u>	<u>18,468,633</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(487,334)</u>	<u>(96,737)</u>	<u>(584,071)</u>
OTHER FINANCING SOURCES (USES):			
7914 Non-Current Loans	850,000	-	850,000
7915 Transfers In	3,000	185,152	188,152
7916 Premium or Discount on Issuance of Bonds	36,423	-	36,423
8911 Transfers Out (Use)	(185,152)	-	(185,152)
8949 Other (Uses)	-	(181,403)	(181,403)
7080 Total Other Financing Sources (Uses)	<u>704,271</u>	<u>3,749</u>	<u>708,020</u>
1200 Net Change in Fund Balances	216,937	(92,988)	123,949
0100 Fund Balance - September 1 (Beginning)	<u>6,068,072</u>	<u>816,414</u>	<u>6,884,486</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,285,009</u>	<u>\$ 723,426</u>	<u>\$ 7,008,435</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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 123,949
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.	(8,097)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2015 capital outlays is to increase (decrease) net position.	1,166,028
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.	(642,523)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(891,764)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2014 caused the change in the ending net position to increase in the amount of \$215,135. The District recorded their proportionate share of pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY 2015 were \$332,988 for pension expense columns 6-12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$134,852. This caused a net decrease in the change in net position of \$198,136. The impact of all of these is to increase the change in net position by \$16,999.	16,999
Change in Net Position of Governmental Activities	\$ (235,408)

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
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 6,490,070	\$ 6,794,181	\$ 6,816,239	\$ 22,058
5800 State Program Revenues	6,440,660	6,469,402	6,659,920	190,518
5900 Federal Program Revenues	22,000	35,000	35,242	242
5020 Total Revenues	12,952,730	13,298,583	13,511,401	212,818
EXPENDITURES:				
Current:				
0011 Instruction	7,848,657	7,745,202	7,659,064	86,138
0012 Instructional Resources and Media Services	209,540	211,020	209,430	1,590
0013 Curriculum and Instructional Staff Development	86,232	72,872	70,809	2,063
0021 Instructional Leadership	75,209	86,247	85,320	927
0023 School Leadership	805,250	804,982	797,668	7,314
0031 Guidance, Counseling and Evaluation Services	285,856	279,199	277,899	1,300
0033 Health Services	115,446	116,887	115,208	1,679
0034 Student (Pupil) Transportation	368,377	347,760	324,790	22,970
0035 Food Services	-	7,400	7,400	-
0036 Extracurricular Activities	657,958	786,659	771,449	15,210
0041 General Administration	475,927	529,842	511,287	18,555
0051 Facilities Maintenance and Operations	1,318,402	1,417,777	1,329,811	87,966
0052 Security and Monitoring Services	25,200	35,505	34,149	1,356
0053 Data Processing Services	156,100	146,450	142,592	3,858
0061 Community Services	9,928	7,328	7,300	28
Debt Service:				
0073 Bond Issuance Cost and Fees	-	36,423	36,423	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,116,499	1,114,941	1,558
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	391,159	390,760	390,743	17
0099 Other Intergovernmental Charges	122,905	112,905	112,452	453
6030 Total Expenditures	12,952,146	14,251,717	13,998,735	252,982
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	584	(953,134)	(487,334)	465,800
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	850,000	850,000	-
7915 Transfers In	-	3,000	3,000	-
7916 Premium or Discount on Issuance of Bonds	-	36,423	36,423	-
8911 Transfers Out (Use)	-	(185,902)	(185,152)	750
7080 Total Other Financing Sources (Uses)	-	703,521	704,271	750
1200 Net Change in Fund Balances	584	(249,613)	216,937	466,550
0100 Fund Balance - September 1 (Beginning)	6,068,072	6,068,072	6,068,072	-
3000 Fund Balance - August 31 (Ending)	\$ 6,068,656	\$ 5,818,459	\$ 6,285,009	\$ 466,550

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2015

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 461,998
Due from Other Governments	19,439
	<hr/>
Total Assets	481,437
	<hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	145,355
Due to Other Funds	27
	<hr/>
Total Liabilities	145,382
	<hr/>
NET POSITION	
Unrestricted Net Position	336,055
	<hr/>
Total Net Position	\$ 336,055
	<hr/> <hr/>

