

MORGAN MILL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

Introductory Section

Morgan Mill Independent School District
Annual Financial Report
For The Year Ended August 31, 2015

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CERTIFICATE OF BOARD

Morgan Mill Independent School District
Name of School District

Erath
County

072-910
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the 11th day of January, ~~2015~~ 2016 ⁽⁸⁵⁾

Tommy Balling
Signature of Board Secretary

Shannon Buchanan
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
311 CENTER AVENUE
BROWNWOOD, TEXAS 76801

Independent Auditor's Report

To the Board of Trustees
Morgan Mill Independent School District
P.O. Box 8
Morgan Mill, Texas 76465

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan Mill Independent School District ("the District") as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

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

Opinions

In my 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 Morgan Mill Independent School District as of August 31, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, Morgan Mill Independent School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morgan Mill Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

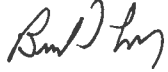
The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 21, 2015 on my consideration of Morgan Mill Independent School District's internal control over financial reporting and on my 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 my 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 Morgan Mill Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
December 21, 2015

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net positions were \$2,122,414 at August 31, 2015 and \$2,137,182 at August 31, 2014. (See Table 1)

Table 1
Morgan Mill Independent School District's Net Assets

	Governmental Activities	
	2015	2014
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$1,185,970	\$1,177,037
Property taxes receivable net of uncollectible	\$2,378	\$2,641
Due from other governments	\$6,846	\$33,777
Other receivables	196	913
Total Current Assets	<u>\$1,195,390</u>	<u>\$1,214,368</u>
Noncurrent Assets:		
Land	\$35,430	\$35,430
Buildings	\$909,711	\$899,875
Equipment and vehicles	\$163,945	\$182,652
Total Noncurrent Assets	<u>\$1,109,086</u>	<u>\$1,117,957</u>
Total Assets	<u>\$2,304,476</u>	<u>\$2,332,325</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflow Related to Pensions	<u>\$21,122</u>	<u>\$0</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued expenses	\$50,286	\$71,472
Due to other governments	\$59,772	\$121,890
Due to student groups	\$4,036	\$1,781
Total Current Liabilities	<u>\$114,094</u>	<u>\$195,143</u>
Noncurrent Liabilities:		
Net Pension Liability	<u>\$68,221</u>	<u>\$0</u>
Total Liabilities	<u>\$182,315</u>	<u>\$195,143</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflow Related to Pensions	<u>\$20,869</u>	<u>\$0</u>
NET POSITION:		
Net investment in capital assets	\$1,109,086	\$1,117,957
Restricted	\$4,076	\$5,841
Unrestricted	<u>\$1,009,252</u>	<u>\$1,013,384</u>
Total Net Position	<u><u>\$2,122,414</u></u>	<u><u>\$2,137,182</u></u>

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES

Table 2
Morgan Mill Independent School District's Changes in Net Assets

	Governmental Activities	
	2015	2014
Program Revenues:		
Charges for services	\$30,193	\$25,880
Operating grants and contributions	\$126,484	\$135,676
Capital grants and contributions	\$0	\$0
General Revenues:		
Property taxes	\$835,535	\$834,996
State aid - formula	\$206,959	\$139,277
Investment earnings	\$665	\$716
Other revenues	\$26,671	\$38,689
Special and Extraordinary Items:		
Extraordinary Item Outflow	3,535	0
Total Revenues	\$1,230,042	\$1,175,234
Expenditures:		
Instruction	\$691,227	\$693,537
Instructional resources and media services	\$18,905	\$12,644
Curriculum development and staff development	\$3,835	\$3,966
Guidance and counseling services	\$721	\$731
Health services	\$1,668	\$1,558
Student (pupil) transportation	\$38,281	\$36,257
Food services	\$63,680	\$55,919
Curricular/extracurricular activities	\$14,291	\$24,680
General administration	\$124,282	\$116,414
Plant maintenance & operation	\$135,692	\$122,122
Data processing services	\$44,756	\$61,188
Payments to fiscal agent/member districts SSA	\$7,074	\$22,860
Other intergovernmental charges	\$23,100	\$22,890
Total Expenditures	\$1,167,512	\$1,174,766
Excess (Deficiency) Before Other Resources, Uses, and Transfers	\$62,530	\$468
Other Resources (Uses)		
Transfers In (Out)	\$0	\$0
Increase (Decrease) in Net Position	\$62,530	\$468
Net Position - Beginning	\$2,137,180	\$2,136,714
Prior Period Adjustments - Related to Pensions	(\$77,296)	\$0
Net Position - Ending	\$2,122,414	\$2,137,182

