

ANNUAL FINANCIAL REPORT

of the

**MAGNOLIA
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended
August 31, 2015

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Magnolia Independent School District

Name of School District

Montgomery

County

170-906

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 14 day of December, 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)

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Magnolia Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Magnolia Independent School District (the "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.

Auditors' 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 auditors' 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 District'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 District'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.

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Governmental
Audit Quality Center

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

In 2015, the District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this 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 budgetary comparison information, the schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions for the Teacher Retirement System of Texas, identified as Required Supplementary Information on the table of contents, 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 introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts 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 accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information 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 nonmajor 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 introductory section and schedule labeled “unaudited” have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
December 10, 2015

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2015

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Magnolia Independent School District (the "District") for the year ending August 31, 2015. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2015 was \$44,272,455.
- For the fiscal year ended August 31, 2015, the District's general fund reported a total fund balance of \$26,331,584, which is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$35,609,419.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic 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.
- The *proprietary fund* statements provide information about services provided to parties inside the District. The proprietary funds include the District's internal service funds.
- *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 fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

Governmental Activities – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following 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 you 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, we

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds* – These funds include the internal service funds. The District's natatorium, aquatic club, health plan, and workers' compensation fund activities are reported in the internal service funds and are shown in a separate statement of net position and as statement of changes in fund net position.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. 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 that are 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. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$44,272,455 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the year. The District reported an increase of \$7,823,566 in net position from the prior year. *Table 1* indicates the overall condition of the District increased, which was the result of an increase in property taxes and foundation revenue. *Table 2* reflects the District reporting an increase in total revenue of \$8,298,912, which was a result of an increase in property tax and grants and contributions that are not restricted. Additionally, the District reported an increase in total expenses of \$8,764,423 primarily due to an increase in instruction expense.

Table 1
Net Position

Description	Governmental Activities		Total Change
	2015	2014	2015-2014
Current assets	\$ 37,733,163	\$ 36,473,943	\$ 1,259,220
Capital assets	156,784,977	159,523,965	(2,738,988)
Total Assets	194,518,140	195,997,908	(1,479,768)
Deferred charge on refunding	6,689,747	7,171,683	(481,936)
Deferred outflows - pensions	1,915,470	966,945	948,525
Total Deferred Outflows of Resources	8,605,217	8,138,628	466,589
Current liabilities	790,653	1,469,201	(678,548)
Long-term liabilities	154,943,828	166,218,446	(11,274,618)
Total Liabilities	155,734,481	167,687,647	(11,953,166)
Deferred inflows - pensions	3,116,421	-	3,116,421
Total Deferred Inflows of Resources	3,116,421	-	3,116,421
Net Position:			
Net investment in capital assets	20,726,907	15,132,807	5,594,100
Restricted	7,579,275	6,860,959	718,316
Unrestricted	15,966,273	14,455,123	1,511,150
Total Net Position	\$ 44,272,455	\$ 36,448,889	\$ 7,823,566

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

Table 2
Changes in Net Position

	Governmental Activities		Total Change 2015-2014
	2015	2014	
Revenues			
Program revenues:			
Charges for services	\$ 3,363,893	\$ 2,831,087	\$ 532,806
Operating grants and contributions	7,448,632	7,333,788	114,844
General revenues:			
Property taxes	62,273,968	58,245,300	4,028,668
Grants and contributions not restricted	48,854,854	44,910,576	3,944,278
Investment earnings	220,775	227,658	(6,883)
Miscellaneous local and intermediate revenue	1,772,749	2,087,550	(314,801)
Total Revenue	123,934,871	115,635,959	8,298,912
Expenses			
Instruction	64,451,311	57,331,723	7,119,588
Instructional resources and media services	1,031,534	992,706	38,828
Curriculum and staff development	175,645	154,861	20,784
Instructional leadership	2,504,448	2,176,458	327,990
School leadership	5,554,578	4,740,697	813,881
Guidance, counseling and evaluation services	3,825,762	3,097,568	728,194
Social work/health services	978,672	911,880	66,792
Student (pupil) transportation	6,141,365	6,059,082	82,283
Food services	5,120,616	5,293,996	(173,380)
Co-curricular/extracurricular activities	3,431,451	2,976,904	454,547
General administration	2,902,519	2,652,384	250,135
Plant maintenance and operations	11,529,260	11,667,292	(138,032)
Security and monitoring	667,439	625,744	41,695
Data processing services	1,744,317	2,202,202	(457,885)
Interest on long-term debt	6,052,388	6,463,385	(410,997)
Total Expenses	116,111,305	107,346,882	8,764,423
Change in Net Position	7,823,566	8,289,077	(465,511)
Beginning net position	36,448,889	28,159,812	8,289,077
Ending Net Position	\$ 44,272,455	\$ 36,448,889	\$ 7,823,565

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2015, the District's governmental funds reported a combined fund balance of \$35,609,419. This compares to a combined fund balance of \$33,938,354 at August 31, 2014. The fund balance in the general fund increased due to an increase in local and intermediate sources revenue. The debt service fund balance increased in the current year by \$630,754. This is due to an increase in property tax revenue for the debt service fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally cover multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2015, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$844,938 and the budgeted expenditures exceeded actual expenditures by \$1,401,232.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2015, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2015, the District had a total of \$156,784,977 invested in capital assets (net of depreciation) such as land, buildings, and District equipment. This total includes \$1,375,090 invested during the fiscal year ended August 31, 2015.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had \$131,025,000 in general obligation bonds outstanding versus \$138,960,000 last year. The District paid \$7,935,000 toward the principal.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered in establishing the District's budget for 2015-16:

- The District's student enrollment growth trended upwards in the 2014-15 school year with final attendance up 220 students, or approximately 2.2 percent, versus the previous year. For budgetary purposes, the anticipated increase for 2015-2016 is approximately 188 students or 1.5 percent which is well below the five year average. A recent demographer report suggests a student enrollment increase of 1.8 percent.
- 2015-16 is the first year under the new state funding system. Key funding component changes included an increase in the basic allotment of \$100 and some fractional funding changes which will benefit the District.
- Approximately 35 new employee positions were created based on need for the 2015-16 school year.
- In an attempt to remain competitive with surrounding districts in terms of attracting and retaining the best and brightest talent, all employees received a 4% raise for 2015-16. Additionally, first year teacher pay was increased by \$2,000 to \$48,000.
- The District's 2015 certified net taxable value for ad valorem tax purposes increased by 11%, or approximately \$550 million. The District's M&O rate for 2015-16 is \$1.04 and I&S is \$0.3395 resulting in a tax rate of \$1.3795 per \$100 valuation for a decrease of 1 cent for the second consecutive year of reduction.
- The District continues to participate in the state's TRS Active Care program for health insurance coverage for employees. The District contributes \$275 per month for employee health insurance. In addition to health insurance, the district provides \$10,000 of life insurance coverage to full-time employees at no cost to the employee. Supplemental insurance is offered from variously selected vendors based on cost savings and plan details as chosen after competitive procurement by district administration.
- The District has again received a perfect score (30/30) on TEA's financial report card known as School First (Financial Integrity Rating System of Texas) for Fiscal 2014.
- For the fifth year in a row of the Texas Comptroller's FAST (Financial Allocation Study of Texas) report, the District yielded positive results including 4.0 of 5.0 Stars on the general score as well as 10/10 on the financial indicator of the test which compares a district's expenditures within an assigned peer group.
- The District is governed by a well trained, informed, dedicated, and student-focused Board of Trustees.