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, 2015

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 37,644
Total Operating Revenues	37,644
OPERATING EXPENSES:	
Payroll Costs	45,741
Total Operating Expenses	45,741
Operating Income (Loss)	(8,097)
Total Net Position - September 1 (Beginning)	316,018
Prior Period Adjustment	28,134
Total Net Position - August 31 (Ending)	\$ 336,055

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, 2015

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 18,205
Cash Payments for Insurance Claims	(29,033)
Net Cash Used for Operating Activities	<u>(10,828)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase(decrease) in Short-term Loans	<u>-</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	<u>-</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(10,828)
Cash and Cash Equivalents at Beginning of Year	<u>472,826</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 461,998</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (8,097)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	16,708
Increase (decrease) in due from other governments	<u>(19,439)</u>
Net Cash Used for Operating Activities	<u><u>\$ (10,828)</u></u>

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 375,619
Restricted Assets	783,765	-
Total Assets	<u>783,765</u>	<u>\$ 375,619</u>
LIABILITIES		
Due to Student Groups	-	\$ 375,619
Total Liabilities	<u>-</u>	<u>\$ 375,619</u>
NET POSITION		
Restricted for Scholarships	783,765	
Total Net Position	<u>\$ 783,765</u>	

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, 2015

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 32,115
Total Additions	<u>32,115</u>
DEDUCTIONS:	
Other Operating Costs	4,000
Transfers Out	3,000
Total Deductions	<u>7,000</u>
Change in Net Position	25,115
 Total Net Position - September 1 (Beginning)	 <u>758,650</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 783,765</u></u>

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, 2015

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.

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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with 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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.
11. 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.

12. 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.

13. 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. 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 two 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. 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 two types of items that qualify for reporting in this category, property taxes and deferred inflows related to TRS. 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:

Capital Assets at the Beginning of the Year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position	
Land	1,016,596	-	1,016,596		
Buildings	23,074,433	(9,146,561)	13,927,872		
Furniture & Equipment	3,505,198	(2,445,267)	1,059,931		
Change in Net Position	27,596,227	(11,591,828)		16,004,399	
Net Adjustment to Net Position				16,004,399	

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	1,151,783	1,151,783	1,151,783
Furniture & Equipment	14,245	14,245	14,245
Total Capital Outlay	<u>1,166,028</u>	<u>1,166,028</u>	<u>1,166,028</u>
Disposition of Assets	<u>-</u>	<u>-</u>	<u>-</u>
<u>Debt Principal Payments</u>			
Total Principal Payments	<u>-</u>	<u>-</u>	<u>-</u>
Total Adjustment to Net Position		<u>1,166,028</u>	<u>1,166,028</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	183,435	(183,435)	-
Uncollected taxes (assumed collectible) from Current Year Levy	136,486	136,486	136,486
Uncollected Taxes (assumed collectible) from Prior Year Levy	25,590	-	25,590
Effect of prior year tax entries	41,608	41,608	-
Other Adjustments			
Tax note proceeds	850,000	(850,000)	(850,000)
Premium or discount on issuance	36,423	(36,423)	(36,423)
Total		<u>(891,764)</u>	<u>(724,347)</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, 2015
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	10,792
Nonappropriated Budget Funds	<u>605,452</u>
All Special Revenue Funds	<u><u>616,244</u></u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

Additional contractual provisions governing deposits and investments for the District are as follows:

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

1. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the District's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits of the District are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the District.

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,448,267 and the bank balance was \$5,818,369. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Capital One
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$9,855,809.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$9,016,468 and occurred during the month of January, 2015.

- d. Total amount of FDIC coverage at the time of the highest combined balance was \$500,001.
2. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The District has no investments exposed to custodial credit risk at the end of the period.
3. Interest- rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The District does not purchase investments where the face value is not guaranteed.
4. Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The District is not exposed to any amounts of concentration risk.
5. Other Credit Risk Exposure – The District has investments in external investment pools. The rating of the pool is disclosed below.

