

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

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

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CERTIFICATE OF BOARD

Melissa Independent School District
Name of School District

Collin
County

043-908
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 21st day of January, 2016.

/s/ Paul Anderson

/s/ George James

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)

Morgan, Davis, & Company, P.C.

Post Office Box 8158
Greenville, Texas 75404

**Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other
Supplementary Information including the Supplementary Schedule of Expenditures of Federal Awards**

Independent Auditor's Report

Melissa Independent School District
1904 Cooper Street
Melissa, Texas 75454

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 Melissa Independent School District as of and for the year ended August 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Melissa Independent School 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

As discussed in Note X in the notes to financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB #68 for its pension plan – a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to 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 on pages 6-10 and the Schedules contained in Exhibits G-1, G-2, & G-3 on pages 50-52 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 Melissa Independent School District's basic financial statements. The Combining Statements for Nonmajor Governmental Funds contained in Exhibits H-1 & H-2 on pages 56-59, and the Schedule of Expenditures of Federal Awards required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* on page 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statements for Nonmajor Governmental Funds and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements for Nonmajor Governmental Funds and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, & J-3. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015 on our consideration of Melissa Independent School 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 Melissa Independent School District's internal control over financial reporting and compliance.

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

December 31, 2015

MELISSA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015

In this section of the Annual Financial and Compliance Report, we, the administrators of Melissa Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position increased by \$720,877 as a result of this year's operations.
- The District's liabilities exceeded its assets at the close of the most recent fiscal year by \$439,616 which represents the District's total combined net position. Of this amount, \$4,422,807 (unrestricted net position) may be used to meet the District's ongoing obligations. A prior period adjustment due to the implementation of GASB 68 decreased the beginning net position by \$1,497,709.
- As of August 31, 2015, the District's governmental funds reported a combined fund balance of \$7,588,867 compared to \$8,069,793 for the last fiscal year. The General Fund reported a fund balance of \$5,721,284 this fiscal year compared to \$4,976,829 the last fiscal year.
- The District's total tax rate for the 2014-2015 school year was \$ 1.54 with \$ 1.17 for maintenance & operation and \$ 0.37 for debt service.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by T.E.A. The section labeled Required Texas Education Agency Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

- Governmental activities—All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESEA Title I Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (a category of proprietary funds) report activities that provide services for the District's other programs and activities—such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 25. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District is presenting government-wide financial analysis in the form of current year data and prior year data and the changes in these accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$337,216 last year to (\$439,216) at August 31, 2015. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$5,187,300 last year to \$4,422,807 at August 31, 2015.

Changes in net position of the District's governmental activities were a \$2,003,185 increase last year compared to a \$720,877 increase at August 31, 2015.

Table I
Melissa Independent School District
NET POSITION

	Governmental Activities 8/31/2015	Governmental Activities 8/31/2014	Net Change
Current and other assets	\$8,539,447	\$9,491,278	(\$951,831)
Capital assets	53,576,516	48,945,967	4,630,549
Total assets	<u>\$62,115,963</u>	<u>\$58,437,245</u>	<u>\$3,678,718</u>
Deferred Outflows	\$464,100	\$0	\$464,100
Current and other liabilities	\$937,152	\$1,211,014	(\$273,862)
Long-term liabilities	60,356,263	56,889,015	3,467,248
Net Pension Liability (District's Share)	1,321,893	0	1,321,893
Total liabilities	<u>\$62,615,308</u>	<u>\$58,100,029</u>	<u>\$4,515,279</u>
Deferred Inflows	\$404,371	\$0	\$404,371
Net Position:			
Net Investment in Capital Assets	(\$5,122,309)	(\$5,205,754)	\$83,445
Restricted	259,886	355,670	(95,784)
Unrestricted	4,422,807	5,187,300	(764,493)
Total Net Position	<u><u>(\$439,616)</u></u>	<u><u>\$337,216</u></u>	<u><u>(\$776,832)</u></u>

Table II
Melissa Independent School District
CHANGES IN NET POSITION

	Governmental Activities Yr Ended 8/31/2015	Governmental Activities Yr Ended 8/31/2014	Net Change
Revenues:			
Program Revenues:			
Charges for Services	\$826,537	\$654,535	\$172,002
Operating grants and contributions	1,393,333	1,291,080	102,253
General Revenues:			
Maintenance and operations taxes	6,618,339	5,630,311	988,028
Debt service taxes	2,093,441	1,780,918	312,523
State aid - formula grants	10,899,871	11,270,982	(371,111)
Grants & Contributions not restricted to specific functions	184,638	37,692	146,946
Investment Earnings	5,763	7,237	(1,474)
Miscellaneous	250,642	311,640	(60,998)
Total Revenue	\$22,272,564	\$20,984,395	\$1,288,169
Expenses:			
Instruction, curriculum and media services	\$11,139,569	\$9,388,341	\$1,751,228
Instructional and school leadership	965,758	994,171	(28,413)
Student support services	1,102,211	898,186	204,025
Child nutrition	633,063	630,011	3,052
Co curricular activities	1,409,648	718,545	691,103
General administration	575,946	872,925	(296,979)
Plant maintenance, security & data processing	2,950,751	2,233,252	717,499
Debt services	2,630,361	3,122,350	(491,989)
Payments to fiscal agents	97,490	76,606	20,884
Other intergovernmental charges	46,890	46,823	67
Total Expenses	\$21,551,687	\$18,981,210	\$2,570,477
Increase in net position before transfers and special items	\$720,877	\$2,003,185	(\$1,282,308)
Transfers	0	0	0
Special Items	0	0	0
Net Position at Beginning of Fiscal Year	337,216	(1,665,969)	2,003,185
Prior Period Adjustment-Required by GASB 68	(1,497,709)	0	(1,497,709)
Net Position at End of Fiscal Year	(\$439,616)	\$337,216	(\$776,832)

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in Exhibit C-3 on page 18) reported a combined fund balance of \$7,588,867 compared to \$8,069,793 for the last fiscal year. The District's General Fund reported a fund balance increase of \$744,455, ending the year with \$5,721,284. The District's Special Revenue Funds reported a fund balance increase of \$7,310, ending the year with \$54,067. The District's Debt Service Fund reported a fund balance decrease of \$152,835, ending the year with \$156,078. The District's Bond Construction Fund reported a fund balance decrease of \$1,079,856, ending the year with \$1,657,438.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments included amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2014) and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

During the year ended August 31, 2015, the District invested \$6,213,949 in capital assets, consisting of completion of the high school & middle school projects, administration building improvements, a transportation building, instructional & technology equipment, two vans, and three school buses.