District officials were conservative with budgetary estimates as budget philosophies have remained consistent. As stated, projected student growth was conservatively based on one percent. Officials also remained conservative with large ticket budgetary items such as electricity and fuel costs. The District adopted a balanced general fund budget for fiscal 2016.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2015

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Erich Morris, Director of Finance, at 31141 Nichols Sawmill Road, Magnolia, Texas 77353 or by calling (281) 356-8485.

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BASIC FINANCIAL STATEMENTS

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2015

Data Control Codes		1
		<u>Governmental Activities</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 36,294,186
1220	Property taxes receivable (delinquent)	1,909,800
1230	Allowance for uncollectible taxes	(478,289)
1240	Due from other governments	3,991
1410	Prepaid items	3,475
		<u>37,733,163</u>
	Capital assets:	
1510	Land	8,825,492
1520	Buildings, net	145,286,238
1530	Furniture and equipment, net	1,243,778
1540	Vehicles, net	1,429,469
		<u>156,784,977</u>
1000	Total Assets	<u><u>194,518,140</u></u>
	<u>Deferred Outflows of Resources</u>	
1700	Deferred charge on refunding	6,689,747
1705	Deferred outflow - pensions	1,915,470
		<u>8,605,217</u>
	<u>Liabilities</u>	
2110	Accounts payable	36,808
2140	Interest payable	268,319
2200	Accrued expenses	214,204
		<u>790,653</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	8,205,000
2502	Long-term liabilities due in more than one year	146,738,828
		<u>154,943,828</u>
2000	Total Liabilities	<u><u>155,734,481</u></u>
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pensions	<u>3,116,421</u>
	<u>Net Position</u>	
3200	Net investment in capital assets	20,726,907
	Restricted for:	
3820	State and federal programs	1,308,593
3850	Debt service	5,739,502
3870	Campus activities	531,180
3900	Unrestricted	15,966,273
3000	Total Net Position	<u><u>\$ 44,272,455</u></u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2015

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
					6 Primary Gov. Governmental Activities
	Primary Government				
	Governmental Activities				
11	Instruction	\$ 64,451,311	\$ -	\$ 4,285,422	\$ (60,165,889)
12	Instructional resources				
12	and media services	1,031,534	-	-	(1,031,534)
13	Curriculum/instructional				
13	staff development	175,645	-	-	(175,645)
21	Instructional leadership	2,504,448	-	79,584	(2,424,864)
23	School leadership	5,554,578	-	-	(5,554,578)
31	Guidance, counseling,				
31	evaluation services	3,825,762	-	355,139	(3,470,623)
33	Health services	978,672	-	-	(978,672)
34	Student (pupil) transportation	6,141,365	-	-	(6,141,365)
35	Food services	5,120,616	2,080,274	2,728,487	(311,855)
36	Extracurricular activities	3,431,451	1,283,619	-	(2,147,832)
41	General administration	2,902,519	-	-	(2,902,519)
51	Plant maintenance and operations	11,529,260	-	-	(11,529,260)
52	Security and monitoring services	667,439	-	-	(667,439)
53	Data processing services	1,744,317	-	-	(1,744,317)
71	Debt service - interest on				
71	long term debt	6,052,388	-	-	(6,052,388)
	Total Governmental Activities	<u>\$ 116,111,305</u>	<u>\$ 3,363,893</u>	<u>\$ 7,448,632</u>	<u>(105,298,780)</u>
TP	Total Primary Government	<u>\$ 116,111,305</u>	<u>\$ 3,363,893</u>	<u>\$ 7,448,632</u>	<u>(105,298,780)</u>
General Revenues					
MT	Property taxes, levied for general purposes				46,608,765
DT	Property taxes, levied for debt service				15,665,203
GC	Grants and contributions not restricted				
GC	for specific programs				48,854,854
IE	Investment earnings				220,775
MI	Miscellaneous local and intermediate revenue				1,772,749
TR				Total General Revenues	<u>113,122,346</u>
CN				Change in Net Position	<u>7,823,566</u>
NB	Beginning net position				<u>36,448,889</u>
NE				Ending Net Position	<u>\$ 44,272,455</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2015

Data Control Codes		10	50	98	
		General	Debt Service	Other Governmental	Total Governmental Funds
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 26,635,723	\$ 5,471,182	\$ 3,803,177	\$ 35,910,082
1220	Property taxes - delinquent	1,437,793	472,007	-	1,909,800
1230	Allowance for uncollectible taxes	(368,010)	(110,279)	-	(478,289)
1240	Due from other governments	-	-	3,991	3,991
1260	Due from other funds	3,991	-	-	3,991
1410	Prepaid items	-	-	3,475	3,475
1000	Total Assets	<u>\$ 27,709,497</u>	<u>\$ 5,832,910</u>	<u>\$ 3,810,643</u>	<u>\$ 37,353,050</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ 36,808	\$ -	\$ -	\$ 36,808
2170	Due to other funds	-	-	3,991	3,991
2180	Due to other governments	271,322	-	-	271,322
2000	Total Liabilities	<u>308,130</u>	<u>-</u>	<u>3,991</u>	<u>312,121</u>
<u>Deferred Inflows of Resources</u>					
2600	Unavailable revenue - property taxes	<u>1,069,783</u>	<u>361,727</u>	<u>-</u>	<u>1,431,510</u>
<u>Fund Balances</u>					
Nonspendable:					
3430	Prepaid items	-	-	3,475	3,475
Restricted:					
3450	Federal/state funds grant restrictions	-	-	1,308,593	1,308,593
3470	Construction	-	-	1,954,551	1,954,551
3480	Debt service	-	5,471,183	-	5,471,183
3490	Other restrictions of fund balance	-	-	540,033	540,033
3600	Unassigned	26,331,584	-	-	26,331,584
3000	Total Fund Balances	<u>26,331,584</u>	<u>5,471,183</u>	<u>3,806,652</u>	<u>35,609,419</u>
4000	Total Liabilities, Deferred Inflows				
4000	of Resources, and Fund Balances	<u>\$ 27,709,497</u>	<u>\$ 5,832,910</u>	<u>\$ 3,810,643</u>	<u>\$ 37,353,050</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
August 31, 2015

Total fund balances for governmental funds \$ 35,609,419

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets – non-depreciable

8,825,492

Capital assets – depreciable

147,959,485

156,784,977

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

1,431,510

Internal service funds are used by management to charge the costs of of certain capital assets to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.