Difference between prior year ending balance and current year beginning balance is rounding.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES

Table 3
Morgan Mill Independent School District's Capital Assets

	Governmental Activities	
	2014	2014
Land	\$35,430	\$35,428
Buildings and improvements	\$1,289,202	\$1,250,008
Equipment and vehicles	\$329,462	\$327,595
Total Capital Assets	<u>\$1,654,094</u>	<u>\$1,613,031</u>
Total Accumulated Depreciation	<u>\$545,008</u>	<u>\$495,074</u>
Net Capital Assets	<u><u>\$1,109,086</u></u>	<u><u>\$1,117,957</u></u>

Table 4
Morgan Mill Independent School District's Long-term Debt

	Governmental Activities	
	2015	2014
Net Pension Liability	<u>\$68,221</u>	<u>\$0</u>

MORGAN MILL INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

This section of Morgan Mill Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$2,122,414 at August 31, 2015.
- During the year, the District's expenses were \$62,530 less than \$1,230,042 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased approximately 1% from last year. No new programs were added this year.
- The general fund reported a fund balance this year of \$1,074,843.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net positions were \$2,122,414 at August 31, 2015 and \$2,137,182 at August 31, 2014.

The District's net position includes the net investment in capital assets amounting to \$1,109,086 at August 31, 2015. The District has restricted net assets of \$4,076, which is restricted for food service, which leaves \$1,009,252 of unrestricted net position at August 31, 2015. The \$1,009,252 of unrestricted net position represents resources available to fund the programs in the general fund of the District next year.

Changes in net position. The District's total revenues were \$1,230,042. A significant portion, 68%, of the District's revenue comes from taxes. State available and foundation grants provide 17%, while only 2% relates to charges for services. Operating grants provide 10% of the total revenues.

The total cost of all programs and services was \$1,167,512. Costs for instruction and instructional related services make up 61% (Expenditure Functions 11, 12, and 13).

Governmental Activities

- Property tax rates remained at \$1.04 on the 2014 tax roll, as was the 2013 tax rate. Values on the 2014 certified tax roll decreased approximately 1% less than the 2013 tax roll. The total taxes assessed for 2014 were \$829,417, which was an increase of \$13,743 more than the 2013 taxes assessed. The District's loss from tax freeze was \$32,576.

- The District's only long-term debt is the net pension liability of \$68,221.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1,230,042, an increase of 5% from the preceding year. The net increase in revenues is a result of increased state aid – formula.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Actual expenditures were \$61,517 below final budget amounts of the General Fund. Resources available were \$146,139 more than the final budgeted amount. Net difference in the final budget and the actual revenues and expenditures was \$216,191 better than expected or planned.

