

**MANSFIELD
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL
AND COMPLIANCE REPORT**

For the Fiscal Year Ended August 31, 2014



Issued By

Finance Department
Karen Wiesman, EdD, CPA, RTSBA
Associate Superintendent of Business and Finance

MANSFIELD INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

Mansfield Independent School District
Board of Trustees

Mr. Terry Moore
Place 1, Secretary
First elected 2006
Current Term Expires 2015

Dr. Michael Evans
Place 3, Vice President
First elected 2007
Current Term Expires 2016

Ms. Karen Marcucci
Place 5
First Elected 2014
Current Term expires 2016

Ms. Beth Light
Place 2
First elected 2006
Current Term Expires 2015

Mr. Raul Gonzalez
Place 4
First elected 2010
Current Term Expires 2016

Mr. Danny Baas
Place 6
First Elected 2011
Current Term expires 2014

Mrs. Courtney Lackey-Wilson
Place 7
First Elected 2011
Current Term expires 2016

Mansfield Independent School District
Administrative Council

Dr. Jim Vaszauskas
Superintendent of Schools

Karen Wentworth
Associate Superintendent
Human Resources Services

Darrell Sneed
Associate Superintendent
Curriculum/Instruction/Accountability

Dr. Karen Wiesman
Associate Superintendent
Business and Finance

Holly Teague
Associate Superintendent of
Student Services and Support

Open
Assistant Superintendent
Technology and Information
Services

Jeff Brogden
Assistant Superintendent
Administrative Support

Dr. Kim Cantu
Assistant Superintendent
Human Resources Services

Terry Morawski
Assistant Superintendent
Communication and Marketing

Tammy Rountree
Area Superintendent

Donna O'Brian
Area Superintendent

Cynthia McCallum
Area Superintendent

Accounting Staff

Dr. Sean Scott
Director of Business Services

Susan Ebert
Director of Financial Services

Gisselle Rivera-Franco
Senior Accountant

Tara Rockafellow
Revenue Accountant

Jeannette Slack
Accounting Clerk

Laura McClelland
Accounting Clerk

CERTIFICATE OF THE BOARD

Mansfield Independent School District

Name of School District

County

220-908

Co. - Dist. No.

We, the undersigned, certify that the annual financial reports for the above named school district were reviewed and approved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the 20th day of January, 2015.

Signature of Board Secretary

Signature of Board President

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January 20, 2015

To the Board of Trustees and the Citizens of Mansfield Independent School District:

The Annual Financial Report of the Mansfield Independent School District (the District) is hereby submitted. This report has been prepared to provide the Board of Trustees, representatives of financial institutions, the citizenry, and other interested parties information concerning the financial condition of the District. The government-wide financial statements in this report provide an overview of the District's governmental activities, while detailed fund financial statements describe specific activities of each fund used in accounting for the District's financial transactions. This report was prepared by the District's Finance Department in accordance with generally accepted accounting principles (GAAP) and reporting standards as promulgated by the Governmental Accounting Standards Board ("GASB").

Responsibility for the accuracy, completeness, and fairness of the presentation and its disclosures rests with the District. To the best of our knowledge and belief, the enclosed information is accurate in all its material respects. This data is reported in a manner designed to fairly present the financial and operational results of the District as measured by financial activities of its various funds. Disclosures necessary to enable the reader to gain understanding of such financial operations have been included.

The Annual Financial Report is presented here in four sections: 1) introductory, 2) financial, 3) statistical, and 4) federal awards. The introductory section includes this transmittal letter, the Certificate of Board, and lists of Board members and administrative staff. The financial section includes the basic financial statements, the required supplementary information, combining and individual fund statements and schedules, and other supplementary information. Also included in the financial section is the independent auditors' report on these financial statements and Management's Discussion and Analysis. Reference should be made to Management's Discussion and Analysis for additional information regarding the District's financial operations. The statistical section consists of unaudited tables which reflect both financial and demographic data. This information is for the purpose of presenting social and economic information, financial trends and fiscal capacity of the District, and is generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and the independent auditors' reports on compliance and internal control over financial reporting and compliance with requirements applicable to each major program and internal control over compliance are included in the federal awards section.