169,900

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Deferred outflows - pensions

1,915,470

Deferred inflows - pensions

(3,116,421)

Accrued interest

(268,319)

Deferred charge on refunding

6,689,747

Non-current liabilities due in one year

(146,738,828)

Non-current liabilities due in more than one year

(8,205,000)

(149,723,351)

Net Position of Governmental Activities \$ 44,272,455

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EXHIBIT C-2
For the Year Ended August 31, 2015

Data Control Codes		General	Debt Service	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ 48,555,460	\$ 15,700,137	\$ 3,372,824	\$ 67,628,421
5800	State program revenues	44,441,444	-	1,076,247	45,517,691
5900	Federal program revenues	1,120,064	-	6,372,385	7,492,449
5020	Total Revenues	94,116,968	15,700,137	10,821,456	120,638,561
<u>Expenditures</u>					
Current:					
0011	Instruction	55,167,491	-	4,273,230	59,440,721
0012	Instructional resources and				
0012	media services	860,732	-	-	860,732
0013	Curriculum/instructional				
0013	staff development	168,837	-	-	168,837
0021	Instructional leadership	2,334,121	-	79,584	2,413,705
0023	School leadership	5,276,355	-	-	5,276,355
0031	Guidance, counseling,				
0031	evaluation services	3,197,131	-	355,139	3,552,270
0033	Health services	926,935	-	-	926,935
0034	Student (pupil) transportation	5,784,495	-	-	5,784,495
0035	Food services	-	-	4,723,751	4,723,751
0036	Extracurricular activities	2,036,340	-	1,265,597	3,301,937
0041	General administration	2,715,875	-	-	2,715,875
0051	Plant maintenance and operations	11,049,408	-	-	11,049,408
0052	Security and monitoring services	667,439	-	-	667,439
0053	Data processing services	1,685,639	-	-	1,685,639
Debt service:					
0071	Principal	-	7,935,000	-	7,935,000
0072	Interest and fiscal charges	-	6,603,938	-	6,603,938
0073	Bond issuance costs	-	3,000	-	3,000
0081	Capital outlay	-	-	1,649,604	1,649,604
6030	Total Expenditures	91,870,798	14,541,938	12,346,905	118,759,641
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,246,170	1,158,199	(1,525,449)	1,878,920
<u>Other Financing Sources (Uses)</u>					
7915	Transfers in	-	-	1,500,000	1,500,000
8911	Transfers (out)	(1,180,410)	(527,445)	-	(1,707,855)
7080	Total Other Financing Sources (Uses)	(1,180,410)	(527,445)	1,500,000	(207,855)
1200	Net Change in Fund Balances	1,065,760	630,754	(25,449)	1,671,065
0100	Beginning fund balances	25,265,824	4,840,429	3,832,101	33,938,354
3000	Ending Fund Balances	\$ 26,331,584	\$ 5,471,183	\$ 3,806,652	\$ 35,609,419

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3
For the Year Ended August 31, 2015

Net changes in fund balances - total governmental funds	\$ 1,671,065
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(3,961,987)
Capital outlay, net of disposal of assets	1,222,999

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	2,965
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	7,935,000
Accrued interest	18,809
Amortization of loss on bond refunding	(481,936)
Amortization of premiums	1,020,697
Amortization of accreted interest	(3,020)

Pension activity reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure or revenue in governmental funds.

Change in net pension liability	2,321,941
Net change in pension deferred outflows and inflows	(2,167,896)

Internal service funds are used by management to charge the costs of certain activities, such as student activity, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

	244,929
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Change in Net Position of Governmental Activities	\$ 7,823,566
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See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS - EXHIBIT D-1

August 31, 2015

<u>Data Control Codes</u>			<u>Internal Service Funds</u>
	Assets:		
1110	Cash and cash equivalents		\$ 384,104
	Total Assets		<u>384,104</u>
	Liabilities:		
	Current liabilities:		
2200	Accrued expenses		214,204
2000	Total Liabilities		<u>214,204</u>
	Net Position:		
3600	Unrestricted		169,900
4000	Total Net Position		<u>\$ 169,900</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS - EXHIBIT D-2

For the Year Ended August 31, 2015

Data Control Codes		Internal Service Funds
Operating Revenues:		
5700	Local and intermediate sources	\$ 749,952
5020	Total Operating Revenues	<u>749,952</u>
Operating Expenses:		
6100	Payroll costs	217,974
6200	Professional and contracted services	389,166
6300	Supplies and materials	34,328
6400	Other operating costs	71,410
	Total Operating Expenses	<u>712,878</u>
1100	Operating Income	37,074
Other Financing Sources:		
7915	Transfers in	<u>207,855</u>
1200	Changes in Net Position	244,929
0100	Beginning net position	<u>(75,029)</u>
3000	Ending Net Position	<u><u>\$ 169,900</u></u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS - EXHIBIT D-3

For the Year Ended August 31, 2015

	<u>Internal Service Funds</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 749,952
Cash receipts (payments) for quasi-external operating transactions with other funds	(340,671)
Cash payments to employees for services	(217,974)
Cash payments to other suppliers for goods and services	(151,164)
Net Cash Provided by Operating Activities	<u>40,143</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers In or (out) to other funds	207,855
Net Cash (Used) by Noncapital Financing Activities	<u>207,855</u>
Net Increase in Cash and Equivalents	247,998
Beginning cash and cash equivalents	<u>136,106</u>
Ending Cash and Cash Equivalents	<u><u>\$ 384,104</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 37,074
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (Decrease) in:	
Accrued expenses	3,069
Net Cash Provided by Operating Activities	<u><u>\$ 40,143</u></u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT E-1

For the Year Ended August 31, 2015

<u>Data Control Codes</u>			<u>Total Agency Funds</u>
	<u>Assets</u>		
1110	Cash and cash equivalents		\$ 654,430
1000		Total Assets	<u>\$ 654,430</u>
	<u>Liabilities</u>		
	Current liabilities:		
2190	Due to student groups		\$ 654,430
2000		Total Liabilities	<u>\$ 654,430</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Magnolia Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by a board elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the District’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

General Fund

The general fund is used to account for and report all financial transactions not accounted for and reported in another fund. The general fund is considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance are accounted for in a special revenue fund.