The Districts investments at August 31, 2015, are shown below:

Texpool	611,871	AAAm	49 days
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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, 2015 consisted of the following individual fund balances:

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

\$145,152 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. \$40,000 was transferred from the general fund to the food service fund to clear a deficit position.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2015, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	595,046	401,020	27	7,063	1,003,156
Nonmajor Governmental Funds	-	15,077	-	-	15,077
Total- Governmental Activities	<u>595,046</u>	<u>416,097</u>	<u>27</u>	<u>7,063</u>	<u>1,018,233</u>
Amounts not scheduled for collection during the subsequent year	<u>416,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>416,532</u>

Payables at August 31, 2015, were as follows:

	<u>Accounts</u>	<u>Loans, Leases, & Bonds Payable- Current Year</u>	<u>Salaries & Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	9,589	-	470,769	-	-	480,358
Nonmajor Governmental Funds	-	-	66,127	-	-	66,127
Internal Service Funds	145,355	-	-	27	-	145,382
Total- Governmental Activities	<u>154,944</u>	<u>-</u>	<u>536,896</u>	<u>27</u>	<u>-</u>	<u>691,867</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	Primary Government			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	
Governmental Activities:				
District:				
Land	1,016,596	-	-	1,016,596
Buildings and Improvements	23,074,433	1,151,783	-	24,226,216
Furniture and Equipment	3,505,198	14,245	-	3,519,443
Construction in Progress	-	-	-	-
Totals at Historic Cost	<u>27,596,227</u>	<u>1,166,028</u>	<u>-</u>	<u>28,762,255</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(9,146,561)	(411,440)	-	(9,558,001)
Furniture and Equipment	(2,445,267)	(231,083)	-	(2,676,350)
Total Accumulated Depreciation	<u>(11,591,828)</u>	<u>(642,523)</u>	<u>-</u>	<u>(12,234,351)</u>
Governmental Activities Capital Assets, Net	<u>16,004,399</u>	<u>523,505</u>	<u>-</u>	<u>16,527,904</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	402,427
Student (Pupil) Transportation	136,035
Food Services	36,879
Curricular/Extracurricular Activities	37,733
General Administration	19,017
Plant Maintenance and Operations	10,432
Total Depreciation Expense	<u>642,523</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, 2015 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable		Retired	Outstanding 8/31/2015
				Amounts Outstanding 9/1/2014	Issued		
Maintenance Tax Notes-Series 2015	2.94%	850,000	-	-	850,000	-	850,000
Unamortized Premium		36,423	-	-	36,423	-	36,423
			-	-	886,423	-	886,423

Debt service requirements are as follows:

Year Ended August 31	General Obligations		Total Requirements
	Principal	Interest	
2016	95,552	25,268	120,820
2017	98,639	22,181	120,820
2018	101,539	19,281	120,820
2019	104,525	16,295	120,820
2020	107,598	13,222	120,820
2021-2025	342,147	20,313	362,460
Total	<u>850,000</u>	<u>116,560</u>	<u>966,560</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 finding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The TRS's defined benefit pension plan is 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 statement and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Position Liability</u>	<u>Total</u>
Total Pension Liability	159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

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 retirements is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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 rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

<u>Contribution Rates</u>					
				<u>2014</u>	<u>2015</u>
Member				6.4%	6.7%
Non-Employer Contributing Entity (State)				6.8%	6.8%
Employers				6.8%	6.8%
Mineola ISD 2014 Employers Contributions					\$ 203,455
Mineola ISD 2014 Member Contributions					\$ 682,499
Mineola ISD 2014 NECE On-Behalf Contributions					\$ 500,773

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

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System them employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date				August 31, 2014
Actuarial Cost Method				Individual Entry
Age Normal				
Amortization Method of Payroll, Open				Level Percentage
Remaining Amortization Period				30 years
Asset Valuation Method				5 year market
Value				
Discount Rate				8.00%
Long-term expected Investment Rate of Return*				8.00%
Salary Increases*				4.25% to 7.25%
Weighted-Average at Valuation Date				5.55%
Payroll Growth Rate				3.50%
*Includes Inflation of 3%				

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010, and adopted on April 8, 2011. With the exception of the post retirement, the mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

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 the 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 investment 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 System's target asset allocation as of August 31, 2014 are summarized below:

				Target		Real Return		Long-Term	
				Allocation		Geometric Basis		Expected	
	Asset Class							Portfolio Real	
								Rate of Return*	
Global Equity									
	U.S.			18%		7.0%		1.4%	
	Non-U.S. Developed			13%		7.3%		1.1%	
	Emerging Markets			9%		8.1%		0.9%	
	Directional Hedge Funds			4%		5.4%		0.2%	
	Private Equity			13%		9.2%		1.4%	
Stable Value									
	U.S. Treasuries			11%		2.9%		0.3%	
	Absolute Return			0%		4.0%		0.0%	
	Stable Value Hedge Funds			4%		5.2%		0.2%	
	Cash			1%		2.0%		0.0%	
Real Return									
	Global Inflation Linked Bonds			3%		3.1%		0.0%	
	Real Assets			16%		7.3%		1.5%	
	Energy and Natural Resources			3%		8.8%		0.3%	
	Commodities			0%		3.4%		0.0%	
Risk Parity									
	Risk Parity			5%		8.9%		0.4%	
	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 15 or less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 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:	3,830,462	2,143,588	882,120

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2014, Mineola Independent School District reported a liability of \$2,143,588 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 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	\$ 2,143,588
State's proportionate share that is associated with the District	\$ 5,287,338
Total	\$ 7,430,926

The net pension liability was measured as of August 31, 2014 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, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.00008025%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014 Mineola Independent School District recognized pension expense of \$488,805 and revenue of \$500,773 support provided by the State.

At August 31, 2014, 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 economic experience	\$ 33,151	\$ -
Changes in actuarial assumptions	\$ 139,336	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 655,168
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ -	\$ 562
Contributions paid to TRS subsequent to the measurement date	\$ -	\$ -
Total	\$ 172,487	\$ 655,730

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
2016	\$ (134,788)
2017	\$ (134,788)
2018	\$ (134,788)
2019	\$ 29,004
2020	\$ 26,905
Thereafter	\$ -

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 172,487	\$ 655,730
Contributions made subsequent to the Measurement Date	\$ 215,135	\$ -
Reported by District as of August 31, 2015	\$ 387,622	\$ 655,730

I. HEALTH CARE COVERAGE

Employees of the District are covered by a health insurance plan with TRS Active-Care through August 31, 2015. The District paid \$250 per month per month per employee.

Maintenance of Effort--						
	Total Annual Premiums for health care for 2014/2015				520,592	
	Subtract any non-medical expenses				-	
	2014/2015 Maintenance of effort				<u>520,592</u>	

J. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Total
Technology Grant	-	-	-
Super Net II SSA	-	24,468	24,468
Total Deferred Revenue	<u>-</u>	<u>24,468</u>	<u>24,468</u>

K. 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, 2015, 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	397,107	-	3,913	401,020
Special Revenue	-	15,077	-	15,077
Total Deferred Revenue	<u>397,107</u>	<u>15,077</u>	<u>3,913</u>	<u>416,097</u>

L. 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	6,187,869	-	-	6,187,869
Penalties, Interest and Other Tax-related Income	105,476	-	-	105,476
Investment Income	38,685	45	2,364	41,094
Food Sales	-	-	122,558	122,558
Co-curricular Student Activities	69,563	-	-	69,563
Head Start Reimbursement	99,755	-	-	99,755
Foundations, Gifts, & Bequests	229,350	-	-	229,350
SSA-Special Ed	-	-	1,486,136	1,486,136
SSA-Super Net II	-	-	80,810	80,810
Other	85,541	-	197	85,738
Total	6,816,239	45	1,692,065	8,508,349

M. 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 2015, 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.

N. 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 2015/2016 will be approximately \$25,000. The loss fund maximum estimated for 2015/2016 is approximately \$65,000. The workers' compensation fund has a cash balance of \$461,997 at August 31, 2015. Estimates of claims payable and of claims incurred, but not reported at August 31, 2015, 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:

	8/31/2015	8/31/2014
Unpaid claims, beginning of year	77,491	59,918
Insured claims	28,100	55,509
Claim, payments	(29,675)	(37,936)
Unpaid claims, end of year	75,916	77,491

O. COMMITMENTS AND CONTINGENCIES

The District has no significant commitments or contingencies at August 31, 2015

P. 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.

Q. LITIGATION

The District has no pending litigation at August 31, 2015.

R. SUBSEQUENT EVENTS

Administration has evaluated subsequent events through November 4, 2015, the financial statement issuance date.