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$2,469,565	\$0	\$0	\$2,469,565
Buildings & Improvements	41,776,503	18,795,471	0	60,571,974
Equipment	2,457,146	287,310	0	2,744,456
Vehicles	1,109,751	381,072	0	1,490,823
Construction in Progress	13,249,904	(13,249,904)	0	0
Totals at Historical Cost	<u>61,062,869</u>	<u>6,213,949</u>	<u>0</u>	<u>67,276,818</u>
Less accumulated depreciation for:				
Buildings & Improvements	(11,314,690)	(1,137,470)	0	(12,452,160)
Equipment	(529,832)	(315,292)	0	(845,124)
Vehicles	(272,380)	(130,638)	0	(403,018)
Total accumulated depreciation	<u>(12,116,902)</u>	<u>(1,583,400)</u>	<u>0</u>	<u>(13,700,302)</u>
Capital Assets, Net	<u>\$48,945,967</u>	<u>\$4,630,549</u>	<u>\$0</u>	<u>\$53,576,516</u>

Debt:

At year-end August 31, 2015, the District had \$60,356,264 outstanding in bonds compared to \$56,889,015 last year. During the current fiscal year, the District issued Series 2015 bonds of \$8,940,000, of which \$5,340,000 was used to early redeem Series 2003 bonds of \$2,695,000, Series 2004 bonds of \$325,000, and Series 2005 bonds of \$2,320,000. The net present value of savings on this transaction was \$2,320,000. The new bonds are payable over the next 28 years at 2.00-4.50% interest.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget, and tax rates. Several of those factors were the economy, the District's population growth, and unemployment. These factors were taken into account when adopting the General Fund budget for 2015. Amounts available for appropriation in the General Fund budget are \$3,721,284. The District has added no major new programs or initiatives to the 2015 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Melissa Independent School District, 1904 Cooper Street, Melissa, Texas.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,636,840
1120 Current Investments	5,231,994
1220 Property Taxes Receivable (Delinquent)	214,285
1230 Allowance for Uncollectible Taxes	(1,332)
1240 Due from Other Governments	1,457,660
Capital Assets:	
1510 Land	2,469,565
1520 Buildings, Net	48,119,814
1530 Equipment, Net	1,899,332
1540 Vehicles, Net	1,087,805
1000 Total Assets	62,115,963
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	464,100
1700 Total Deferred Outflows of Resources	464,100
LIABILITIES	
2110 Accounts Payable	115,928
2140 Interest Payable	207,595
2160 Accrued Wages Payable	594,177
2200 Accrued Expenses	13,493
2300 Unearned Revenue	5,959
Noncurrent Liabilities	
2501 Due Within One Year	1,345,365
2502 Due in More Than One Year	59,010,898
2540 Net Pension Liability (District's Share)	1,321,893
2000 Total Liabilities	62,615,308
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	404,371
2600 Total Deferred Inflows of Resources	404,371
NET POSITION	
3200 Net Investment in Capital Assets	(5,122,309)
3850 Restricted for Debt Service	205,819
3870 Restricted for Campus Activities	54,067
3900 Unrestricted	4,422,807
3000 Total Net Position	\$ (439,616)

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

MELISSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense)
		3	4	Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 10,883,378	\$ 258,309	\$ 1,220,111	\$ (9,404,958)
12 Instructional Resources and Media Services	134,260	-	-	(134,260)
13 Curriculum and Staff Development	121,931	-	-	(121,931)
21 Instructional Leadership	29,028	-	-	(29,028)
23 School Leadership	936,730	-	-	(936,730)
31 Guidance, Counseling and Evaluation Services	350,956	-	-	(350,956)
33 Health Services	173,822	-	-	(173,822)
34 Student (Pupil) Transportation	577,433	-	-	(577,433)
35 Food Services	633,063	354,867	173,222	(104,974)
36 Extracurricular Activities	1,409,648	123,742	-	(1,285,906)
41 General Administration	575,946	19,314	-	(556,632)
51 Facilities Maintenance and Operations	2,101,212	70,305	-	(2,030,907)
52 Security and Monitoring Services	91,233	-	-	(91,233)
53 Data Processing Services	758,306	-	-	(758,306)
72 Debt Service - Interest on Long Term Debt	2,464,302	-	-	(2,464,302)
73 Debt Service - Bond Issuance Cost and Fees	166,059	-	-	(166,059)
93 Payments related to Shared Services Arrangements	87,330	-	-	(87,330)
95 Payments to Juvenile Justice Alternative Ed. Prg.	10,160	-	-	(10,160)
99 Other Intergovernmental Charges	46,890	-	-	(46,890)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 21,551,687	\$ 826,537	\$ 1,393,333	(19,331,817)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			6,618,339
DT	Property Taxes, Levied for Debt Service			2,093,441
SF	State Aid - Formula Grants			10,899,871
GC	Grants and Contributions not Restricted			184,638
IE	Investment Earnings			5,763
MI	Miscellaneous Local and Intermediate Revenue			250,642
TR	Total General Revenues			20,052,694
CN	Change in Net Position			720,877
NB	Net Position - Beginning			337,216
PA	Prior Period Adjustment			(1,497,709)
NE	Net Position--Ending			\$ (439,616)

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,495,340	\$ 104	\$ 5,702
1120 Investments - Current	2,898,599	108,144	2,211,651
1220 Property Taxes - Delinquent	154,566	59,719	-
1230 Allowance for Uncollectible Taxes (Credit)	(961)	(371)	-
1240 Receivables from Other Governments	1,348,402	47,830	-
1260 Due from Other Funds	559,915	-	-
1000 Total Assets	<u>\$ 6,455,861</u>	<u>\$ 215,426</u>	<u>\$ 2,217,353</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	567,600	-	-
2170 Due to Other Funds	1,739	-	559,915
2200 Accrued Expenditures	11,633	-	-
2300 Unearned Revenues	4,527	1,432	-
2000 Total Liabilities	<u>585,499</u>	<u>1,432</u>	<u>559,915</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	149,078	57,916	-
2600 Total Deferred Inflows of Resources	<u>149,078</u>	<u>57,916</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3470 Capital Acquisition and Contractual Obligation	-	-	1,657,438
3480 Retirement of Long-Term Debt	-	156,078	-
Committed Fund Balance:			
3510 Construction	2,000,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	3,721,284	-	-
3000 Total Fund Balances	<u>5,721,284</u>	<u>156,078</u>	<u>1,657,438</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,455,861</u>	<u>\$ 215,426</u>	<u>\$ 2,217,353</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 65,590	\$ 1,566,736
13,600	5,231,994
-	214,285
-	(1,332)
61,428	1,457,660
-	559,915
<u>\$ 140,618</u>	<u>\$ 9,029,258</u>
\$ 58,114	\$ 58,114
26,577	594,177
-	561,654
1,860	13,493
-	5,959
<u>86,551</u>	<u>1,233,397</u>
-	206,994
-	206,994
-	1,657,438
-	156,078
-	2,000,000
54,067	54,067
-	3,721,284
<u>54,067</u>	<u>7,588,867</u>
<u>\$ 140,618</u>	<u>\$ 9,029,258</u>