Proprietary Fund Types

The proprietary funds account for services that are generally fully supported by user fees. Proprietary funds are presented on a total economic resources basis. Proprietary fund statements, like government-wide statements, provide both short and long-term information.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

The District has the following types of proprietary funds:

Internal Service Funds

These funds are used to account for revenue and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

In accordance with GASB Statement No. 31, "*Accounting and Reporting for Certain Investments and External Investment Pools*," the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10 to 50 years
Vehicles	8 to 20 years
Equipment	5 to 25 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 four items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Long-Term Obligations

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

7. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose,

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

11. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

12. 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to customers for sales and services. Operating expenses for the internal service fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2015, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's investments are held in external investment pools which are not subject to custodial credit risk.

At year end, the District had the following investments included with cash and cash equivalents:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Texpool Investment Pool	N/A	\$ 13,099,690
Lone Star - Investment Pool (First Public LLC)	N/A	80,002
MBIA - Texas CLASS Investment Pool	N/A	198,853
		<u>\$ 13,378,545</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

Governmental Activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 8,825,492	\$ -	\$ -	\$ 8,825,492
Total Capital Assets Not Being Depreciated	<u>8,825,492</u>	<u>-</u>	<u>-</u>	<u>8,825,492</u>
Other capital assets:				
Buildings and improvements	189,361,417	609,004	(106,956)	189,863,465
Furniture and equipment	3,072,669	435,162	(59,200)	3,448,631
Vehicles	9,355,993	330,924	-	9,686,917
Total Other Capital Assets	<u>201,790,079</u>	<u>1,375,090</u>	<u>(166,156)</u>	<u>202,999,013</u>
Less accumulated depreciation for:				
Buildings and improvements	(41,135,358)	(3,451,720)	9,851	(44,577,227)
Furniture and equipment	(1,980,286)	(228,781)	4,214	(2,204,853)
Vehicles	(7,975,962)	(281,486)	-	(8,257,448)
Total Accumulated Depreciation	<u>(51,091,606)</u>	<u>(3,961,987)</u>	<u>14,065</u>	<u>(55,039,528)</u>
Other capital assets, net	<u>150,698,473</u>	<u>(2,586,897)</u>	<u>(152,091)</u>	<u>147,959,485</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 159,523,965</u></u>	<u><u>\$ (2,586,897)</u></u>	<u><u>\$ (152,091)</u></u>	<u>156,784,977</u>
			Less associated debt	(144,702,368)
			Plus unspent bond proceeds	1,954,551
			Plus deferred charge on refunding	<u>6,689,747</u>
			Net Investment in Capital Assets	<u><u>\$ 20,726,907</u></u>

Depreciation was charged to governmental functions as follows:

11	Instruction	\$	2,462,547
12	Instructional resources and media services		149,503
13	Curriculum and instructional staff development		6,666
23	School leadership		30,953
31	Guidance, counseling and evaluation services		31,100
33	Health services		19,706
34	Student (pupil) transportation		280,416
35	Food service		361,853
36	Cocurricular/extracurricular activities		56,691
41	General administration		96,172
51	Plant maintenance and operations		402,406
53	Data processing services		63,974
	Total Depreciation Expense	<u><u>\$</u></u>	<u><u>3,961,987</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year	Interest Rates
Bonds payable:						
Series 2004	\$ 1,200,000	\$ -	\$ (450,000)	\$ 750,000	\$ 475,000	4.00-4.50%
Series 2005	1,700,000	-	(1,700,000)	-	-	5.00-8.00%
Series 2007	60,780,000	-	(4,820,000)	55,960,000	5,055,000	4.00-5.00%
Series 2009	8,470,000	-	(915,000)	7,555,000	950,000	3.00-4.25%
Series 2012	8,915,000	-	(50,000)	8,865,000	50,000	2.00-3.50%
Series 2013	57,895,000	-	-	57,895,000	1,675,000	2.00-5.00%
	<u>138,960,000</u>	<u>-</u>	<u>(7,935,000)</u>	<u>131,025,000</u>	<u>* 8,205,000</u>	
Other liabilities:						
Accreted interest	50,825	3,020	-	53,845	-	
Unamortized bond premium	14,698,065	-	(1,020,697)	13,677,368	*	-
Net pension liability	12,509,556	-	(2,321,941)	10,187,615	-	
Activities	<u>\$ 166,218,446</u>	<u>\$ 3,020</u>	<u>\$ (8,955,697)</u>	<u>\$ 154,943,828</u>	<u>\$ 8,205,000</u>	

Long-term liabilities due in more than one year \$ 146,738,828

*Debt associated with capital assets \$ 144,702,368

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end are as follows:

Year Ended Aug 31	Principal	Interest	Total Requirements
2016	\$ 8,205,000	\$ 6,171,338	\$ 14,376,338
2017	8,540,000	5,853,587	14,393,587
2018	8,990,000	5,403,813	14,393,813
2019	9,355,000	4,996,725	14,351,725
2020	9,800,000	4,553,875	14,353,875
2021-2025	47,375,000	15,655,825	63,030,825
2026-2030	33,280,000	4,826,125	38,106,125
2031-2035	3,740,000	911,025	4,651,025
2036-2038	1,740,000	118,350	1,858,350
	<u>\$ 131,025,000</u>	<u>\$ 48,490,663</u>	<u>\$ 179,515,664</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

Advanced Refunding

In the prior year, the District issued \$58,555,000 of unlimited tax refunding bonds, series 2013, to provide resources to purchase direct obligations of the United States of America, of which \$68,408,327 was placed in an irrevocable trust for the purpose of generating resources for a portion of future debt service payments of outstanding long-term debt issues in unlimited tax schoolhouse bonds, series 2005. As a result, the refunded portion of the bonds is considered to be defeased and the pro-rata portion of the liability has been removed from the applicable governmental columns in the Statement of Net Position. At August 31, 2015, \$59,350,000 of the defeased unlimited tax schoolhouse bonds, series 2005 remain outstanding.

D. Commitments Under Noncapitalized Leases

During the year, the District expended a total of \$21,471 for operating (non-capitalized) leases and, in accordance with standard non-appropriation clauses in the various lease agreements, the District has no future obligation in relation to these leases.