S. 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, 2015 was as follows:

Alba-Golden I.S.D.	198,185
Hawkins I.S.D.	184,032
Quitman I.S.D.	279,918
Winnsboro I.S.D.	355,761
Yantis I.S.D.	86,552
Mineola I.S.D.	381,688
	<u>1,486,136</u>

T. 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, 2015 was as follows:

Beckville I.S.D.	6,947
Brownsboro I.S.D.	11,547
Marshall I.S.D.	5,897
Quitman I.S.D.	7,948
Rusk I.S.D.	10,302
Troup I.S.D.	7,851
Waskom I.S.D.	7,413
Gilmer I.S.D.	5,897
Hughes Springs I.S.D.	8,049
Mineola I.S.D.	8,959
	<u>80,810</u>

U. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 require a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment for GASB 68 is \$2,428,696. There was also a prior period adjustment on the internal service funds. Accounts payable were overstated the prior year resulting in an increase to beginning net position of \$28,134. The restated beginning net position is \$20,971,759.

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, 2015

EXHIBIT G-2

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.00008025%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,143,588
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	5,287,338
Total	<u>\$ 7,430,926</u>
District's Covered-Employee Payroll	\$ 10,186,551
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll	28.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "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
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2015

EXHIBIT G-3

	<u>2015</u>
Contractually Required Contribution	\$ 682,499
Contribution in Relation to the Contractually Required Contribution	(682,499)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 10,186,551
Contributions as a Percentage of Covered-Employee Payroll	6.80%

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

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 of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING AND OTHER STATEMENTS

MINEOLA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		211	240	244	255
		ESEA I, A Improving Basic Program	National Breakfast and Lunch Program	Career and Technical - Basic Grant	ESEA II,A Training and Recruiting
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 6,672	\$ -	\$ -
1240	Receivables from Other Governments	-	15,077	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 21,749</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ -	\$ 10,957	\$ -	\$ -
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>10,957</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	10,792	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>10,792</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 21,749</u>	<u>\$ -</u>	<u>\$ -</u>

270 ESEA VI, Pt B Rural & Low Income	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	410 State Textbook Fund	434 SSA - SSVI Visually Impaired	437 SSA Special Education	459 Other SSA Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 632,742	\$ 52,348
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,742</u>	<u>\$ 52,348</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,170	\$ -
-	-	-	-	-	-	-	24,468
-	-	-	-	-	-	55,170	24,468
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	577,572	27,880
-	-	-	-	-	-	577,572	27,880
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,742</u>	<u>\$ 52,348</u>

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes		Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ 691,762	\$ 107,182	\$ 798,944
1240	Receivables from Other Governments	15,077	-	15,077
1000	Total Assets	<u>\$ 706,839</u>	<u>\$ 107,182</u>	<u>\$ 814,021</u>
LIABILITIES				
2160	Accrued Wages Payable	\$ 66,127	\$ -	\$ 66,127
2300	Unearned Revenues	24,468	-	24,468
2000	Total Liabilities	<u>90,595</u>	<u>-</u>	<u>90,595</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	10,792	-	10,792
3480	Retirement of Long-Term Debt	-	107,182	107,182
3490	Other Restricted Fund Balance	605,452	-	605,452
3000	Total Fund Balances	<u>616,244</u>	<u>107,182</u>	<u>723,426</u>
4000	Total Liabilities and Fund Balances	<u>\$ 706,839</u>	<u>\$ 107,182</u>	<u>\$ 814,021</u>

MINEOLA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 122,627	\$ -	\$ -
5800	State Program Revenues	-	3,729	-	-
5900	Federal Program Revenues	559,034	503,149	21,995	95,093
5020	Total Revenues	559,034	629,505	21,995	95,093
EXPENDITURES:					
Current:					
0011	Instruction	439,178	-	16,662	92,818
0013	Curriculum and Instructional Staff Development	86,967	-	-	2,275
0021	Instructional Leadership	22,436	-	-	-
0031	Guidance, Counseling and Evaluation Services	278	-	3,738	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	659,872	-	-
0036	Extracurricular Activities	-	-	1,595	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	10,175	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	559,034	659,872	21,995	95,093
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(30,367)	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	40,000	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	40,000	-	-
1200	Net Change in Fund Balance	-	9,633	-	-
0100	Fund Balance - September 1 (Beginning)	-	1,159	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 10,792	\$ -	\$ -