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MELISSA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$ 7,588,867
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.	14,029
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$61,062,869 and the accumulated depreciation was \$12,116,902. In addition, long-term liabilities, including bonds payable of \$56,889,015, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(7,943,048)
3 Current year capital outlays of \$6,213,949 and long-term debt principal payments of \$1,020,026 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$79,501, amortization of bond premiums of \$152,386, and interest payable of \$207,595 are recorded in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.	7,099,265
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,321,893, a Deferred Resource Inflow related to TRS in the amount of \$404,391 and a Deferred Resource Outflow related to TRS in the amount of \$464,100. The net effect of these TRS amounts is to increase (decrease) net position.	(1,262,164)
5 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,583,400)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes of \$206,994 as revenue, eliminating interfund transactions, reclassifying reclassifying net bond proceeds of \$4,560,159, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(4,353,165)
19 Net Position of Governmental Activities	<u>\$ (439,616)</u>

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

MELISSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 7,167,053	\$ 2,160,895	\$ 1,855
5800 State Program Revenues	10,822,413	789,899	-
5900 Federal Program Revenues	183,264	-	-
5020 Total Revenues	<u>18,172,730</u>	<u>2,950,794</u>	<u>1,855</u>
EXPENDITURES:			
Current:			
0011 Instruction	9,694,797	-	-
0012 Instructional Resources and Media Services	121,534	-	-
0013 Curriculum and Instructional Staff Development	108,346	-	-
0021 Instructional Leadership	14,900	-	-
0023 School Leadership	878,351	-	-
0031 Guidance, Counseling and Evaluation Services	327,381	-	-
0033 Health Services	161,911	-	-
0034 Student (Pupil) Transportation	801,935	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,227,877	-	-
0041 General Administration	539,103	-	-
0051 Facilities Maintenance and Operations	1,952,463	-	-
0052 Security and Monitoring Services	91,952	-	-
0053 Data Processing Services	705,970	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	1,020,026	-
0072 Interest on Long Term Debt	-	2,358,823	-
0073 Bond Issuance Cost and Fees	-	166,059	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	339,017	-	5,481,711
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	87,330	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	10,160	-	-
0099 Other Intergovernmental Charges	46,890	-	-
6030 Total Expenditures	<u>17,109,917</u>	<u>3,544,908</u>	<u>5,481,711</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,062,813</u>	<u>(594,114)</u>	<u>(5,479,856)</u>
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	4,569,231	-
7911 Capital Related Debt Issued (Regular Bonds)	-	-	4,400,000
7915 Transfers In	-	251,889	-
7916 Premium or Discount on Issuance of Bonds	-	960,159	-
8911 Transfers Out (Use)	(318,358)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(5,340,000)	-
7080 Total Other Financing Sources (Uses)	<u>(318,358)</u>	<u>441,279</u>	<u>4,400,000</u>
1200 Net Change in Fund Balances	744,455	(152,835)	(1,079,856)
0100 Fund Balance - September 1 (Beginning)	<u>4,976,829</u>	<u>308,913</u>	<u>2,737,294</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ 5,721,284</u></u>	<u><u>\$ 156,078</u></u>	<u><u>\$ 1,657,438</u></u>

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

	Other Governmental Funds	Total Governmental Funds
\$	441,511	\$ 9,771,314
	154,161	11,766,473
	528,105	711,369
	<u>1,123,777</u>	<u>22,249,156</u>
	509,044	10,203,841
	-	121,534
	-	108,346
	-	14,900
	-	878,351
	-	327,381
	-	161,911
	-	801,935
	594,558	594,558
	79,334	1,307,211
	-	539,103
	-	1,952,463
	-	91,952
	-	705,970
	-	1,020,026
	-	2,358,823
	-	166,059
	-	5,820,728
	-	87,330
	-	10,160
	-	46,890
	<u>1,182,936</u>	<u>27,319,472</u>
	<u>(59,159)</u>	<u>(5,070,316)</u>
	-	4,569,231
	-	4,400,000
	66,469	318,358
	-	960,159
	-	(318,358)
	-	(5,340,000)
	<u>66,469</u>	<u>4,589,390</u>
	7,310	(480,926)
	<u>46,757</u>	<u>8,069,793</u>
\$	<u>54,067</u>	<u>\$ 7,588,867</u>

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MELISSA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(480,926)
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		(12,856)
 Current year capital outlays of \$15,264,712 and long-term debt principal payments of \$1,114,757 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$23,830 and amortization of bond premiums of \$45,991 are recorded in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		7,099,265
 The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$357,731. Contributions made before the measurement but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the district. This also caused an increase in the change in net position in the amount of \$0. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$205,345 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$83,159. The net effect of these TRS amounts is to increase (decrease) net position.		235,545
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,583,400)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue by \$23,408 to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying net bond proceeds of \$4,560,159, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(4,536,751)
 Change in Net Position of Governmental Activities	\$	720,877

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

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

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 70,104
Due from Other Funds	1,739
Total Assets	71,843
LIABILITIES	
Current Liabilities:	
Accounts Payable	57,814
Total Liabilities	57,814
NET POSITION	
Unrestricted Net Position	14,029
Total Net Position	\$ 14,029

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

MELISSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 818
Total Operating Revenues	818
OPERATING EXPENSES:	
Other Operating Costs	13,674
Total Operating Expenses	13,674
Operating Income (Loss)	(12,856)
Total Net Position - September 1 (Beginning)	26,885
Total Net Position - August 31 (Ending)	\$ 14,029

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

MELISSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 37
Cash Payments for Insurance Claims	(12,645)
Net Cash Used for Operating Activities	(12,608)
Net Decrease in Cash and Cash Equivalents	(12,608)
Cash and Cash Equivalents at Beginning of Year	82,712
Cash and Cash Equivalents at End of Year	\$ 70,104
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (12,856)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(781)
Increase (decrease) in Accounts Payable	1,029
Net Cash Used for Operating Activities	\$ (12,608)

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 87,011
Investments - Current	25,990
Total Assets	<u>\$ 113,001</u>
LIABILITIES	
Due to Student Groups	\$ 113,001
Total Liabilities	<u>\$ 113,001</u>

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

MELISSA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

Note A. Summary of Significant Accounting Policies

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

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

1. Reporting Entity

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

2. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Melissa Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act Title I. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Property taxes are always general revenues.

Interfund activities between governmental funds, and between governmental funds and proprietary funds, appear as "due to & due from" on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position, and as "other resources & other uses" on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are

eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as “due to & due from” on the government-wide Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Agency Funds apply the accrual basis of accounting, but do not have a measurement focus. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position

4. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting

entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues and expenditures.

The District reports the following **major** governmental funds:

General Fund – This governmental fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities

Debt Service Fund – This governmental fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met. It is considered major because its resources exceed 10% of the District's total resources.