This report includes all funds of the District. The District is a public school system offering a full prekindergarten through grade twelve education for eligible residents within its geographic boundaries. All activities over which the District Board of Trustees exercises authority and/or oversees responsibilities are included.

GENERAL INFORMATION

Mansfield Independent School District was established in 1909. The District is governed by a seven member Board of Trustees (the Board) serving staggered three-year terms with elections held in May of each year. All candidates must be qualified voters and residents of the District. Monthly meetings of the Board are posted and advertised as prescribed under state law so that the Board may meet to fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed.

The Board has final control over all school matters except as limited by state law, the courts, and the will of its citizenry as expressed in elections. The Board's responsibilities are generally: to set policy for the District, to ensure efficient operations, to select and evaluate the Superintendent of Schools, to adopt an annual budget and its supporting tax rate, and to foster good community relations and communications.

The District provides a well-rounded program of public education from prekindergarten through grade twelve. All schools within the District are fully accredited by the Texas Education Agency. In order to serve its current enrollment of 32,869 students (as of December 2012), the District provides regular, special education, vocational, gifted/talented, and bilingual/ESL curriculums. A broad range of elective and extracurricular programs are also offered. Finally, support departments of the District ensure that student needs for transportation, nutrition, guidance, counseling, and facilities maintenance are addressed.

ECONOMIC CONDITION AND OUTLOOK

The District is located southeast of Fort Worth, in the southeastern corner of Tarrant County, due south of Arlington, with a small portion overlapping the northeastern portion of Johnson County. The District encompasses approximately 80 square miles in Tarrant County and 14.5 square miles in Johnson County serving students in Mansfield, Arlington, Grand Prairie, and Burleson.

In recent years, the District's tax base has continued to increase at a higher level than some adjoining areas which have seen smaller or level property values. This is a direct result of new housing construction, not being dependent upon any one major industry and the drilling of gas wells in the Barnett Shale. The increased emphasis by the City of Mansfield to enhance their economic development efforts should continue to help with this trend. Property values have increased an average of 4.7 percent over the last three years; however, value increases have been steadily declining.

While the District has experienced slower growth in property values due to the economic downturn, this trend began a reversal with the fiscal 2012 values increasing 6%. This expansion in the tax base was primarily attributable to new residential construction accompanied by some growth in retail and commercial development. In fiscal 2013 property values were \$9.2 billion reflecting a 2% decline from 2012 due to a drop off in oil and gas values. The District continues to enjoy diversity in its tax base as the top 10 taxpayers constitute a mere 8% of the 2012 assessed value.

Job availability and stability have affected both the national and local economies. Despite the concerns of higher unemployment and of stagnating sectors of the local economy, jobs-and the potential for jobs-are still providing pull to Texas and to key suburban locations within the Dallas-Fort Worth-Arlington metro area. Consultants predict that the District's employment gains will outpace almost all of the State's school districts as the national recovery begins.

The student population of the District has seen explosive growth over the last decade. While the growth has slowed, student enrollment growth has averaged 1.3 percent for the last three years. The current estimated District population is 146,603.

LONG-RANGE PLANNING

Mission: Mansfield Independent School District ensures educational and personal success by: aspiring to high academic standards; fostering a community built on mutual support and excellence; delivering innovative educational opportunities; and cultivating productive, lifelong learners.

Strategic Objectives:

Each student will 1) master and demonstrate skills that build character and integrity; 2) actively engage in extracurricular activities and community involvement beyond the classroom setting; 3) creatively pursue hopes and dreams which will have a positive impact on society; and 4) graduate on the Distinguished Achievement Program.

Beliefs:

- Our foundation is built on personal beliefs, integrity, and respect.
- Building positive relationships is vital for success.
- Effective communication is essential.
- Development and achievement are self-determined.
- Responsibility and accountability are crucial.
- Lifelong learning is imperative.
- A safe, nurturing environment strengthens education.
- Leadership is inherent within all of us.