270 ESEA VI, Pt B Rural & Low Income	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	410 State Textbook Fund	434 SSA - SSVI Visually Impaired	437 SSA Special Education	459 Other SSA Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,488,628	\$ 80,810
-	-	-	-	82,476	6,000	-	-
31,041	1,200,211	29,225	149,098	-	-	-	-
31,041	1,200,211	29,225	149,098	82,476	6,000	1,488,628	80,810
31,041	572,715	29,225	149,098	82,476	6,000	826,401	500
-	-	-	-	-	-	16,271	-
-	-	-	-	-	-	61,028	-
-	427,780	-	-	-	-	162,926	-
-	-	-	-	-	-	51,952	-
-	199,716	-	-	-	-	112,694	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	68,047	-
-	-	-	-	-	-	149,640	85,090
-	-	-	-	-	-	100	-
-	-	-	-	-	-	22,642	-
-	-	-	-	-	-	2,500	-
-	-	-	-	-	-	64,062	12,000
31,041	1,200,211	29,225	149,098	82,476	6,000	1,538,263	97,590
-	-	-	-	-	-	(49,635)	(16,780)
-	-	-	-	-	-	145,152	-
-	-	-	-	-	-	(181,403)	-
-	-	-	-	-	-	(36,251)	-
-	-	-	-	-	-	(85,886)	(16,780)
-	-	-	-	-	-	663,458	44,660
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 577,572	\$ 27,880

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 1,692,065	\$ 45	\$ 1,692,110
5800	State Program Revenues	92,205	-	92,205
5900	Federal Program Revenues	2,588,846	-	2,588,846
5020	Total Revenues	4,373,116	45	4,373,161
EXPENDITURES:				
Current:				
0011	Instruction	2,246,114	-	2,246,114
0013	Curriculum and Instructional Staff Development	105,513	-	105,513
0021	Instructional Leadership	83,464	-	83,464
0031	Guidance, Counseling and Evaluation Services	594,722	-	594,722
0033	Health Services	51,952	-	51,952
0034	Student (Pupil) Transportation	312,410	-	312,410
0035	Food Services	659,872	-	659,872
0036	Extracurricular Activities	1,595	-	1,595
0041	General Administration	68,047	-	68,047
0051	Facilities Maintenance and Operations	234,730	-	234,730
0052	Security and Monitoring Services	100	-	100
0053	Data Processing Services	22,642	-	22,642
0061	Community Services	12,675	-	12,675
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	76,062	-	76,062
6030	Total Expenditures	4,469,898	-	4,469,898
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,782)	45	(96,737)
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	185,152	-	185,152
8949	Other (Uses)	(181,403)	-	(181,403)
7080	Total Other Financing Sources (Uses)	3,749	-	3,749
1200	Net Change in Fund Balance	(93,033)	45	(92,988)
0100	Fund Balance - September 1 (Beginning)	709,277	107,137	816,414
3000	Fund Balance - August 31 (Ending)	\$ 616,244	\$ 107,182	\$ 723,426

MINEOLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2015

	846	847	848	849	Total
	Wilson	Peacock	English	Investment	Private
	Trust	Trust	Trust	Trust	Purpose
	Trust	Trust	Trust	Fund	Trust Funds
ASSETS					
Restricted Assets	\$ 462,000	\$ 15,294	\$ 233,856	\$ 72,615	\$ 783,765
Total Assets	<u>462,000</u>	<u>15,294</u>	<u>233,856</u>	<u>72,615</u>	<u>783,765</u>
NET POSITION					
Restricted for Scholarships	\$ 462,000	\$ 15,294	\$ 233,856	\$ 72,615	\$ 783,765
Total Net Position	<u>\$ 462,000</u>	<u>\$ 15,294</u>	<u>\$ 233,856</u>	<u>\$ 72,615</u>	<u>\$ 783,765</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, 2015

	846	847	848	849	Total
	Wilson	Peacock	English	Investment	Private
	Trust	Trust	Trust	Trust	Purpose
	Trust	Trust	Trust	Fund	Trust Funds
ADDITIONS:					
Local and Intermediate Sources	\$ 29,356	\$ 132	\$ 608	\$ 2,019	\$ 32,115
Total Additions	29,356	132	608	2,019	32,115
DEDUCTIONS:					
Other Operating Costs	2,000	1,000	1,000	-	4,000
Transfers Out	-	-	-	3,000	3,000
Total Deductions	2,000	1,000	1,000	3,000	7,000
Change in Net Position	27,356	(868)	(392)	(981)	25,115
Net Position - September 1 (Beginning)	434,644	16,162	234,248	73,596	758,650
Net Position - August 31 (Ending)	\$ 462,000	\$ 15,294	\$ 233,856	\$ 72,615	\$ 783,765