Bond Construction Fund – This governmental fund is established to account for proceeds from bonds to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. It is considered major because its resources exceed 10% of the District's total resources.

Additionally, the District reports the following **nonmajor** fund types:

Governmental Fund Types:

Special Revenue Funds – These governmental funds are established to account for resources restricted to, or designated for, specific purposes by the District or a grantor in a Special Revenue Fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity of the various sources of funds.

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program, (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of the National School Lunch Program, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

Proprietary Funds:

Internal Service Fund – This fund is established to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District's Internal Service Fund is for Workers Compensation Self-Insurance.

Fiduciary Funds:

Agency Funds – These funds are established to account for resources held for others in a custodial capacity. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The District's Agency Funds are for Student Activity Funds.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. Cash and cash equivalents in the Internal Service fund was \$70,104 as of August 31, 2015.

6. Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

7. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. The District purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their cost is recorded as inventory and fund balance is reserved for the same amount.

8. Asset Capitalization and Useful Lives

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual unit cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39-50
Building Improvements	15-40
Vehicles & Buses	5-10
Equipment	5-7

9. Compensated Absences

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses when incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of bonded debt issued plus the premiums/discounts received on the issuance of bonds are reported as other financing sources. The amounts of issuance costs are reported as expenditures.

11. Fund Balance

In accordance with GASB 54 and school board policy, the District is reporting its fund balances in the governmental fund financial statements in each of the following categories:

Non-spendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the School Board. Committed resources cannot be used for any other purposes unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

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

As of August 31, 2015, the District’s fund balances are classified as follows:

	<u>General Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Bond</u> <u>Construction</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
Restricted for:					
Capital Projects			\$1,657,438		\$1,657,438
Debt Service		\$156,078			156,078
Committed for:					
Construction	2,000,000				2,000,000
Campus Activity Funds				54,067	54,067
Unassigned	3,721,284				3,721,284
Total Fund Balances	<u>\$5,721,284</u>	<u>\$156,078</u>	<u>\$1,657,438</u>	<u>\$54,067</u>	<u>\$7,588,867</u>

12. Functions

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing services, and other intergovernmental charges functions (data control codes 41, 53, and 99 respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

13. Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

14. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

15. Risk Management – Claims and Judgments

In the normal course of operations, the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. For insured programs, there have been no significant reductions in coverage. Settlement amounts have not exceeded insurance coverage for the current year or the past three years.

Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a uniform statewide health care program for public education employees. The District contributed \$529 per month, which includes \$75 per month which is reimbursed by the State of Texas, per employee to the Plan. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and is administered by the Teacher Retirement System of Texas (TRS).

Workers Compensation Coverage

The District has entered into an agreement with the Texas Educational Insurance Association to self-fund their workers compensation plan. The agreement is administered by Claims Administrative Services, Inc. Transactions related to the plan are accounted for in the Workers Compensation Insurance Fund (the "Fund"), an internal service fund of the District. The District makes all contributions to the fund. Claims Administrative Services, Inc. obtained excess loss insurance, which limited annual claims paid from the entire fund for the year ended August 31, 2015, to \$225,000 for any individual participant.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2015, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended August 31, 2015</u>	<u>Year Ended August 31, 2014</u>
Unpaid claims, beginning of fiscal year	\$56,785	\$43,067
Incurred claims (including IBNR's)	13,674	81,938
Claim payments	(12,645)	(68,220)
Unpaid claims, end of fiscal year	<u>\$57,814</u>	<u>\$56,785</u>

16. Estimates and Assumptions

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 expenses during the reporting period. Actual results could differ from those estimates.

Note B. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning</u> <u>of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the Year</u>	<u>Change in Net</u> <u>Position</u>
Land	\$2,469,565		\$2,469,565	
Buildings	41,776,503	(11,314,690)	30,461,813	
Equipment	2,457,146	(529,832)	1,927,314	
Vehicles	1,109,751	(272,380)	837,371	
Construction in Progress	13,249,904		13,249,904	
Change in Net Position				\$48,945,967
<u>Long-term Liabilities at the</u> <u>Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the year</u>	
Bonds Payable			\$56,889,015	
Change in Net Assets				(\$56,889,015)
Net Adjustment to Net Position				(\$7,943,048)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities.

One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings & Improvements	\$18,795,471		
Equipment	287,310		
Vehicles	381,072		
Construction in Progress	(13,249,904)		
Total Capital Outlay	<u>\$6,213,949</u>	\$6,213,949	\$6,213,949
<u>Debt Service Payments</u>			
Bond Principal	\$1,020,026		
Accretion on Capital Appreciation Bonds	(79,501)		
Amortization of Bond Premiums	152,386		
Interest Payable	(207,595)		
Total Principal Payments	<u>\$885,316</u>	885,316	885,316
Total Adjustment to Net Position		<u>\$7,099,265</u>	<u>\$7,099,265</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>			
Net Property Tax Revenue Adjustment	\$23,408	\$23,408	\$206,994
<u>Reclassify Net Bond Proceeds & Bond Premiums</u>			
Reclassify Net Bond Proceeds to Bonds Payable	(\$4,560,159)	(\$4,560,159)	(\$4,560,159)
Totals		<u>(\$4,536,751)</u>	<u>(\$4,353,165)</u>

Note C. Stewardship, Compliance, and Accountability

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the governmental fund financial statements:

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

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

<u>August 31, 2015 Fund Balance</u>	
Appropriated Budget Funds - Food Service	\$0
Nonappropriated Budget Funds-Campus Activity Funds	<u>54,067</u>
All Special Revenue Funds	<u><u>\$54,067</u></u>

Note D. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits and Investments:

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

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

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

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

Interest Rate Risk – To limit the risk of changes in interest rates will adversely affect the fair value of investments, the District requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

Credit Risk – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; securities lending program; bankers acceptances; commercial paper; no-load money market mutual funds and no-load mutual funds; guaranteed investment contracts as an investment vehicle for bond proceeds and public investment pools. As of August 31, 2015, the District’s investments in public funds investment pools were rated AAM by Standard & Poor’s.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of the District’s investment in a single issuer, the District diversifies in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

At August 31, 2015, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest bearing savings accounts) was \$1,636,840. The District’s cash deposits at August 31, 2015 and during the year ended August 31, 2015 were entirely covered by FDIC insurance or by pledged deposit collateral held by the District’s agent bank in the District’s name, or by letters of credit.

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

- a. Depository: First National Bank of Trenton, Trenton, Texas
- b. The highest combined balance of cash, savings, and time deposits accounts amounted to \$1,441,915 and occurred during the month of September 2014.
- c. The market value of securities pledged as of the date of the highest combined balance on deposit was \$1,372,440.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,104.

The District's investments at August 31, 2015, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool Investment Accounts	\$72,314	43 days
Tex Star Investment Accounts	\$81,378	43 days
Money Market Accounts @ Nondepository Banks	5,078,302	0 days
Total Fair Value	<u>\$5,231,994</u>	
Portfolio Weighted Average Maturity		2 days

Note E. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected.