CAPITAL ASSETS

At the end of 2015, the District had a net investment in capital assets of \$1,109,086 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net decrease (including additions and deductions) of \$8,871 (less than 1%) over last year. Additions to capital assets during the year included an upgrade of the fire alarm system and improvements to buildings. Depreciation on the capital assets amounted to \$58,335 for the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2015-2016 budget preparation was \$85,264,350, which is \$2,380,400 more than the prior year. Tax collections for 2015-2016 were budgeted at approximately 95% of the 2015 certified tax roll. Projected amount of tax collections on the 2015 tax roll is \$819,947, which is approximately \$33,685 more than in 2014-2015. The tax rate stayed at \$1.04 per \$100 valuation.
- General operating fund budgeted expenditures for 2015-2016 decreased \$73,572 from the final 2014-2015 amended budget. This is a 7% decrease. The District has budgeted \$1,864 for capital outlay in the 2015-2016 budget to begin the year. Estimated revenues increased from \$984,304 in the final budget for 2014-2015 to \$1,098,363 in the 2015-2016 budget, an increase of 12%.
- The District's 2014-2015 refined average daily attendance was 117 students. ADA for 2015-2016 is expected to stay approximately the same. State revenue will increase or decrease as the student population changes in size. The District will use any increases in revenues to finance programs currently offered.

If these estimates are realized, the District's budgetary general fund balance is expected to remain approximately the same by the close of 2016.

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 demonstrate 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 Superintendent and Business Office.

Basic Financial Statements

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,185,970
1225	<i>Property Taxes Receivable (Net)</i>	2,378
1240	<i>Due from Other Governments</i>	6,846
1290	<i>Other Receivables (Net)</i>	196
Capital Assets:		
1510	<i>Land</i>	35,430
1520	<i>Buildings and Improvements, Net</i>	909,711
1530	<i>Furniture and Equipment, Net</i>	163,945
1000	Total Assets	<u>2,304,476</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1705	<i>Deferred Outflow Related to Pensions</i>	<u>21,122</u>
1700	Total Deferred Outflows of Resources	<u>21,122</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	3,528
2165	<i>Accrued Liabilities</i>	46,758
2180	<i>Due to Other Governments</i>	59,772
2190	<i>Due to Student Groups</i>	4,036
Noncurrent Liabilities:		
2540	<i>Net Pension Liability</i>	<u>68,221</u>
2000	Total Liabilities	<u>182,315</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	<i>Deferred Inflow Related to Pensions</i>	<u>20,869</u>
2600	Total Deferred Inflows of Resources	<u>20,869</u>
NET POSITION:		
3200	Net Investment in Capital Assets	1,109,086
Restricted For:		
3820	State and Federal Programs	4,076
3900	Unrestricted	1,009,252
3000	Total Net Position	<u>\$ 2,122,414</u>

The accompanying notes are an integral part of this statement.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 691,227	\$ --	\$ 64,079	\$ (627,148)
12	<i>Instructional Resources and Media Services</i>	18,905	--	7,424	(11,481)
13	<i>Curriculum and Staff Development</i>	3,835	--	2,753	(1,082)
31	<i>Guidance, Counseling, & Evaluation Services</i>	721	--	--	(721)
33	<i>Health Services</i>	1,668	--	--	(1,668)
34	<i>Student Transportation</i>	38,281	--	1,629	(36,652)
35	<i>Food Service</i>	63,680	19,076	40,189	(4,415)
36	<i>Cocurricular/Extracurricular Activities</i>	14,291	11,117	--	(3,174)
41	<i>General Administration</i>	124,282	--	7,205	(117,077)
51	<i>Facilities Maintenance and Operations</i>	135,692	--	1,961	(133,731)
53	<i>Data Processing Services</i>	44,756	--	1,244	(43,512)
93	<i>Payments Related to Shared Services Arrangements</i>	7,074	--	--	(7,074)
99	<i>Other Intergovernmental Charges</i>	23,100	--	--	(23,100)
TG	Total Governmental Activities	1,167,512	30,193	126,484	(1,010,835)
TP	Total Primary Government	\$ 1,167,512	\$ 30,193	\$ 126,484	(1,010,835)
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				835,535
IE	<i>Investment Earnings</i>				665
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				206,959
MI	<i>Miscellaneous</i>				26,671
	Special and Extraordinary Items:				
E2	<i>Extraordinary Item Outflow</i>				3,535
TR	Total General Revenues				1,073,365
CN	Change in Net Position				62,530
NB	Net Position - Beginning				2,137,180
PA	Prior Period Adjustment				(77,296)
	Net Position - Beginning, as Restated				2,059,884
NE	Net Position - Ending				\$ 2,122,414