Strategies

- Ensure educational opportunities for all students delivered through innovative and inspiring teaching methods.
- Address funding challenges through efficient operations and alternative funding sources.
- Ensure that all District facilities are equitable.
- Unify our District around a common mission.
- Engage all parents in a partnership committed to student success.
- Educate our community about the strengths of our diversity.
- Communicate effectively throughout our community to achieve the district's mission.

MAJOR ACHIEVEMENTS AND INITIATIVES

The following summarizes various District achievements for the 2011-2012 school year:

- The Mansfield Education Foundation, established in 1998, has awarded in excess of \$2,477,000 in grants. Current year awards totaled \$174,493 to 152 District grantees.
- The National Center for Education Achievement (NCEA) recognized Cora Spencer Elementary and Roberta Tipps Elementary, for being named 2011 NCEA Higher Performing Schools.
- Three students were named National Merit Semifinalists with one becoming a National Merit Scholarship Winner.

- The District had 22 National Merit Commended students, two National Achievement Program Semifinalist, nine National Achievement Program Participants, and four National Hispanic Scholars. Both National Achievement Program semifinalists received scholarships.
- Twenty District students were selected as Texas Music Educators Association All-State Musicians.
- Ben Barber Career Tech Academy had forty-nine DECA students compete in the State Competition held in Corpus Christi, taking home 13 first-place winners. These students advanced to the International competition.
- The Duke Talent Identification Program recognized 25 MISD seventh grade students (from all six MISD Middle Schools) as eligible for the Duke University Talent Identification Program (TIP).
- Students at Mansfield ISD's Asa Low Intermediate School talked live with NASA astronauts aboard the International Space Station on January 31. The students participated in a NASA in-flight education downlink with the Expedition 30 crew aboard the International Space Station as it orbited Earth.

2006 Bond Election: Work continues on construction related to the 2006 bond election. The new Nancy Neal Elementary School opened for the 2011-2012 school year. During the summer of 2012, construction on Lake Ridge High School (the District's 5th high school) and the new Center for Performing Arts was completed. The Center for Performing Arts opened in time for the May 2012 graduation ceremonies. Lake Ridge High School opened for the 2012-2013 school year.

2011 Bond Election: District voters approved a \$198,530,000 bond package in November 2011. Projects include replacement of older campuses, renovations, technology improvements, safety and security, and many other projects identified through the District facility condition assessment. During 2011-2012 many of these projects were kicked off and continue through 2012-2013.

FINANCIAL INFORMATION

The management of the District is responsible for establishing and maintaining internal controls which are designed to ensure that the assets of the District are protected from loss, theft, and misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. Management believes the internal controls adequately meet the above objectives.

Single Audit. As a recipient of federal, state and local awards, the District also is responsible for ensuring that adequate internal controls are in place to provide compliance with applicable laws and regulations related to those programs. These internal controls are subject to ongoing review by management of the District.

As a part of the District's single audit described above, tests are made to determine the adequacy of the internal controls, including that portion related to financial award programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2012 provided no instances of material weaknesses in the internal controls over financial reporting or over compliance with requirements applicable to each major program. In addition, the audit disclosed no material instances of non-compliance with certain provisions of laws, regulations, contracts and grants and that the District complied with all material compliance requirements applicable to each major program.

Budgetary Controls. In addition to the above, the District maintains budgetary controls throughout all of its financial systems. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated (official) budget adopted by the Board. Activities in the General Fund, National School Lunch and Breakfast Program Fund, Debt Service Fund are included in the official budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the fund-function level. District systems may exercise budgetary control at varying combinations of the account code structure. The Texas accounting system for school districts as codified in the Texas Education Agency Financial Accountability System Resource Guide creates a 20 digit account code structure and requires budgetary control through the fund-function level.

The District also utilizes an encumbrance accounting system to maintain budgetary control through a transaction's life cycle. Outstanding encumbrances at the end of a fiscal year lapse at year-end, and are treated as expenditures in the subsequent year upon receipt of goods.

The cost of operating schools and the revenues to cover these costs are accounted for through the General Fund. Special programs, primarily funded by the state or federal governments and designed to accomplish a particular objective, are accounted for in Special Revenue Funds.

The District allocates a portion of its tax rate for payment of bond interest and maturities and accounts for these transactions through its Debt Service Fund. The District accounts for school construction financed by bond sales and other revenues through the Capital Projects Fund.