The assessed value of the tax roll on January 1, 2014, upon which the tax levy for the 2015 fiscal year was based, was \$565,700,031. The tax rates assessed for the year ended August 31, 2015 to finance general fund operations and the payment of principal & interest on general obligation bonds were \$ 1.17 and \$ 0.37 per \$ 100 valuation, respectively, for a total of \$ 1.54 per \$ 100 valuation. Current year (including prior year delinquent) tax collections for the year ended August 31, 2015 were 101.44% of the tax levy.

Note F. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Note G. Disaggregation of Receivables and Payables

Receivables at August 31, 2015, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Governments</u>	<u>Due from Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$154,566	\$1,348,402	\$559,915	\$0	\$2,062,883
Debt Service Fund	59,719	47,830	0	0	107,549
Nonmajor Governmental Funds	0	61,428	0	0	61,428
Total Governmental Activities	<u>\$214,285</u>	<u>\$1,457,660</u>	<u>\$559,915</u>	<u>\$0</u>	<u>\$2,231,860</u>
Amounts not scheduled for collection during the subsequent year	<u>\$1,332</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,332</u>

Payables at August 31, 2015, were as follows:

	<u>Accounts</u>	<u>Salaries & Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$0	\$567,600	\$1,739	\$0	\$11,633	\$580,972
Debt Service Fund	0	0	0	0	0	0
Bond Construction Fund	0	0	559,915	0	0	559,915
Nonmajor Governmental Funds	58,114	26,577	0	0	1,860	86,551
Total Governmental Activities	<u>\$58,114</u>	<u>\$594,177</u>	<u>\$561,654</u>	<u>\$0</u>	<u>\$13,493</u>	<u>\$1,227,438</u>
Amounts not scheduled for collection during the subsequent year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Note H. Capital Asset Activity

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

	<u>Beginning</u>			<u>Ending</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	
Land	\$2,469,565	\$0	\$0	\$2,469,565	
Buildings & Improvements	41,776,503	18,795,471	0	60,571,974	
Equipment	2,457,146	287,310	0	2,744,456	
Vehicles	1,109,751	381,072	0	1,490,823	
Construction in Progress	13,249,904	(13,249,904)	0	0	
Totals at Historical Cost	<u>61,062,869</u>	<u>6,213,949</u>	<u>0</u>	<u>67,276,818</u>	
Less accumulated depreciation for:					
Buildings & Improvements	(11,314,690)	(1,137,470)	0	(12,452,160)	
Equipment	(529,832)	(315,292)	0	(845,124)	
Vehicles	(272,380)	(130,638)	0	(403,018)	
Total accumulated depreciation	<u>(12,116,902)</u>	<u>(1,583,400)</u>	<u>0</u>	<u>(13,700,302)</u>	
Capital Assets, Net	<u>\$48,945,967</u>	<u>\$4,630,549</u>	<u>\$0</u>	<u>\$53,576,516</u>	

Depreciation expense for the current year was charged to governmental functions as follows:

11 Instruction	\$842,601
12 Instructional Resources & Media Services	14,528
13 Curriculum & Instructional Staff Development	14,528
21 Instructional Leadership	14,528
23 School Leadership	72,638
31 Guidance, Counseling, & Evaluation Services	29,055
33 Health Services	14,528
34 Student (Pupil) Transportation	159,693
35 Food Services	43,583
36 Cocurricular/Extracurricular Activities	116,221
41 General Administration	43,583
51 Plant Maintenance & Operations	159,804
53 Data Processing Services	58,110
Total Depreciation Expense	<u>\$1,583,400</u>

Note I. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2015, was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Amounts Due</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>within One</u>
					<u>Year</u>
Governmental Activities:					
General Obligation Bonds	\$54,383,710	\$8,940,000	(\$6,360,026)	\$56,963,684	\$1,345,365
Accumulated Accretion on CABs	93,524	79,501	0	173,025	
Unamortized Bond Premiums	2,411,781	960,159	(152,386)	3,219,554	
Total Bonds Payable, Government-Wide	<u>\$56,889,015</u>	<u>\$9,979,660</u>	<u>(\$6,512,412)</u>	<u>\$60,356,263</u>	<u>\$1,345,365</u>

Note J. Bonds Payable & Debt Service Requirements

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

In the governmental fund financial statements, current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The proceeds from the sale of bonds are shown in the governmental fund financial statements as Other Resources and principal payments are shown as expenditures.

A summary of changes in bonds for the year ended August 31, 2015 is as follows:

<u>Description</u>	<u>Interest Rates Payable</u>	<u>Amounts of Original Issue</u>	<u>Interest Current Year</u>	<u>Beginning Amounts Outstanding 9/01/14</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Amounts Outstanding 8/31/15</u>
Unlimited Tax Bldg Bonds-Series 2003	3.75-5.25%	\$9,000,000	\$116,826	\$2,840,000	\$0	(\$2,840,000)	\$0
Unlimited Tax Bldg Bonds-Series 2004	4.50-6.00%	4,200,000	19,845	425,000	0	(425,000)	0
Unlimited Tax Bldg Bonds-Series 2005	4.30-6.00%	4,700,000	138,023	3,190,000	0	(2,425,000)	765,000
Unlimited Tax Bldg Bonds-Series 2006	4.05-6.00%	4,500,000	174,940	3,890,000	0	(105,000)	3,785,000
Unlimited Tax Bldg Bonds-Series 2007	4.00-5.25%	9,900,000	370,422	8,680,000	0	(240,000)	8,440,000
Unlimited Tax Bldg Bonds-Series 2008	4.00-5.25%	3,000,000	133,270	2,785,000	0	(65,000)	2,720,000
Unlimited Tax Bldg Bonds-Series 2009	2.00-5.20%	3,380,000	143,873	3,010,000	0	(100,000)	2,910,000
Capital Appreciation Bonds-Series 2009	2.45-4.625%	596,873	89,974	98,710	0	(25,026)	73,684
Unlimited Tax Refunding Bonds-Series 2012	2.00-3.25%	2,365,000	61,225	2,160,000	0	(80,000)	2,080,000
Unlimited Tax Bldg Bonds-Series 2013	3.00-5.00%	18,495,000	792,650	18,495,000	0	0	18,495,000
Capital Appreciation Bonds-Series 2013	4.60%	5,000	0	5,000	0	0	5,000
Unlimited Tax Refunding Bonds-Series 2014	2.00-4.00%	8,720,000	317,775	8,535,000	0	(55,000)	8,480,000
Capital Appreciation Bonds-Series 2014	2.35-2.70%	270,000	0	270,000	0	0	270,000
Unlimited Tax Bldg & Refunding Bonds-Series 2015	2.00-4.50%	8,940,000	0	0	8,940,000	0	8,940,000
Total General Obligation Bonds			\$2,358,823	\$54,383,710	\$8,940,000	(\$6,360,026)	\$56,963,684
Accumulated Accretion on CABs				93,524	79,501	0	173,025
Unamortized Bond Premiums on CABs				1,250,843	0	(106,395)	1,144,448
Unamortized Bond Premiums on GOBs				1,160,938	960,159	(45,991)	2,075,106
Total Bonds Payable, Government-Wide Financials				\$56,889,015	\$9,979,660	(\$6,512,412)	\$60,356,263

During the current fiscal year, the District issued Series 2015 bonds of \$8,940,000, of which \$5,340,000 was used to early redeem Series 2003 bonds of \$2,695,000, Series 2004 bonds of \$325,000, and Series 2005 bonds of \$2,320,000. The net present value of savings on this transaction was \$2,320,000.