The accompanying notes are an integral part of this statement.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 1,181,901	\$ 4,070	\$ 1,185,971
1225	Taxes Receivable, Net	2,378	--	2,378
1240	Due from Other Governments	4,844	2,002	6,846
1290	Other Receivables	196	--	196
1000	Total Assets	<u>1,189,319</u>	<u>6,072</u>	<u>1,195,391</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 3,273	\$ 255	\$ 3,528
2160	Accrued Wages Payable	45,017	1,741	46,758
2180	Due to Other Governments	59,772	--	59,772
2190	Due to Student Groups	4,036	--	4,036
2300	Unearned Revenue	2,378	--	2,378
2000	Total Liabilities	<u>114,476</u>	<u>1,996</u>	<u>116,472</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	4,076	4,076
Committed Fund Balances:				
3510	Construction	850,000	--	850,000
3600	Unassigned	224,843	--	224,843
3000	Total Fund Balances	<u>1,074,843</u>	<u>4,076</u>	<u>1,078,919</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,189,319</u>	<u>\$ 6,072</u>	<u>\$ 1,195,391</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 1,078,919
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,109,086
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,378
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(68,221)
Deferred Resource Inflows related to TRS are not reported in the funds.	(20,869)
Deferred Resource Outflows related to TRS are not reported in the funds.	21,122
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	<u>\$ 2,122,414</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 874,240	\$ 19,088	\$ 893,328
5800 <i>State Program Revenues</i>	256,203	4,212	260,415
5900 <i>Federal Program Revenues</i>	--	73,028	73,028
5020 Total Revenues	<u>1,130,443</u>	<u>96,328</u>	<u>1,226,771</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	635,469	27,265	662,734
0012 <i>Instructional Resources and Media Services</i>	10,980	7,033	18,013
0013 <i>Curriculum and Staff Development</i>	1,082	2,753	3,835
0031 <i>Guidance, Counseling, & Evaluation Services</i>	721	--	721
0033 <i>Health Services</i>	1,583	--	1,583
0034 <i>Student Transportation</i>	36,533	--	36,533
0035 <i>Food Service</i>	--	61,042	61,042
0036 <i>Cocurricular/Extracurricular Activities</i>	14,291	--	14,291
0041 <i>General Administration</i>	119,001	--	119,001
0051 <i>Facilities Maintenance and Operations</i>	148,912	--	148,912
0053 <i>Data Processing Services</i>	42,631	--	42,631
0081 <i>Capital Outlay</i>	28,500	--	28,500
0093 <i>Payments to Shared Service Arrangements</i>	7,074	--	7,074
0099 <i>Other Intergovernmental Charges</i>	23,100	--	23,100
6030 Total Expenditures	<u>1,069,877</u>	<u>98,093</u>	<u>1,167,970</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>60,566</u>	<u>(1,765)</u>	<u>58,801</u>
EXTRAORDINARY ITEM:			
7919 <i>Extraordinary Item (Resource)</i>	22,549	--	22,549
8913 <i>Extraordinary Item (Use)</i>	(19,014)	--	(19,014)
1200 Net Change in Fund Balances	<u>64,101</u>	<u>(1,765)</u>	<u>62,336</u>
0100 Fund Balances - Beginning	<u>1,010,742</u>	<u>5,841</u>	<u>1,016,583</u>
3000 Fund Balances - Ending	<u>\$ 1,074,843</u>	<u>\$ 4,076</u>	<u>\$ 1,078,919</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ 62,336
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	49,464
The depreciation of capital assets used in governmental activities is not reported in the funds.	(58,335)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(263)
Pension contributions made after the measurement date but in current FY were de-expended and reduced NP	<u>9,328</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 62,530</u>

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

The basic financial statements of Morgan Mill Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value

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

without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. 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 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 1 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 they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon 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.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-40
Buildings	30-50
Building Improvements	20-30
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. However, additional disclosure is provided which disaggregates those balances in Notes K, L, and M for additional analysis for TEA.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

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

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

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

depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. 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' 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.