The National School Lunch and Breakfast Program Fund (Child Nutrition) is used to account for the operations of the District's cafeterias and other food facilities. Revenues are derived primarily from charges to users and from federal child nutrition programs under which amounts are received by grant and by receipt of commodities from the United States Department of Agriculture ("USDA").

The District also maintains Trust and Agency Funds which encompass private purpose trusts as well as agency funds for student activity and other granting organizations.

The financial statement format is prescribed by Financial Accountability System Resource Guide of the Texas Education Agency. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Cash Management. Cash temporarily idle during the year was invested in a diversified portfolio consisting of: demand deposits, U.S. Agencies, Government Sponsored Entities, Municipal Bonds and Constant Dollar Pools. The District's cash and investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. As evidenced by the diversity of its investment portfolio, the District is continuing to take advantage of all investment opportunities available to it. Safety of principal will continue to be foremost in the District's investment decisions. Frost National Bank, N.A. was the official depository of the District, by contract, for the fiscal year ended August 31, 2012. Detailed information regarding the District's investments can be found in the Notes to the Basic Financial Statements.

Fund Balance. The total General Fund balance is managed as an integral part of the subsequent year's budget adoption and tax rate setting process. The Board has been proactive in building the District's fund balances over time striving to maintain at least three months operating expenditures in the unassigned general fund balance. Changes in fund balance policy occurred in 2011 through the implementation of GASB 54. Fund balance descriptions and policy requirements were added through this new standard. In August 2011, the Board voted to set aside all oil and gas revenues for future capital projects and an additional \$2 million per year for technology improvements and replacements.

In 2011-2012 various expenditure reductions were made, to offset state funding cuts of \$4 billion passed in the 82nd Legislative session. These reductions included 10% reductions in departmental budgets, changes in campus schedules, and personnel savings through attrition. Effective with the 2012-2013 budget, the District's healthy fund balance is being strategically used in addition to the reductions already in place.

Risk Management. The District's risk management policies and practices incorporate all the functions of a sound risk management program. Included are surveys identifying potential risks, actions to address and correct those risks, and an overall plan to coordinate risk retention and risk transfer. A Risk Manager is employed to provide ongoing attention to the complex changes in the risk management needs of the school district.

Independent Audit. State law and District policy require an annual audit by independent certified public accountants. The annual audit was performed by Whitley Penn for the year ended August 31, 2012.

In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' report on the basic financial statements is included in the financial section of this report. Also included in this report are the independent auditors' reports relating specifically to the single audit.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the dedicated efforts of the entire staff of the Finance office. Sincere appreciation for their time and efforts in this endeavor must be expressed. Also, thanks need to be extended to the Board of Trustees for their interest and support in the planning and operations of the financial services area of the District. Their concern that the business of the District be conducted efficiently and responsibly, and their recognition of the importance of such services, makes such tasks rewarding for the staff as a whole.

Dr. Jim Vaszauskas
Superintendent

Dr. Karen Wiesman
Associate Superintendent for Business and Finance

Dr. Sean Scott
Director of Business Services

Susan Ebert
Director of Financial Services

FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Mansfield Independent School District
Mansfield, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mansfield Independent School District (the "District") as of and for the year ended August 31, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 16 and 58 through 59, respectively, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, Texas Education Agency ("TEA") required schedules as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, TEA required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Fort Worth, Texas
January 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANSFIELD INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Mansfield Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2014. It should be read in conjunction with the report of independent auditors preceding and the basic financial statements following this section.

Financial Highlights

- At August 31, 2014, the District's combined assets exceeded its liabilities by **Error! Not a valid link.**(net assets). The unrestricted portion of **Error! Not a valid link.** may be used to meet the District's ongoing obligations. The District's total combined net assets decreased by **Error! Not a valid link.** during the year ended August 31, 2014.
- At the close of the fiscal year, the District reported **Error! Not a valid link.** combined governmental fund balance. Of the combined fund balance at year end, the District had **Error! Not a valid link.** or **Error! Not a valid link.** of total fund balance available for the District's ongoing obligations (unassigned fund balance).
- As of August 31, 2014, the General Fund's unassigned fund balance was **Error! Not a valid link.** representing **Error! Not a valid link.** of the total General Fund expenditures in the current fiscal year.
- During the fiscal year, the District issued \$50 million in new bonds to construct, renovate and equip school buildings. In addition, the District issued \$58.2 million refunding bonds that resulted in net present value savings of \$8,175,703.