T.E.A. REQUIRED SCHEDULES

MINEOLA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.370050	0.000000	368,670,340
2008	1.170000	0.000000	403,505,128
2009	1.170000	0.000000	450,111,624
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 (School year under audit)	1.170000	0.000000	529,362,991
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 147,287	\$ -	\$ 18,737	\$ -	\$ -	\$ 128,550
19,075	-	3,461	-	-	15,614
18,324	-	4,051	-	-	14,273
23,250	-	3,851	-	-	19,399
29,275	-	5,731	-	-	23,544
39,687	-	10,510	-	-	29,177
58,873	-	15,700	-	-	43,173
95,874	-	32,307	-	-	63,567
176,229	-	89,087	-	-	87,142
-	6,193,547	6,004,434	-	(18,506)	170,607
<u>\$ 607,874</u>	<u>\$ 6,193,547</u>	<u>\$ 6,187,869</u>	<u>\$ -</u>	<u>\$ (18,506)</u>	<u>\$ 595,046</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, 2015

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	\$ 125,100	\$ 121,287	\$ 122,627	\$ 1,340
5800	State Program Revenues	4,000	3,728	3,729	1
5900	Federal Program Revenues	520,900	488,065	503,149	15,084
5020	Total Revenues	650,000	613,080	629,505	16,425
EXPENDITURES:					
0035	Food Services	650,000	685,787	659,872	25,915
6030	Total Expenditures	650,000	685,787	659,872	25,915
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(72,707)	(30,367)	42,340
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	40,000	40,000	-
1200	Net Change in Fund Balances	-	(32,707)	9,633	42,340
0100	Fund Balance - September 1 (Beginning)	1,159	1,159	1,159	-
3000	Fund Balance - August 31 (Ending)	\$ 1,159	\$ (31,548)	\$ 10,792	\$ 42,340

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, 2015

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	\$ -	\$ 45	\$ 45	\$ -
5020	Total Revenues	-	45	45	-
1200	Net Change in Fund Balances	-	45	45	-
0100	Fund Balance - September 1 (Beginning)	107,137	107,137	107,137	-
3000	Fund Balance - August 31 (Ending)	\$ 107,137	\$ 107,182	\$ 107,182	\$ -

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



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
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Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.

MEMBER

American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2015.

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.

November 4, 2015



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Mineola Independent School District
Mineola, Texas

Report on Compliance for Each Major Federal Program

We have audited Mineola Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination 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, 2015.

Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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

November 4, 2015

MINEOLA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

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. N/A
- e. The type of report the auditor issued on compliance for major programs. Unmodified
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section __.510(a). These include: NONE
- g. An identification of major programs: National School Lunch Program CFDA# 10.555; ESEA Title I, Part A CFDA#84.010A
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000.
- 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
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

CORRECTIVE ACTION

N/A

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

MINEOLA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

None

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

MINEOLA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(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	15610101250903	\$ 559,034
*SSA - IDEA - Part B, Formula	84.027	156600012509036600	1,200,211
*SSA - IDEA - Part B, Discretionary	84.027	156600022509036677	149,098
Total CFDA Number 84.027			<u>1,349,309</u>
*SSA - IDEA - Part B, Preschool	84.173	156610012509036610	29,225
Total Special Education Cluster (IDEA)			<u>1,378,534</u>
Career and Technical - Basic Grant	84.048	15420006250903	21,995
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	15696001250903	31,041
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501250903	95,093
Total Passed Through State Department of Education			<u>\$ 2,085,697</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 2,085,697</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	\$ 35,242
Total Passed Through Texas Dept of Human Services			<u>\$ 35,242</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 35,242</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	\$ 96,529
*National School Lunch Program - Cash Assistance	10.555	N/A	368,023
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	38,597
Total CFDA Number 10.555			<u>406,620</u>
Total Child Nutrition Cluster			<u>503,149</u>
Total Passed Through the State Department of Agriculture			<u>\$ 503,149</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 503,149</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,624,088</u>

*Clustered Programs

MINEOLA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

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 availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

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.