At August 31, 2015 the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	68,221

5. New Accounting Standards Adopted

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Governmental Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

a. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

- 1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- 2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- 3) Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

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- b. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

- c. Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operation. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

- d. Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

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

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

- e. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's final year-end, the effects from the District's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,185,822 and the bank balance was \$1,221,047. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District did not have any investments during the year ended August 31, 2015. The District's bank accounts were all demand deposit NOW accounts that earned less than .125% throughout the year.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2015

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 35,430	\$ --	\$ --	\$ 35,430
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>35,430</u>	<u>--</u>	<u>--</u>	<u>35,430</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,250,008	39,194	--	1,289,202
Equipment	78,840	10,270	8,403	80,707
Vehicles	248,755	--	--	248,755
Total capital assets being depreciated	<u>1,577,603</u>	<u>49,464</u>	<u>8,403</u>	<u>1,618,664</u>
Less accumulated depreciation for:				
Buildings and improvements	(350,133)	(29,358)	--	(379,491)
Equipment	(24,123)	(7,884)	(8,403)	(23,604)
Vehicles	(120,820)	(21,093)	--	(141,913)
Total accumulated depreciation	<u>(495,076)</u>	<u>(58,335)</u>	<u>(8,403)</u>	<u>(545,008)</u>
Total capital assets being depreciated, net	<u>1,082,527</u>	<u>(8,871)</u>	<u>--</u>	<u>1,073,656</u>
Governmental activities capital assets, net	<u>\$ 1,117,957</u>	<u>\$ (8,871)</u>	<u>\$ --</u>	<u>\$ 1,109,086</u>

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation was charged to functions as follows:

Instruction	\$ 35,439
Instructional Resources and Media Services	963
Guidance, Counseling, & Evaluation Services	85
Student Transportation	1,953
Food Services	3,264
General Administration	6,363
Plant Maintenance and Operations	7,989
Data Processing Services	2,279
	<u>\$ 58,335</u>

D. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2015, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Net Pension Liability *	--	77,296	9,075	68,221	--
Total governmental activities	<u>\$ --</u>	<u>\$ 77,296</u>	<u>\$ 9,075</u>	<u>\$ 68,221</u>	<u>\$ --</u>

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General Fund

E. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the District participated in the TASB Risk Management Fund to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Auto, Liability, and Property Program

During the year ended August 31, 2015, Morgan Mill ISD participated in the following TASB Risk Management Fund's (the Fund's) programs:

Auto Liability.	General Liability.	Property.
Auto Physical Damage.	Legal Liability.	

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Auto, Liability, and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2015, the Fund anticipates Morgan Mill ISD has no additional liability beyond the contractual obligations for payment of contributions.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2015

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2015, the Fund anticipates Morgan Mill ISD has no additional liability beyond the contractual obligations for payment of contributions.

Unemployment Compensation Pool

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

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members. For the year ended August 31, 2015, the Fund anticipates that Morgan Mill ISD has no additional liability beyond the contractual obligation for payment of contribution.

Workers' Compensation Pool

During the year ended August 31, 2015, the Morgan Mill ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$57 million for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

TASB Risk Management Fund.

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

F. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS pension trust fund is a qualified pension

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

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.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description in (1.) above.

4. 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 through 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	Contribution Rates	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2014 Employer Contributions	\$ 6,474	
District's 2014 Member Contributions	\$ 43,472	
NECE 2014 On-Behalf Contributions to District	\$ 40,128	

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

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the TRS pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial evaluation 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%
Long-term Expected Rate of Return*	8%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.5%

* Includes inflation of 3%

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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous fiscal 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 expected 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 Inflat. Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy & 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.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point less and 1 percentage point greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

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

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportionate share of the net pension liability	\$ 121,906	\$ 68,221	\$ 28,074
Plan net pension liability (in millions from TRS CAFR)	\$ 47,737	\$ 26,717	\$ 10,998

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

At August 31, 2015, the District reported a liability of \$68,221 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 68,221
State's proportionate share of the net pension liability associated with the District	<u>423,691</u>
Total	<u>\$ 491,912</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

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 measurement date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 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, 2015, the District recognized pension expense of \$39,169 and revenue of \$39,169 for support provided by the State.