E. Interfund Transactions

The following is a summary of the District's interfund transactions for the year:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund		
Special revenue funds	\$ 3,991	\$ -
Total General Fund	<u>3,991</u>	<u>-</u>
Special revenue funds		
General fund	-	3,991
Total Special Revenue Fund	<u>-</u>	<u>3,991</u>
Total	<u>\$ 3,991</u>	<u>\$ 3,991</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund		
Capital projects fund	\$ -	\$ 972,555
Internal service fund	-	207,855
Total General Fund	<u>-</u>	<u>1,180,410</u>
Capital projects fund		
General fund	972,555	-
Debt service fund	527,445	
Total Capital Projects Fund	<u>1,500,000</u>	<u>-</u>
Debt service fund		
General fund	-	527,445
Total Debt Service Fund	<u>-</u>	<u>527,445</u>
Internal service fund		
General fund	207,855	-
Total Internal Service Fund	<u>207,855</u>	<u>-</u>
Total	<u>\$ 1,707,855</u>	<u>\$ 1,707,855</u>

Transfers from the general and debt service funds to the capital projects fund are used to help pay for capital improvements that are spent out of the capital projects fund. Transfers from the general fund to the internal service fund are used to help pay for future insurance claims for workers compensation.

F. Restatement of Net Position

There is a decrease in the beginning net position due to the recognition of net pension liability and deferred outflows contributed by the District for pension expenses after the pension plan's measurement date.

The beginning balance of net position was restated as follows:

	<u>Governmental Activities</u>
Beginning net position - as reported	\$ 47,991,500
Restatement - Net pension liability	(12,509,556)
Restatement - Deferred outflows	966,945
Beginning net position - restated	<u>\$ 36,448,889</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

IV. OTHER INFORMATION

A. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

C. Defined Benefit Pension Plan

Teacher Retirement System

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with five 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 five 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 cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in 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 six percent of the member's annual compensation and a state contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. It also added a 1.5 percent 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 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%
Employer # 1366 - 2014 Employer Contributions		\$ 966,945
Employer # 1366 - 2014 Member Contributions		\$ 899,212
Employer # 1366 - 2014 NECE On-behalf Contributions		\$3,373,980

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical 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, from non-educational and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

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	Level Percentage of Payroll, Open
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 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 eight percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is eight percent. 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.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

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:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return
Global			
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 Bond	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and National 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	<u>100%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.0%) 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:	\$18,204,650	\$10,187,615	\$4,192,366

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2014, the District reported a liability of \$10,187,615 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District.

The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 10,187,615
State's proportionate share that is associated with the District	35,623,679
Total	<u>\$ 45,811,294</u>

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 0.0014047 percent which was a decrease of 0.000000006 percent from its proportion measured as of August 31, 2013. 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 were no changes of benefit terms 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 percent contribution for employers not paying OASDI on certain employees went into law effective September 1, 2013. 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, the District recognized pension expense of \$3,293,343 and revenue of \$3,293,343 for support provided by the State.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 157,555	\$ -
Changes in actuarial assumptions	662,206	-
Difference between projected and actual investment earnings	-	3,113,751
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	2,670
Contributions paid to TRS subsequent to the measurement date	1,095,709	-
	<u>\$ 1,915,470</u>	<u>\$ 3,116,421</u>

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	\$ (640,595)
2017	\$ (640,595)
2018	\$ (640,595)
2019	\$ (640,595)
2020	\$ 137,843
Thereafter	\$ 127,877

D. Retiree Health Care Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0 percent and 0.65 percent of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2015, 2014, and 2013. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

active employee of the public school. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$23,687, \$24,986, and \$12,272, respectively; the active member contributions were \$433,299, \$409,040, and \$389,786, respectively; and the District's contributions were \$366,637, \$346,110, and \$329,819, respectively; which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$199,533, \$171,582, and \$161,756, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependants. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2015 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended August 31, 2015, employees of the District were covered by a workers' compensation plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreements.

The contract between the District and the third-party administrator, Creative Risk Funding (CRF), acting on behalf of the self-funded pool, is renewable on September 1 and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with State statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Safety National Casualty Corporation, a commercial insurer licensed or eligible to do business in the State of Texas in accordance with the Texas Insurance Code. The specific retention is \$350,000 and the aggregate limit is \$1,000,000. The aggregate stop loss coverage is \$7,796,049. According to CRF, the unfunded claim benefit obligation included \$214,204 in claims that were unpaid and \$186,036 in estimated claims incurred, but not reported. Other school districts contributed to the self-funded pool which was operated under the contractual provisions of Article 4413(32c), Interlocal Cooperation Act.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims which have been incurred but not reported based on historical experience.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below.

	Fiscal Year	
	2015	2014
Claims liability at beginning of year	\$ 211,135	\$ 209,978
Current year claims and estimated changes	2,153,462	1,998,737
Claims payments	(2,150,393)	(1,997,580)
Claims liability at year end	<u>\$ 214,204</u>	<u>\$ 211,135</u>

G. Unemployment Compensation

During the year ended August 31, 2015, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the unemployment compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

H. Shared Service Arrangements

Conroe Regional Day School for the Deaf

The District participates in a shared service arrangement (SSA) for the disability condition of auditory impairment under authority of Section 29.007 of the Texas Education Code and Section 791.001 et seq., of the Texas Government Code as Conroe Regional Day School Program for the Deaf. The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Conroe Regional Day School for the Deaf nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the SSA. and is reporting \$78,685 as expenditures incurred on behalf of the District.