A portion of the above bonds were capital appreciation bonds, commonly referred to as “premium compound interest bonds”. These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The accreted value equals the par value plus accreted interest plus the unamortized bond premium.

Summary information for the capital appreciation bonds is as follows:

<u>Series</u>	<u>Capital Appreciation Bonds</u>	
	<u>Stated Value</u>	<u>Accreted Value, 8/31/15</u>
2009	\$73,684	\$324,655
2013	\$5,000	\$586,805
2014	\$270,000	\$754,698

Debt service requirements for general obligation bonds are as follows:

<u>Year Ending August 31,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$1,345,365	\$2,489,648	\$3,835,013
2017	1,257,882	2,363,288	3,621,170
2018	1,310,437	2,317,670	3,628,107
2019	1,440,000	2,181,208	3,621,208
2020	1,245,000	2,380,292	3,625,292
2021-2025	7,775,000	10,344,045	18,119,045
2026-2030	9,770,000	8,344,194	18,114,194
2031-2035	12,000,000	6,116,028	18,116,028
2036-2040	11,605,000	5,145,422	16,750,422
2041-Maturity	9,215,000	753,700	9,968,700
Total General Obligation Bonds	<u>\$56,963,684</u>	<u>\$42,435,495</u>	<u>\$99,399,179</u>

Note K. Long Term Notes and Capital Leases Payable

Long-Term Notes:

There were no long-term notes outstanding during the year ended August 31, 2015.

Capital Leases:

There were no capital leases outstanding during the year ended August 31, 2015.

Note L. Accumulated Unpaid Vacation and Sick Leave Benefits

District employees are entitled to certain compensated absences based upon their length of employment. Sick leave accrues at various rates established by the State of Texas and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is used and paid.

A summary of changes in the accumulated sick leave and vacation leave liability follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
Balance, September 1, 2014	\$0	\$0
Additions - New Entrants and Salary Increments	0	0
Deductions - Payments to Participants	0	0
Balance, August 31, 2015	<u>\$0</u>	<u>\$0</u>

Note M. Defined Benefit Pension Plan (TRS)

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

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

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

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in

Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>Contribution Rates</u>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Melissa ISD 2014 Employer Contributions		\$ 125,466
Melissa ISD 2014 Member Contributions		\$ 600,198
Melissa ISD 2014 NECE On-Behalf Contributions		\$ 517,580

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

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

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

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

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%
<i>*Includes Inflation of 3%</i>	

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 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
MISD's proportionate share of the net pension liability:	\$2,362,142	\$1,321,893	\$543,980

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Melissa Independent School District reported a liability of \$1,321,893 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support

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

District's Proportionate share of the collective net pension liability	\$1,321,893
State's proportionate share that is associated with the District	<u>5,464,793</u>
Total	<u>\$6,786,686</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 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.000049488%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

There 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% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, Melissa Independent School District recognized pension expense of \$505,210 and revenue of \$517,580 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,444	\$ -
Changes in actuarial assumptions	85,925	-
Difference between projected and actual investment earnings	-	404,024
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	347
Contributions paid to TRS subsequent to the measurement date	-	-
Total	\$106,369	\$404,371

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	\$ (83,120)
2017	(83,120)
2018	(83,120)
2019	17,886

Thereafter	16,592

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$106,369	\$404,371
Contributions made subsequent to the Measurement Date	\$357,731	
Reported by District as of August 31, 2015	\$464,100	\$404,371

Note N. School District Retiree Health Plan (TRS-Care)

Plan Description – Melissa Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides a health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas 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 under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of TRS at 1000 Red River Street, Austin, Texas 78701.

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, respectfully. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2013.

Contribution Rates and Contribution Amounts

Year	Member Contributions		State Contributions		District Contributions	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$69,757	1.000%	\$107,319	0.55%	\$59,025
2014	0.65%	\$60,958	1.000%	\$93,781	0.55%	\$51,579
2013	0.65%	\$56,740	0.500%	\$43,646	0.55%	\$48,010

Note O. Medicare Part D (TRS-Care) & Early Retiree Reinsurance Program (ERRP)

Federal Government Retiree Drug Subsidy – 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 the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The allocation of these on-behalf payments is based on the ratio of a reporting entity’s covered payroll to the entire payroll reported by all reporting entities. TRS based this allocation percentage on the completed report submissions by reporting entities for the month of May. State Contributions for Medicare Part D made on behalf of Melissa Independent School District’s employees were \$43,613, \$25,048, and \$23,187, respectively for fiscal years ended August 31, 2015, 2014, and 2013.

Early Retiree Reinsurance Program – The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An “early retiree” is defined as a plan participant aged 55-64 which is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program was not available to TRS for the fiscal years ended August 31, 2013, 2014 or 2015; therefore, there was no allocation required nor is one shown for those years. ERRP reimbursement was available on a first come, first served basis for qualified employers.

Note P. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Totals</u>
General Fund	\$1,348,402	\$0	\$0	\$1,348,402
Debt Service Funds	47,830	0	0	47,830
Special Revenue Funds	0	61,428	0	61,428
Totals	\$1,396,232	\$61,428	\$0	\$1,457,660

Note Q. Due to Other Governments

As of August 31, 2015, the District had no settle-up amounts due to Texas Education Agency for 2014-2015 state foundation aid.

Note R. Unearned Revenue & Unavailable Revenue

Unearned revenue is that portion of the net revenue receivable which is expected to be collected within the first 60 days following the fiscal year end. Unavailable revenue is that portion of the net revenue receivable which is not expected to be collected within the first 60 days following the fiscal year end.

Unearned revenue and Unavailable revenue at August 31, 2015 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Unearned Revenue:				
Property Tax Revenue	\$4,527	\$0	\$1,432	\$5,959
Total Unearned Revenue	\$4,527	\$0	\$1,432	\$5,959
Unavailable Revenue:				
Property Tax Revenue	\$149,078	\$0	\$57,916	\$206,994
Total Unavailable Revenue	\$149,078	\$0	\$57,916	\$206,994

Note S. Commitments and Contingencies

Litigation – The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of any lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly no provision for losses has been recorded.