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

At August 31, 2015, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual economic experience	\$ 1,055	\$ --
Changes in actuarial assumptions	4,434	--
Difference between projected and actual investment earnings	--	20,851
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	--	18
District contributions paid to TRS subsequent to the measurement date	<u>15,633</u>	
Total	<u>\$ 21,122</u>	<u>\$ 20,869</u>

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

Year Ended August 31	
2016	\$ (4,290)
2017	\$ (4,290)
2018	\$ (4,290)
2019	\$ (4,290)
2020	\$ 923
Thereafter	\$ 857

G. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. 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

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

employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2014 and 2013. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$6,792, \$6,694, and \$3,324, respectively, the active member contributions were \$4,488, \$4,415, and \$4,321, respectively, and the District's contributions were \$4,022, \$3,920, and \$3,707, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

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. For the fiscal years ended August 31, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$2,733, \$1,784, and \$1,666, respectively.

H. Employee Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a statewide health insurance plan (the Plan). The District paid premiums of \$225 per pay period per employee to TRS ActiveCare. The Plan was authorized by the State Legislature effective for years beginning with September 1, 2003.

I. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2015.

J. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for a state special education program with the Greater Erath Special Education S.S.A. with the following school districts:

<u>Member Districts</u>	
Bluff Dale ISD	Lingleville ISD
Dublin ISD	Three Way ISD
Huckabay ISD	Morgan Mill ISD

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, Dublin ISD - Greater Erath Special Education S.S.A., nor does the District have a net equity interest in the fiscal

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

agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

K. Amounts Due from State

Amounts due from state and federal programs at August 31, 2015 were as follows:

General Fund:	
State Foundation - Student days in August 2015	\$ <u>4,844</u>
Special Revenue Funds:	
Food Service Fund - August 2015 Federal Reimbursement	\$ 962
ESEA Title 1, Part A	1,040
Total Special Revenue Funds	\$ <u>2,002</u>
Total All Funds	\$ <u><u>6,846</u></u>

L. Governmental Funds - Unearned Revenues

Governmental Funds:	
Unearned revenues - property taxes	\$ <u><u>2,378</u></u>

M. Amounts Due to State

Amounts due to state were as follows:

General Fund:	
Overpayment by TEA at August 31, 2015	\$ <u><u>59,772</u></u>

N. Extraordinary Items

The District had extraordinary other resources and other uses which consisted of the receipt of insurance proceeds for wind and hail damages to the District buildings and the costs to repair those buildings. The buildings were repaired in July and August. None of the buildings were impaired.

O. Prior Period Adjustments

Government-Wide Statement of Activities:

With the required implementation of GASB 68, discussed in Note F, the District recognized a prior period adjustment to beginning Net Position on the Statements of Activities amounting to \$77,296.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1		2		3		Variance with Final Budget Positive (Negative)
		Budgeted Amounts				Actual		
		Original		Final				
REVENUES:								
5700	Local and Intermediate Sources	\$ 832,447	\$ 832,447	\$ 874,240	\$ 41,793			
5800	State Program Revenues	151,857	151,857	256,203	104,346			
5020	Total Revenues	984,304	984,304	1,130,443	146,139			
EXPENDITURES:								
Current:								
Instruction & Instructional Related Services:								
0011	Instruction	647,768	653,298	635,469	17,829			
0012	Instructional Resources and Media Services	8,221	11,511	10,980	531			
0013	Curriculum and Staff Development	450	1,250	1,082	168			
	Total Instruction & Instr. Related Services	656,439	666,059	647,531	18,528			
Support Services - Student (Pupil):								
0031	Guidance, Counseling and Evaluation Services	800	810	721	89			
0033	Health Services	1,686	1,736	1,583	153			
0034	Student (Pupil) Transportation	40,742	40,062	36,533	3,529			
0036	Cocurricular/Extracurricular Activities	13,075	14,505	14,291	214			
	Total Support Services - Student (Pupil)	56,303	57,113	53,128	3,985			
Administrative Support Services:								
0041	General Administration	124,545	123,320	119,001	4,319			
	Total Administrative Support Services	124,545	123,320	119,001	4,319			
Support Services - Nonstudent Based:								
0051	Plant Maintenance and Operations	99,542	154,012	148,912	5,100			
0053	Data Processing Services	71,385	44,190	42,631	1,559			
	Total Support Services - Nonstudent Based	170,927	198,202	191,543	6,659			
Capital Outlay:								
0081	Capital Outlay	45,000	55,600	28,500	27,100			
	Total Capital Outlay	45,000	55,600	28,500	27,100			
Intergovernmental Charges:								
0093	Payments to Fiscal Agent/Member Dist.-SSA	7,500	7,100	7,074	26			
0099	Other Intergovernmental Charges	24,000	24,000	23,100	900			
	Total Intergovernmental Charges	31,500	31,100	30,174	926			
6030	Total Expenditures	1,084,714	1,131,394	1,069,877	61,517			
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,410)	(147,090)	60,566	207,656			
Other Financing Sources (Uses):								
8911	Transfers Out	(5,000)	(5,000)	--	5,000			
7080	Total Other Financing Sources and (Uses)	(5,000)	(5,000)	--	5,000			
EXTRAORDINARY ITEM:								
7919	Extraordinary Item (Resource)	--	--	22,549	22,549			
8913	Extraordinary Item (Use)	--	--	(19,014)	19,014			
1200	Net Change in Fund Balance	(105,410)	(152,090)	64,101	216,191			
0100	Fund Balance - Beginning	1,010,742	1,010,742	1,010,742	--			
3000	Fund Balance - Ending	\$ 905,332	\$ 858,652	\$ 1,074,843	\$ 216,191			

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY*
Teacher Retirement System of Texas
LAST TEN FISCAL YEARS *

	Fiscal Year <u>2015</u>
District's proportion of the net pension liability (asset)	0.0002554%
District's proportionate share of the net pension liability (asset)	\$ 68,221
State's proportionate share of the net pension liability (asset) associated with the District	423,691
Total	<u>\$ 491,912</u>
District's covered-employee payroll	\$ 679,249
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.04%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
Teacher Retirement System of Texas
*LAST TEN FISCAL YEARS **

	Fiscal Year <u>2015</u>
Contractually required contribution	\$ 15,633
Contributions in relation to the contractually required contribution	(15,633)
Contribution deficiency (excess)	<u>\$ --</u>
District's covered-employee payroll	\$ 690,395
Contributions as a percentage of covered-employee payroll	2.26%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015*

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only 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. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment 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.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2015

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 4,070
1240 <i>Due from Other Governments</i>	1,040	962
1000 Total Assets	1,040	5,032
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ --	\$ 255
2160 <i>Accrued Wages Payable</i>	1,040	701
2000 Total Liabilities	1,040	956
FUND BALANCES:		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	4,076
3000 Total Fund Balances	--	4,076
4000 Total Liabilities and Fund Balances	\$ 1,040	\$ 5,032

EXHIBIT H-1

255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ --	\$ --	\$ 4,070
--	--	--	2,002
--	--	--	<u>6,072</u>
\$ --	\$ --	\$ --	\$ 255
--	--	--	1,741
--	--	--	<u>1,996</u>
--	--	--	4,076
--	--	--	<u>4,076</u>
--	--	--	<u>6,072</u>