REQUIRED SUPPLEMENTARY INFORMATION

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - EXHIBIT G-1
For the Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 47,728,262	\$ 47,728,262	\$ 48,555,460	\$ 827,198
5800	State program revenues	44,493,768	44,493,768	44,441,444	(52,324)
5900	Federal program revenues	1,050,000	1,050,000	1,120,064	70,064
5020	Total Revenues	<u>93,272,030</u>	<u>93,272,030</u>	<u>94,116,968</u>	<u>844,938</u>
	Expenditures				
	Current:				
0011	Instruction	55,669,751	55,669,751	55,167,491	502,260
0012	Instructional resources and media services	906,032	906,032	860,732	45,300
0013	Curriculum and instructional staff development	180,628	180,628	168,837	11,791
0021	Instructional leadership	2,386,018	2,386,018	2,334,121	51,897
0023	School leadership	5,194,766	5,284,766	5,276,355	8,411
0031	Guidance, counseling and evaluation services	3,106,878	3,221,878	3,197,131	24,747
0033	Health services	969,503	969,503	926,935	42,568
0034	Student (pupil) transportation	6,227,296	6,227,296	5,784,495	442,801
0036	Extracurricular activities	2,190,551	2,190,551	2,036,340	154,211
0041	General administration	2,691,622	2,756,622	2,715,875	40,747
0051	Plant maintenance and operations	11,332,503	11,062,503	11,049,408	13,095
0052	Security and monitoring services	724,500	724,500	667,439	57,061
0053	Data processing services	1,691,982	1,691,982	1,685,639	6,343
6030	Total Expenditures	<u>93,272,030</u>	<u>93,272,030</u>	<u>91,870,798</u>	<u>1,401,232</u>
1100	Excess of Revenues				
1100	Over Expenditures	<u>-</u>	<u>-</u>	<u>2,246,170</u>	<u>2,246,170</u>
	Other Financing Sources (Uses)				
8911	Transfers (out)	<u>-</u>	<u>-</u>	<u>(1,180,410)</u>	<u>(1,180,410)</u>
7080	Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(1,180,410)</u>	<u>(1,180,410)</u>
1200	Net Change in Fund Balance	-	-	1,065,760	1,065,760
0100	Beginning fund balance	25,265,824	25,265,824	25,265,824	-
3000	Ending Fund Balance	<u>\$ 25,265,824</u>	<u>\$ 25,265,824</u>	<u>\$ 26,331,584</u>	<u>\$ 1,065,760</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2
For the Year Ended August 31, 2015

	<u>Year</u> <u>2015*</u>
District's proportion of the net pension liability (asset)	0.03813960%
District's proportionate share of the net pension liability (asset)	\$ 10,187,615
State's proportionate share of the net pension liability (asset) associated with the District	<u>35,623,679</u>
Total	<u>\$ 45,811,294</u>
District's covered employee payroll**	\$ 62,929,170
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	16.19%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

* Only one year's worth of information is currently available.

** As of the measurement date.

Notes to Required Supplementary Information:

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

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

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3

Last 2 Fiscal Years*
For the Year Ended August 31, 2015

	Fiscal Year	
	2015	2014
Contractually required contribution	\$ 1,095,709	\$ 966,945
Contributions in relations to the contractually required contribution	1,095,709	966,945
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 66,661,323	\$ 62,929,170
Contributions as a percentage of covered employee payroll	1.64%	1.54%

* Only two years of information is currently available. The District will build this schedule over the next eight years.

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***OTHER SUPPLEMENTARY
INFORMATION***

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-1

August 31, 2015

		211	224	225	240
Data					National School
Control					Breakfast and
Codes		ESEA Title 1	IDEA B	IDEA B	Lunch
		Part A	Formula	Preschool	Program
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,283,985
1240	Due from other governments	-	-	-	-
1410	Prepaid items	-	-	-	3,475
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,287,460</u>
<u>Liabilities</u>					
2170	Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
Nonspendable:					
3430	Prepaid items	-	-	-	3,475
Restricted:					
3450	Federal/state funds grant restrictions	-	-	-	1,283,985
3470	Construction	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,287,460</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,287,460</u>

244	255	263	289	385	392
Career and Technical Basic Grant	ESEA Title II Part A	Title III Part A English Language	Summer School LEP	State Supplemental Visually Impaired	Non Educational Community Based Support
\$ -	\$ -	\$ -	\$ 8,853	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,853</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,853	-	-
-	-	-	8,853	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,853</u>	<u>\$ -</u>	<u>\$ -</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-1

August 31, 2015

		397	404	410	414
Data Control Codes		Advanced Placement Incentives	Student Success Initiative	State Textbook	Texas Reading Incentive
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 3,150	\$ -	\$ 21,269	\$ 189
1240	Due from other governments	-	3,991	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 3,150</u>	<u>\$ 3,991</u>	<u>\$ 21,269</u>	<u>\$ 189</u>
<u>Liabilities</u>					
2170	Due to other funds	<u>\$ -</u>	<u>\$ 3,991</u>	<u>\$ -</u>	<u>\$ -</u>
2000	Total Liabilities	<u>-</u>	<u>3,991</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
Nonspendable:					
3430	Prepaid items	-	-	-	-
Restricted:					
3450	Federal/state funds grant restrictions	3,150	-	21,269	189
3470	Construction	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	<u>3,150</u>	<u>-</u>	<u>21,269</u>	<u>189</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,150</u>	<u>\$ 3,991</u>	<u>\$ 21,269</u>	<u>\$ 189</u>

461	699	
Campus Activity	Capital Projects	Total Nonmajor Governmental Funds
\$ 531,180	\$ 1,954,551	\$ 3,803,177
-	-	3,991
-	-	3,475
<u>\$ 531,180</u>	<u>\$ 1,954,551</u>	<u>\$ 3,810,643</u>
\$ -	\$ -	\$ 3,991
<u>-</u>	<u>-</u>	<u>3,991</u>
-	-	3,475
-	-	1,308,593
-	1,954,551	1,954,551
531,180	-	540,033
<u>531,180</u>	<u>1,954,551</u>	<u>3,806,652</u>
<u>\$ 531,180</u>	<u>\$ 1,954,551</u>	<u>\$ 3,810,643</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-2
For the Year Ended August 31, 2015

		211	224	225	240
Data					National School
Control		ESEA Title 1	IDEA B	IDEA B	Breakfast and
Codes		Part A	Formula	Preschool	Lunch
					Program
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 2,080,274
5800	State program revenues	-	-	-	27,471
5900	Federal program revenues	1,495,984	1,738,257	20,235	2,701,016
5020	Total Revenues	1,495,984	1,738,257	20,235	4,808,761
<u>Expenditures</u>					
Current:					
0011	Instruction	1,495,984	1,303,534	20,235	-
0021	Instructional leadership	-	79,584	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	355,139	-	-
0035	Food services	-	-	-	4,723,751
0036	Extracurricular activities	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and				
0081	construction	-	-	-	-
6030	Total Expenditures	1,495,984	1,738,257	20,235	4,723,751
Excess (Deficiency) of Revenues					
Over (Under) Expenditures					
		-	-	-	85,010
<u>Other Financing Sources (Uses)</u>					
7915	Transfers in	-	-	-	-
	Total Other Financing Sources	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	85,010
0100	Beginning fund balances	-	-	-	1,202,450
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ 1,287,460