Grant Programs – The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities related to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note T. Revenue from Local and Intermediate Sources

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Totals</u>	
Property Taxes	\$6,703,056		\$0	\$2,134,456	\$0	\$8,837,512
Penalties, Interest, & Other Tax						
Related Income	54,789		0	20,093	0	74,882
Investment Income	2,862		0	1,046	1,855	5,763
Tuition	200,366		0	0	0	200,366
Rent	70,305		0	0	0	70,305
Gifts & Bequests	24,138		0	0	0	24,138
Food Service Sales	0	354,867	0	0	0	354,867
Athletics	37,105		0	0	0	37,105
Co-curricular	0	86,644	0	0	0	86,644
Other	74,432		0	5,300	0	79,732
Totals	\$7,167,053	\$441,511	\$2,160,895	\$1,855	\$0	\$9,771,314

Note U. Interfund Balances and Transfers In & Out

Interfund balances at August 31, 2015, consisted of the following amounts:

Due to General Fund from:

Capital Projects Fund	\$559,915
Total to General Fund from Other Funds	<u>\$559,915</u>

Due to Internal Service Fund from:

General Fund	\$1,739
Total to Internal Service Fund from Other Funds	<u>\$1,739</u>

Interfund transfers for the year ended August 31, 2015, consisted of the following individual amounts:

Transfers to Debt Service Fund from:

General Fund	\$251,889
Total Transferred to Debt Service Fund from Other Funds	<u>\$251,889</u>

Transfers to Nonmajor Governmental Funds from:

General Fund	\$66,469
Total Transferred to Nonmajor Governmental Funds from Other Funds	<u>\$66,469</u>

Note V. Joint Ventures – Shared Service Arrangements

The District participates in shared services arrangements for miscellaneous educational services, with other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, 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 Melissa Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Note W. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through December 31, 2015, which is the date the financial statements were available to be issued.

Note X. Prior Period Adjustment

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment decreased beginning net position by \$1,497,709. The restated beginning net position is (\$1,160,493).

REQUIRED SUPPLEMENTAL INFORMATION

MELISSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,526,231	\$ 6,927,509	\$ 7,167,053	\$ 239,544
5800	State Program Revenues	10,120,274	10,213,334	10,822,413	609,079
5900	Federal Program Revenues	35,000	45,215	183,264	138,049
5020	Total Revenues	16,681,505	17,186,058	18,172,730	986,672
EXPENDITURES:					
Current:					
0011	Instruction	9,369,242	9,737,653	9,694,797	42,856
0012	Instructional Resources and Media Services	177,740	129,018	121,534	7,484
0013	Curriculum and Instructional Staff Development	121,163	120,613	108,346	12,267
0021	Instructional Leadership	250	15,250	14,900	350
0023	School Leadership	909,262	884,262	878,351	5,911
0031	Guidance, Counseling and Evaluation Services	298,635	329,535	327,381	2,154
0033	Health Services	161,646	162,796	161,911	885
0034	Student (Pupil) Transportation	751,336	807,254	801,935	5,319
0036	Extracurricular Activities	930,587	1,233,803	1,227,877	5,926
0041	General Administration	566,961	559,461	539,103	20,358
0051	Facilities Maintenance and Operations	2,407,400	1,958,800	1,952,463	6,337
0052	Security and Monitoring Services	87,371	93,371	91,952	1,419
0053	Data Processing Services	767,763	710,032	705,970	4,062
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	345,000	339,017	5,983
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	89,000	87,330	1,670
0095	Payments to Juvenile Justice Alternative Ed. Prg.	5,000	5,000	10,160	(5,160)
0099	Other Intergovernmental Charges	128,000	55,000	46,890	8,110
6030	Total Expenditures	16,682,356	17,235,848	17,109,917	125,931
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(851)	(49,790)	1,062,813	1,112,603
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(361,000)	(318,358)	42,642
1200	Net Change in Fund Balances	(851)	(410,790)	744,455	1,155,245
0100	Fund Balance - September 1 (Beginning)	4,976,829	4,976,829	4,976,829	-
3000	Fund Balance - August 31 (Ending)	\$ 4,975,978	\$ 4,566,039	\$ 5,721,284	\$ 1,155,245

MELISSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.000049488%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,321,893
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	5,464,793
Total	\$ 6,786,686
District's Covered-Employee Payroll	\$ 9,378,090
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	14.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

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

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

MELISSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2015

EXHIBIT G-3

		2015
Contractually Required Contribution	\$	357,731
Contribution in Relation to the Contractually Required Contribution		357,731
Contribution Deficiency (Excess)	\$	-0-
District's Covered-Employee Payroll	\$	10,731,867
Contributions as a Percentage of Covered-Employee Payroll		3.33%

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

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

MELISSA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

Changes of benefit terms.

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

Changes of assumptions.

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

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COMBINING STATEMENTS

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (31,714)	\$ -	\$ -	\$ 6,451
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	35,887	14,793	-	3,020
1000	Total Assets	<u>\$ 4,173</u>	<u>\$ 14,793</u>	<u>\$ -</u>	<u>\$ 9,471</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	3,801	13,476	-	9,300
2200	Accrued Expenditures	372	1,317	-	171
2000	Total Liabilities	<u>4,173</u>	<u>14,793</u>	<u>-</u>	<u>9,471</u>
FUND BALANCES					
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,173</u>	<u>\$ 14,793</u>	<u>\$ -</u>	<u>\$ 9,471</u>

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	410 Instructional Materials Allotment	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ (7,728)	\$ -	\$ 58,114	\$ 40,467	\$ 65,590
-	-	-	-	13,600	13,600
-	7,728	-	-	-	61,428
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,114</u>	<u>\$ 54,067</u>	<u>\$ 140,618</u>
\$ -	\$ -	\$ -	\$ 58,114	\$ -	\$ 58,114
-	-	-	-	-	26,577
-	-	-	-	-	1,860
<u>-</u>	<u>-</u>	<u>-</u>	<u>58,114</u>	<u>-</u>	<u>86,551</u>
-	-	-	-	54,067	54,067
-	-	-	-	54,067	54,067
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,114</u>	<u>\$ 54,067</u>	<u>\$ 140,618</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 354,867
5800	State Program Revenues	-	-	-	1,988
5900	Federal Program Revenues	95,113	237,752	3,148	171,234
5020	Total Revenues	<u>95,113</u>	<u>237,752</u>	<u>3,148</u>	<u>528,089</u>
EXPENDITURES:					
Current:					
0011	Instruction	95,113	237,752	3,148	-
0035	Food Services	-	-	-	594,558
0036	Extracurricular Activities	-	-	-	-
6030	Total Expenditures	<u>95,113</u>	<u>237,752</u>	<u>3,148</u>	<u>594,558</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(66,469)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	66,469
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	410 Instructional Materials Allotment	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 86,644	\$ 441,511
-	-	-	152,173	-	154,161
6,366	10,727	3,765	-	-	528,105
6,366	10,727	3,765	152,173	86,644	1,123,777
6,366	10,727	3,765	152,173	-	509,044
-	-	-	-	-	594,558
-	-	-	-	79,334	79,334
6,366	10,727	3,765	152,173	79,334	1,182,936
-	-	-	-	7,310	(59,159)
-	-	-	-	-	66,469
-	-	-	-	7,310	7,310
-	-	-	-	46,757	46,757
\$ -	\$ -	\$ -	\$ -	\$ 54,067	\$ 54,067