Overview of the Financial Statements

The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two types of statements that present different views of the District, the government-wide financial statements and the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements, including the *Statement of Net Assets* and the *Statement of Activities*, report on the District as a whole and are designed to provide readers with a broad overview of the District's finances. These statements are presented on the accrual basis of accounting similar to the accounting basis used by most private-sector entities.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities including capital assets and long-term debt. The value of assets less liabilities is reported as net assets. The *Statement of Activities* presents the increases and decreases in net assets for the current fiscal year regardless of when cash is received or paid. Increases and decreases in net assets over time may serve as one indicator of whether the financial position of the District is improving or deteriorating but should be considered with additional factors as well.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide financial statements distinguish net assets and the changes in net assets between *governmental activities*, which are supported principally by taxes and intergovernmental revenues, and *business-type activities*, which are intended to recover all or a significant portion of their costs through user fees and charges.

Fund Financial Statements

The fund financial statements provide detailed information about the District's most significant funds as opposed to the District as a whole. Funds are accounting devices used to account for specific sources of funding and spending for particular purposes. State law and bond covenants require the District to establish some funds. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The District's funds include three types: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental funds

Most of the District's activities are reported in governmental funds. Governmental funds report on the modified accrual basis of accounting which focuses on 1) how cash and other financial resources can be readily converted to cash inflows and outflows and 2) the balances remaining at year end available for future spending. The governmental fund statements provide a detailed short-term view of the District's operations and funds available to finance future operations. Because the focus and accounting methods are different for the governmental fund statements and the government-wide statements, reconciliation schedules are presented following each of the fund financial statements.

Proprietary funds

Proprietary funds are used to account for operations that provide services and/or goods for a fee, whether to outside users or units within the District. Proprietary funds use the same accrual basis of accounting used in the government-wide financial statements. There are two types of proprietary funds: enterprise funds and internal service funds. The enterprise funds report the same functions presented as *business-type activities* in the government-wide financial statements. Internal service funds are an accounting tool used to accumulate and allocate costs internally among various functions. The District uses enterprise funds to account for its day care operations and the natatorium.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These funds are excluded from the District's government-wide financial statements as the District cannot use these assets to finance its operations.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The focus of governmental funds is narrower than that of the government-wide financial statements; therefore it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 29 governmental funds. Information is presented separately in fund financial statements for the general, debt service and capital projects funds, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund, and the child nutrition fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Proprietary funds - Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. The District has two business-type activities (enterprise funds), which consist of Day Care and Natatorium. The second type of proprietary fund is the internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District does not have any internal service fund.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets on page 32. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Table I below provides a concise view of the major features of the District’s financial statements including the portion of the District they cover and types of information they contain.

Table I Major Features of the District's Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary funds	Fiduciary Funds
<i>Scope</i>	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary	Activities of the District that charge fee for services and or goods	Activities for which the District is the trustee/ agent for other parties
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses & Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities to be paid during the year or soon thereafter; no capital assets or long-term debt	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; the District’s fiduciary funds do not currently have capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenditures during the year, regardless of when cash is received or paid. Agency funds do not report revenues and expenditures

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the District.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-Wide Financial Analysis

Net Assets. The District's combined net assets were **Error! Not a valid link.** million at August 31, 2014 (see Table II). The largest portion of the District's net assets, **Error! Not a valid link.** million or **Error! Not a valid link.**, are unrestricted and may be used to meet the District's ongoing obligations. The District's net assets invested in capital assets, net of related debt is **Error! Not a valid link.** million. Because the District is depreciating buildings and furniture and equipment at a faster rate than the debt is being paid off, this net asset classification is a negative balance. Approximately **Error! Not a valid link.** million or **Error! Not a valid link.** of the District's net assets are restricted for use in food service, various grants and debt service.