244	255	263	289	385	392
Career and Technical Basic Grant	ESEA Title II Part A	Title III Part A English Language	Summer School LEP	State Supplemental Visually Impaired	Non Educational Community Based Support
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	5,985	6,500
117,724	160,636	129,680	8,853	-	-
117,724	160,636	129,680	8,853	5,985	6,500
117,724	160,636	129,680	-	5,985	6,500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
117,724	160,636	129,680	-	5,985	6,500
-	-	-	8,853	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,853	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ 8,853	\$ -	\$ -

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-2
For the Year Ended August 31, 2015

		397	404	410	414
Data Control Codes		Advanced Placement Incentives	Student Success Initiative	State Textbook	Texas Reading Incentive
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	3,150	-	1,032,952	189
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>3,150</u>	<u>-</u>	<u>1,032,952</u>	<u>189</u>
<u>Expenditures</u>					
Current:					
0011	Instruction	-	-	1,032,952	-
0021	Instructional leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and				
0081	construction	-	-	-	-
6030	Total Expenditures	<u>-</u>	<u>-</u>	<u>1,032,952</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures		<u>3,150</u>	<u>-</u>	<u>-</u>	<u>189</u>
<u>Other Financing Sources (Uses)</u>					
7915	Transfers in	-	-	-	-
	Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	<u>3,150</u>	<u>-</u>	<u>-</u>	<u>189</u>
0100	Beginning fund balances	<u>-</u>	<u>-</u>	<u>21,269</u>	<u>-</u>
3000	Ending Fund Balances	<u>\$ 3,150</u>	<u>\$ -</u>	<u>\$ 21,269</u>	<u>\$ 189</u>

461	699	Total
Campus Activity	Capital Projects	Nonmajor Governmental Funds
\$ 1,283,619	\$ 8,931	\$ 3,372,824
-	-	1,076,247
-	-	6,372,385
<u>1,283,619</u>	<u>8,931</u>	<u>10,821,456</u>
-	-	4,273,230
-	-	79,584
-	-	355,139
-	-	4,723,751
1,265,597	-	1,265,597
-	1,649,604	1,649,604
<u>1,265,597</u>	<u>1,649,604</u>	<u>12,346,905</u>
<u>18,022</u>	<u>(1,640,673)</u>	<u>(1,525,449)</u>
-	1,500,000	1,500,000
-	<u>1,500,000</u>	<u>1,500,000</u>
18,022	(140,673)	(25,449)
<u>513,158</u>	<u>2,095,224</u>	<u>3,832,101</u>
<u>\$ 531,180</u>	<u>\$ 1,954,551</u>	<u>\$ 3,806,652</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-3

August 31, 2015

Data Control Codes		748	798	876	879
		MISD Natatorium	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
	Assets:				
1110	Cash and cash equivalents	\$ 7,040	\$ 153,386	\$ 9,474	\$ 214,204
	Total Assets	7,040	153,386	9,474	214,204
	Liabilities:				
	Current liabilities:				
2200	Accrued expenses	-	-	-	214,204
2000	Total Liabilities	-	-	-	214,204
	Net Position:				
3600	Unrestricted	7,040	153,386	9,474	-
4000	Total Net Position	\$ 7,040	\$ 153,386	\$ 9,474	\$ -

See Notes to Financial Statements.

Total Internal Service Funds	
\$	384,104
	384,104

	214,204
	214,204

	169,900
\$	169,900

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-4
For the Year Ended August 31, 2015

Data Control Codes		748 MISD Natatorium	798 Aquatic Club	876 MISD Health Plan	879 Workers' Compensation Insurance
	Operating Revenues:				
5700	Local and intermediate sources	\$ -	\$ 409,281	\$ -	\$ 340,671
5020	Total Operating Revenues	<u>-</u>	<u>409,281</u>	<u>-</u>	<u>340,671</u>
	Operating Expenses:				
6100	Payroll costs	-	217,974	-	-
6200	Professional and contracted services	-	45,426	-	343,740
6300	Supplies and materials	-	34,328	-	-
6400	Other operating costs	-	71,410	-	-
	Total Operating Expenses	<u>-</u>	<u>369,138</u>	<u>-</u>	<u>343,740</u>
1100	Operating Income (Loss)	-	40,143	-	(3,069)
	Other Financing Sources (Uses):				
7915	Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,855</u>
1200	Changes in Net Position	-	40,143	-	204,786
0100	Beginning net position	<u>7,040</u>	<u>113,243</u>	<u>9,474</u>	<u>(204,786)</u>
3000	Ending Net Position	<u><u>\$ 7,040</u></u>	<u><u>\$ 153,386</u></u>	<u><u>\$ 9,474</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**Total
Internal
Service Funds**

\$	749,952
	<u>749,952</u>

217,974
389,166
34,328
71,410
<u>712,878</u>

37,074

<u>207,855</u>

244,929

<u>(75,029)</u>

\$	169,900
	<u><u>169,900</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR INTERNAL SERVICE FUNDS - EXHIBIT H-5

For the Year Ended August 31, 2015

	748	798	876	879
	MISD Natatorium	Aquatic Club	MISD Health Plan	Workers' Compensation Insurance
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ -	\$ 409,281	\$ -	\$ 340,671
Cash receipts (payments) for quasi-external operating transactions with other funds	-	-	-	(340,671)
Cash payments to employees for services	-	(217,974)	-	-
Cash payments to other suppliers for goods and services	-	(151,164)	-	-
Net Cash Provided by Operating Activities	<u>-</u>	<u>40,143</u>	<u>-</u>	<u>-</u>
<u>Cash Flows from capital Financing Activities</u>				
Transfers in to other funds	-	-	-	207,855
Net Cash provided by capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,855</u>
Net increase in Cash and Equivalents	-	40,143	-	207,855
Beginning cash and cash equivalents	7,040	113,243	9,474	6,349
Ending Cash and Cash Equivalents	<u><u>\$ 7,040</u></u>	<u><u>\$ 153,386</u></u>	<u><u>\$ 9,474</u></u>	<u><u>\$ 214,204</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ -	\$ 40,143	\$ -	\$ (3,069)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Increase (Decrease) in:				
Accrued expenses	-	-	-	3,069
Net Cash Provided by Operating Activities	<u><u>\$ -</u></u>	<u><u>\$ 40,143</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**Total
Internal
Service Funds**

\$ 749,952

(340,671)

(217,974)

(151,164)