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	\$ 1.500000	\$ 0.410000	\$ 276,747,115
2007	1.370000	0.410000	321,650,622
2008	1.040000	0.495000	386,855,552
2009	1.040000	0.500000	422,807,599
2010	1.040000	0.500000	422,733,905
2011	1.040000	0.500000	417,006,205
2012	1.040000	0.500000	426,933,889
2013	1.040000	0.500000	438,642,628
2014	1.170000	0.370000	481,248,624
2015 (School year under audit)	1.170000	0.370000	565,700,031
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 33,243	\$ -	\$ 578	\$ 158	\$ (9,266)	\$ 23,241
10,135	-	101	30	(1,000)	9,004
10,716	-	250	119	(624)	9,723
19,270	-	5,718	2,749	6,861	17,664
19,095	-	25,917	12,460	36,145	16,863
17,901	-	19,751	9,496	28,685	17,339
19,771	-	18,948	9,110	27,139	18,852
29,482	-	18,846	9,061	23,972	25,547
44,297	-	35,392	11,192	24,195	21,908
-	8,711,780	6,577,555	2,080,081	-	54,144
<u>\$ 203,910</u>	<u>\$ 8,711,780</u>	<u>\$ 6,703,056</u>	<u>\$ 2,134,456</u>	<u>\$ 136,107</u>	<u>\$ 214,285</u>

MELISSA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 359,565	\$ 359,065	\$ 354,867	\$ (4,198)
5800 State Program Revenues	17,000	17,000	1,988	(15,012)
5900 Federal Program Revenues	201,500	174,638	171,234	(3,404)
5020 Total Revenues	578,065	550,703	528,089	(22,614)
EXPENDITURES:				
0035 Food Services	578,065	611,703	594,558	17,145
6030 Total Expenditures	578,065	611,703	594,558	17,145
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(61,000)	(66,469)	(5,469)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	61,000	66,469	5,469
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

MELISSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,034,035	\$ 2,040,035	\$ 2,160,895	\$ 120,860
5800	State Program Revenues	746,314	746,314	789,899	43,585
5020	Total Revenues	2,780,349	2,786,349	2,950,794	164,445
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,020,026	1,020,026	1,020,026	-
0072	Interest on Long Term Debt	2,358,823	2,358,823	2,358,823	-
0073	Bond Issuance Cost and Fees	1,500	167,659	166,059	1,600
6030	Total Expenditures	3,380,349	3,546,508	3,544,908	1,600
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(600,000)	(760,159)	(594,114)	166,045
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	4,540,000	4,569,231	29,231
7915	Transfers In	600,000	300,000	251,889	(48,111)
7916	Premium or Discount on Issuance of Bonds	-	960,159	960,159	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(5,340,000)	(5,340,000)	-
7080	Total Other Financing Sources (Uses)	600,000	460,159	441,279	(18,880)
1200	Net Change in Fund Balances	-	(300,000)	(152,835)	147,165
0100	Fund Balance - September 1 (Beginning)	308,913	308,913	308,913	-
3000	Fund Balance - August 31 (Ending)	\$ 308,913	\$ 8,913	\$ 156,078	\$ 147,165

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FEDERAL AWARDS SECTION

Morgan, Davis, & Company, P.C.
Post Office Box 8158
Greenville, Texas 75404

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

Independent Auditor's Report

Melissa Independent School District
1904 Cooper Street
Melissa, Texas 75454

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 Melissa Independent School District, as of and for the year ended August 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Melissa Independent School 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 Melissa Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Melissa Independent School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

December 31, 2015

Morgan, Davis, & Company, P.C.

Post Office Box 8158

Greenville, Texas 75404

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance

Required by *OMB Circular A-133*

Independent Auditor's Report

Melissa Independent School District
1904 Cooper Street
Melissa, Texas 75454

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Melissa Independent School 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 Melissa Independent School 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 Melissa Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Melissa Independent School 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 Melissa Independent School 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 Melissa Independent School 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 Melissa Independent School 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.

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

December 31, 2015

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

Program/Item	Findings Description
Summary of Audit Results:	
Type of Report on Financial Statements	Unmodified Opinion
Control Deficiencies	None
Material Weaknesses Involving Control Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unmodified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The District was classified as a low risk auditee in the context of OMB Circular A-133.
Major Federal Programs	Special Education Cluster: IDEA Part B, Formula, CFDA#84.027 IDEA Part B, Preschool, CFDA#84.173 Child Nutrition Cluster: National School Breakfast Program, CFDA#10.553 National School Lunch Program, CFDA#10.555
Pass-through Entity	Texas Education Agency

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

There are no findings related to financial statements which are required to be reported in accordance with *Generally Accepted Auditing Standards*.

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

(Prepared by the District's Administration)

There were no prior audit findings which required corrective action.

MELISSA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

(Prepared by the District's Administration)

There were no corrective actions necessary for the year ended August 31, 2015.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101057950	\$ 95,113
*IDEA - Part B, Formula	84.027	15660001043908	222,959
*IDEA - Part B, Formula	84.027	16660001043908	14,793
Total CFDA Number 84.027			237,752
*IDEA - Part B, Preschool	84.173	15661001043908	3,148
Total Special Education Cluster (IDEA)			240,900
Career and Technical - Basic Grant	84.048	15691001057950	6,366
Title III, Part A - English Language Acquisition	84.365A	15615002057950	3,765
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501057950	10,727
Total Passed Through State Department of Education			\$ 356,871
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 356,871
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	15-043908	\$ 183,264
Total Passed Through Texas Dept of Human Services			\$ 183,264
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 183,264
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	15-043908	\$ 34,608
*National School Lunch Program - Cash Assistance	10.555	15-043908	116,897
*National School Lunch Prog. - Non-Cash Assistance	10.555	15-043908	19,729
Total CFDA Number 10.555			136,626
Total Child Nutrition Cluster			171,234
Total Passed Through the State Department of Agriculture			\$ 171,234
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 171,234
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 711,369

*Clustered Programs

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

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred expenditures until earned.
3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.
4. The District participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, in any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

SCHOOLS FIRST QUESTIONNAIRE

Melissa Independent School District

Fiscal Year 2015

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	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 Teachers 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?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	173025
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	1321893
SF13	Pension Expense (6147) at fiscal year-end.	122186