Table II - Net Assets

Error! Not a valid link.

Changes in Net Assets. Total combined net assets of the District decreased **Error! Not a valid link.** during the year ended August 31, 2014 (see Table III). Funding for government-wide activities is through specific program revenues or general revenues such as property taxes and unrestricted grants and contributions. The following is a summary of governmental funds activities:

- The cost of all activities this year was **Error! Not a valid link.**, a decrease of **Error! Not a valid link.** million or **Error! Not a valid link.** over the previous year.
- Some of these costs were funded by program revenues, **Error! Not a valid link.**, directly attributable to specific activities.
- The remaining cost of government-wide activities was funded from general revenues, **Error! Not a valid link.**, such as property taxes and unrestricted state and federal grants and contributions.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Table III - Change in Net Assets

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Figures 1 and 2 depict the District's revenue sources for fiscal year 2014 and 2013. The graphs show that property taxes are the primary source of revenue for the District followed by state aid and operating grants. Property taxes as a percentage of total revenues increased and state aid as a percentage of total revenues decreased as these two revenues have inverse relationships in the state funding formulas.

Figure 1

Error! Not a valid link.

Figure 2

Error! Not a valid link.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Expenses are shown in Table III by functional categories. Various operating expenses are reflected in each functional category. Total expenses in the current fiscal year were **Error! Not a valid link.** million, a **Error! Not a valid link.** million or **Error! Not a valid link.** percent decrease from the prior year which is largely attributable to the reduction of staff due to changes in class scheduling at the middle school level.

Table IV shows the Districts largest governmental functions as well as their related net cost (total cost less fees and grants and contributions for the activities). The net cost reflects what was funded by property taxes, unrestricted state and federal grants and contributions and other miscellaneous local revenues.

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Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of August 31, 2014, the District's governmental funds reported combined fund balances of **Error! Not a valid link.**, an increase of **Error! Not a valid link.** million from the prior year. The unassigned fund balance, **Error! Not a valid link.** million or **Error! Not a valid link.**, of the total ending fund balance is available for spending at the District's on-going operations. The remainder of fund balance has various spending constraints as detailed in Table V.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Error! Not a valid link.

The General Fund is the primary operating fund of the District. At August 31, 2014, unassigned fund balance of the General Fund was **Error! Not a valid link.**, which is **Error! Not a valid link.** percent of the total General Fund balance of **Error! Not a valid link.** As a measure of the General Fund's liquidity and financial health, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance represents **Error! Not a valid link.** of the current year General Fund expenditures.

The fund balance of the District's General Fund increased **Error! Not a valid link.** million during the current fiscal year.

The Debt Service Fund balance of **Error! Not a valid link.** is restricted for the payment of debt service. The fund balance increased **Error! Not a valid link.** from the prior year. The increase was a result of activity related to bond refunding transactions that occurred during the year.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

At year end, the Capital Projects Fund had a combined fund balance of **Error! Not a valid link.** which is a decrease of **Error! Not a valid link.** million from the prior year. The fund balance is restricted for various construction projects and related encumbrances. The decrease in fund balance resulted from ongoing construction projects approved through the 2006 voter approved bonds.

The District's other governmental funds are composed of various special revenue funds. The other governmental funds ended the year with a combined fund balance of **Error! Not a valid link.** This represents an increase of **Error! Not a valid link.** from the prior year. Revenues typically approximate expenditures in the other governmental funds as grant funds, which make up the largest portion of activity in these funds, and are generally earned when expended.

Proprietary Funds

The District's Proprietary Funds include the Day Care Center and the Natatorium. At year end, the Proprietary Funds had net assets of **Error! Not a valid link.** which is an increase **Error! Not a valid link.** from the prior year. This increase is a result of user fees that are higher than the operating costs incurred by the programs.

General Fund Budgetary Highlights

Over the course of the year, the District revised its General Fund budget. Actual expenditures were **Error! Not a valid link.** million or **Error! Not a valid link.** below final budgeted expenditures. The majority of the remaining budget, \$10.5 million, was in the area of payroll and related to savings in positions as a result of scheduling changes and vacancies. Budget savings of \$1.5 million also were achieved in utility costs.