40,143

207,855

207,855

247,998

136,106

\$ 384,104

\$ 37,074

3,069

\$ 40,143

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT H-6

For the Year Ended August 31, 2015

Data Control Codes		865	899	
		Student Activity	Magnolia Livestock Show	Total Agency Funds
	<u>Assets</u>			
1110	Cash and cash equivalents	\$ 608,163	\$ 46,267	\$ 654,430
1000	Total Assets	<u>\$ 608,163</u>	<u>\$ 46,267</u>	<u>\$ 654,430</u>
	<u>Liabilities</u>			
	Current liabilities:			
2190	Due to student groups	\$ 608,163	\$ 46,267	\$ 654,430
2000	Total Liabilities	<u>\$ 608,163</u>	<u>\$ 46,267</u>	<u>\$ 654,430</u>

See Notes to Financial Statements.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1

For the Year Ended August 31, 2015

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>	
2006 and prior	Various	Various	Various
2007	\$ 1.3300	\$ 0.0752	\$ 2,320,420,858
2008	\$ 1.0400	\$ 0.5590	\$ 2,696,707,610
2009	\$ 1.0400	\$ 0.3600	\$ 3,116,063,208
2010	\$ 1.0900	\$ 0.2900	\$ 3,488,756,540
2011	\$ 1.0400	\$ 0.3595	\$ 3,570,183,714
2012	\$ 1.0400	\$ 0.3595	\$ 3,669,168,292
2013	\$ 1.0400	\$ 0.3595	\$ 3,882,191,497
2014	\$ 1.0400	\$ 0.3595	\$ 4,127,425,795
2015	\$ 1.0400	\$ 0.3495	\$ 4,448,138,076

1000 Totals

10	20	31	32	40	50
Beginning Balance 9/1/14	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/15
\$ 215,742	\$ -	\$ 5,641	\$ 1,678	\$ (20,772)	\$ 187,651
55,948	-	3,752	212	(433)	51,551
59,592	-	3,715	1,997	(1,463)	52,417
81,892	-	5,193	1,798	(1,210)	73,691
103,261	-	17,177	4,570	6,741	88,255
149,152	-	31,744	10,973	5,918	112,353
176,983	-	51,690	17,868	24,107	131,532
291,836	-	69,724	24,102	9,212	207,222
736,537	-	245,168	84,748	(89,156)	317,465
-	61,806,879	45,745,941	15,373,275	-	687,663
<u>\$ 1,870,943</u>	<u>\$ 61,806,879</u>	<u>\$ 46,179,745</u>	<u>\$ 15,521,221</u>	<u>\$ (67,056)</u>	<u>\$ 1,909,800</u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts		Variance With Final Budget Positive (Negative)
		Final	Actual	
	<u>Revenues</u>			
5700	Local and intermediate sources	\$ 2,075,497	\$ 2,080,274	\$ 4,777
5800	State program revenues	45,897	27,471	(18,426)
5900	Federal program revenues	2,604,971	2,701,016	96,045
5020	Total Revenues	<u>4,726,365</u>	<u>4,808,761</u>	<u>82,396</u>
	<u>Expenditures</u>			
	Current:			
0035	Food services	4,726,365	4,723,751	2,614
6030	Total Expenditures	<u>4,726,365</u>	<u>4,723,751</u>	<u>2,614</u>
1200	Net Change in Fund Balance	-	85,010	85,010
0100	Beginning fund balance	<u>1,202,450</u>	<u>1,202,450</u>	-
3000	Ending Fund Balance	<u><u>\$ 1,202,450</u></u>	<u><u>\$ 1,287,460</u></u>	<u><u>\$ 85,010</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts		Variance With Final Budget Positive (Negative)
		Final	Actual	
<u>Revenues</u>				
5700	Local and intermediate sources	\$ 14,543,938	\$ 15,700,137	\$ 1,156,199
5020	Total Revenues	14,543,938	15,700,137	1,156,199
<u>Expenditures</u>				
	Debt service:			
0071	Principal on long-term debt	7,935,000	7,935,000	-
0072	Interest on long-term debt	6,603,938	6,603,938	-
0073	Bond issuance costs and fees	5,000	3,000	2,000
6030	Total Expenditures	14,543,938	14,541,938	2,000
1100	Excess of Revenues			
1100	Over Expenditures	-	1,158,199	1,158,199
 Other Financing Sources (Uses):				
7915	Transfers (out)	-	(527,445)	(527,445)
7080	Total Other Financing			
7080	(Uses)	-	(527,445)	(527,445)
1200	Net Change in Fund Balance	-	630,754	630,754
0100	Beginning fund balance	4,840,429	4,840,429	-
3000	Ending Fund Balance	\$ 4,840,429	\$ 5,471,183	\$ 630,754

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COMPLIANCE SECTION

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

December 10, 2015

To the Board of Trustees of the
Magnolia Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Magnolia Independent School District (the "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 December 10, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Audit Quality Center

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas



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

December 10, 2015

To the Board of Trustees of the
Magnolia Independent School District:

Report on Compliance for Each Major Federal Program

We have audited the Magnolia Independent School District's (the "District") 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 auditors' 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.

Auditors' 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.

Partners

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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.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended August 31, 2015

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the District.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>CFDA Number(s)</u>	<u>Name of Federal Program Cluster</u>
84.027 & 84.173	Special Education
84.010	ESEA Title I, Part A
84.365	Title III, Part A

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The District did qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS AUDIT

None Noted

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MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1

For the Year Ended August 31, 2015

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
ESEA Title I, Part A	84.010	15610101170906	\$ 1,495,984
IDEA B, Formula Grant*	84.027	156600011709066000	1,738,257
IDEA B - Preschool*	84.173	156610011709066000	20,235
Title III, Part A	84.365	15671001170906	129,680
Career and Technical, Basic Grant	84.048	15420006170906	117,724
ESEA Title II, Part A, Teacher & Principal	84.367	15694501170906	160,636
Summer School LEP	84.374	69551202	8,853
TOTAL U.S. DEPARTMENT OF EDUCATION			3,671,369
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
School Breakfast Programs	10.553	71401301	523,680
National School Lunch	10.555	71401301	1,863,431
USDA Commodities	10.565	3001401	313,905
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,701,016
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,372,385

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

Federal Revenue per SEFA	\$ 6,372,385
Medicaid Reimbursement - General Fund	1,120,064
C-2 Federal Revenue	<u><u>\$ 7,492,449</u></u>

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2015

NOTE 1: BASIS OF ACCOUNTING

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

MAGNOLIA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED

SCHOOL FIRST INDICATORS - EXHIBIT L-1

For the Year Ended August 31, 2015

Data Control Codes		<u>Responses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the annual financial report?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ 53,845
SF11	Net pension assets (1920) at fiscal year end	\$ -
SF12	Net pension liabilities (2540) at fiscal year end	\$ 10,187,615
SF13	Pension expense (6147) at fiscal year end	\$ 3,293,343