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 19,088
5800 <i>State Program Revenues</i>	--	1,968
5900 <i>Federal Program Revenues</i>	12,065	38,221
5020 Total Revenues	<u>12,065</u>	<u>59,277</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	12,065	--
0012 <i>Instructional Resources and Media Services</i>	--	--
0013 <i>Curriculum and Staff Development</i>	--	--
0035 <i>Food Service</i>	--	61,042
6030 Total Expenditures	<u>12,065</u>	<u>61,042</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	--	(1,765)
1200 Net Change in Fund Balances	--	(1,765)
0100 Fund Balances - Beginning	--	5,841
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 4,076</u>

EXHIBIT H-2

255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 19,088
--	--	2,244	4,212
2,753	19,989	--	73,028
<u>2,753</u>	<u>19,989</u>	<u>2,244</u>	<u>96,328</u>
--	12,956	2,244	27,265
--	7,033	--	7,033
2,753	--	--	2,753
--	--	--	61,042
<u>2,753</u>	<u>19,989</u>	<u>2,244</u>	<u>98,093</u>
--	--	--	(1,765)
--	--	--	(1,765)
--	--	--	5,841
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,076</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2015

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2006 and Prior Years	\$ Various	\$ Various	\$ Various
2007	1.2548	--	52,322,290
2008	1.04	--	58,707,560
2009	1.04	--	67,848,660
2010	1.04	--	87,733,938
2011	1.04	--	77,520,220
2012	1.04	--	73,049,520
2013	1.04	--	81,603,690
2014	1.04	--	80,929,820
2015 (School Year Under Audit)	1.04	--	82,883,950
1000 Totals			

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/14	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/15
\$ 705	\$ --	\$ --	\$ --	\$ (29)	\$ 676
441	--	--	--	--	441
117	--	--	--	--	117
326	--	12	--	--	314
521	--	35	--	--	485
638	--	113	--	--	525
470	--	282	--	--	188
2,526	--	1,889	--	--	637
4,821	--	2,826	--	(544)	1,451
--	861,993	822,607	--	(34,708)	4,678
<u>\$ 10,565</u>	<u>\$ 861,993</u>	<u>\$ 827,765</u>	<u>\$ --</u>	<u>\$ (35,281)</u>	<u>\$ 9,512</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 15,011	\$ 19,088	\$ 4,077
5800 <i>State Program Revenues</i>	1,800	1,968	168
5900 <i>Federal Program Revenues</i>	27,000	38,221	11,221
5020 Total Revenues	<u>43,811</u>	<u>59,277</u>	<u>15,466</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	63,160	61,042	2,118
Total Support Services - Student (Pupil)	<u>63,160</u>	<u>61,042</u>	<u>2,118</u>
6030 Total Expenditures	<u>63,160</u>	<u>61,042</u>	<u>2,118</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(19,349)</u>	<u>(1,765)</u>	<u>17,584</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	5,000	--	(5,000)
7080 Total Other Financing Sources and (Uses)	<u>5,000</u>	<u>--</u>	<u>(5,000)</u>
1200 Net Change in Fund Balance	<u>(14,349)</u>	<u>(1,765)</u>	<u>12,584</u>
0100 Fund Balance - Beginning	5,841	5,841	--
3000 Fund Balance - Ending	<u>\$ (8,508)</u>	<u>\$ 4,076</u>	<u>\$ 12,584</u>

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
311 CENTER AVENUE
BROWNWOOD, TEXAS 76801

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Morgan Mill Independent School District
P.O. Box 8
Morgan Mill, Texas 76465

Members of the Board of Trustees:

I 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 Morgan Mill Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Morgan Mill Independent School District's basic financial statements, and have issued my report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Morgan Mill 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Morgan Mill Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Morgan Mill 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Morgan Mill Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
December 21, 2015

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS
 FOR THE YEAR ENDED AUGUST 31, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

B. Financial Statement Findings

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior year audit findings.		

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

There are no current year audit findings.

MORGAN MILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2015

<u>Data Control Codes</u>		<u>Responses</u>
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?	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 governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 68,221
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 6,305