Actual reported revenues were approximately **Error! Not a valid link.** million less than the final total revenues budgeted. The revenue variance in revenues is due to a \$1.5 million adjustment to state aid for prior years.

During the year certain budget amendments were passed to address changes in planned expenditures for the District. This activity is normal for the District as the administration responds to changing needs throughout the year.

Capital Asset and Debt Administration

Capital Assets

As of August 31, 2014, the District had invested approximately **Error! Not a valid link.**million in a broad range of capital assets, including land, equipment, and buildings, less depreciation (see Table VI). Net capital assets increased **Error! Not a valid link.** million from the prior year. The increase was primarily due to the completion of two large construction projects: Lake Ridge High School and the Performing Arts Center.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Table VI - Capital Asset Summary
(Net of Depreciation)

Error! Not a valid link.

More detailed information about the District's capital assets is presented in the Note 6 to Basic Financial Statements.

Long-Term Debt

The District had **Error! Not a valid link.** million in long-term debt at year end, an increase of **Error! Not a valid link.** million from the prior year (see Table VII). The District issued \$50 million in bonds to construct, renovate and equip school buildings and \$58.2 million in refunding bonds that resulted in net present value savings of \$8,175,703. In addition, the District made principal payments of \$15.9 million on the bonds during the fiscal year. More detailed information about the District's debt is presented in Note 7 to Basic Financial Statements.

Table VII - Long-Term Debt

Error! Not a valid link.

The District continues to receive excellent bond ratings. The latest underlying review by the rating agencies was performed in October 2014. The bonds have a municipal bond rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services ("S&P") and "AAA" by Fitch Ratings ("Fitch") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The underlying ratings for the District remained "Aa2" by Moody's, "AA" by S&P and "AA+" by Fitch.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

During the 82nd Texas Legislative Session in the spring of 2011, the Legislature approved cuts of \$4 billion from the Foundation School Program for the 2012-2013 State fiscal biennium. Over the two year period, the District is projecting a \$9 million per year reduction in revenue from these legislative actions in comparison with previous funding formulas. District staff began working on budget reduction plans in the fall of 2011 in anticipation of these cuts. Due to the implementation of cost savings measures for the 2011-2012 year (as shown below), revenues exceeded expenditures by \$1,745,026.

- Reduced non-personnel department budgets by 10 percent
- Maximized state revenue generation of career and technology funding through schedule changes
- Utilized attrition for instructional staffing reductions generated through bell schedule changes
- Continued implementation of energy efficiency projects to further cut utility costs
- Utilized the federal Jobs Grant funds

The District began the 2011-2012 fiscal year with a fund balance of \$96.7 million and ended the year with \$100.3 million, the largest balance in the district's history. This healthy fund balance level will assist the District in absorbing the impact of state funding cuts in addition to the changes implemented during the 2011-2012 fiscal year. Beginning with the 2012-2013 budget, the District is strategically using a portion of fund balance to offset further cuts. The 2012-2013 budget was adopted reflecting a \$7.8 million budget deficit which included a 2% cost of living increase for all staff. However, historical trends indicate that budget savings will be realized during the year; therefore, management expects a much lower deficit to be realized.

Property values for the 2012-2013 fiscal year increased almost 3 percent over the 2011-2012 year. The 2012-2013 total District tax rate per \$100 of property value increased to \$1.54 with a Maintenance and Operations (M&O) rate of \$1.04 and an Interest and Sinking (I&S) rate of \$0.50. The District's enrollment for 2012-2013 increased approximately 1.1 percent over the prior year.

2012-2013 estimated budgets for the Child Nutrition Fund and Debt Service Fund include estimated revenues and expenditures of approximately \$14.5 million and \$54.8 million, respectively.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the funding it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Finance Department, Mansfield Independent School District, 605 E. Broad Street, Mansfield, TX, 76063.

BASIC FINANCIAL STATEMENTS

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MANSFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
August 31, 2014

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds (from C-1)	\$ 118,018,648
	Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes (net of allowance for uncollectible accounts) are deferred in the fund financial statements.	4,163,491
3	Bond issuance costs are not financial resources and, therefore, are not reported as assets in governmental funds. These costs are to be amortized over the life of the bonds.	
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
4	General obligation bonds	
5	Premiums on issuance	
6	Deferred loss on refunding	
7	Accreted interest on premium compound interest bonds	
8	Accrued interest payable	
19	Total net assets, governmental activities (from A-1)	\$ 122,182,139

See Notes to the Financial Statements.

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MANSFIELD INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2014

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (38,126,827)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Governmental funds capital outlays	58,036,594
2	Governmental activities depreciation expense	(28,224,131)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
4	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	21,011,589
5	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities.	(49,355,000)
6	Payment to escrow agent for refunding.	-
7	Premiums received from issuance of long-term debt	(1,157,050)
8	Bond issuance costs paid during the current year will be amortized over the life of the bonds.	1,174,360
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
9	Increase in interest payable not recognized in fund statements	1,456,583
10	Accreted interest on capital appreciation bonds	199,151
11	Amortization of deferred charges including bond issuance costs as well as premiums and discounts on issuance of bonds	2,063,147
	Change in net assets of governmental activities (see B-1)	<u><u>\$ (32,921,584)</u></u>

See Notes to the Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Mansfield Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69*, as amended by *Statement on Auditing Standards No.'s 91 and 93* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The District's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The Board of Trustees, a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Mansfield Independent School District ("the District"). Because members of the Board of Trustees are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board ("GASB") Statement No. 14. Also, there are no component units for which the District or the Board of Trustees is financially accountable.

Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other funds.

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and private purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The District has elected to follow accounting standards issued by GASB and only those accounting standards issued by the Financial Accounting Standards Board on or before November 30, 1989, as allowed by GASB Statement No. 20.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considered revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payments are due.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues, revenues received from the State, and gas lease revenues 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.

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

Proprietary funds operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the District's enterprise funds are for charges to patrons for use of the two facilities, District employee day care and the District natatorium. Operating expenses for the enterprise funds include salaries and other operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The District reports the following major Governmental Funds:

The **General Fund** which accounts for financial resources related to the general operations of the District, including financial resources not required to be accounted for in some other fund.

The **Debt Service Fund** which is utilized to account for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs arising from general obligation bonds.

The **Capital Projects Fund** which accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and acquisition of capital facilities.

The District also reports the following fund type under **Other Governmental Funds** as non-major:

The **Special Revenue Funds** which account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects are accounted for in special revenue funds. Project accounting is employed to maintain integrity for the various sources of funds.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Additionally, the District reports one type of **Proprietary Fund**:

Enterprise Funds account for the activities of the District's employee day care and natatorium.

The District does not have any **Internal Service Funds**.

Fiduciary Funds:

Private Purpose Trust Fund is used to account for resources legally held in trust under which principal and income benefit individuals, private organizations or other governments.

Agency Fund which is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. This fund has no equity. Assets are equal to liabilities and do not include revenues and expenditures for general operations of the District. This accounting reflects the District's agency relationship with the student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

E. Other Accounting Policies- Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash, cash equivalents and investments are classified as cash and temporary investments. The cash and temporary investments include cash on hand, deposits with financial institutions, investments in public funds investment pools, and short-term, highly liquid investments that are readily convertible to cash.

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 temporary investment contracts using 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 temporary refers to investments that have a remaining term of two years or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

4. Inventories

Supplies and materials are recorded as expenditures when requisitioned. Inventories of supplies on the balance sheet are recorded at cost, using the average cost method. Supplies and materials are used for almost all functions of activity.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies- Assets, Liabilities and Net Assets or Equity (continued)

5. Interfund Transactions and Receivables and Payables

Interfund receivables and payables arise from interfund transactions in the normal course of operations and are recorded in all affected funds in the period in which transactions are executed. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations.

6. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the government-wide financial statements. Assets are capitalized by the District if the cost of the item is more than \$5,000 and has a useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-25
Furniture and equipment	5
Vehicles	5-15
Property under capital leases	5

7. Fund Balance

During fiscal year 2011, the District implemented GASB Statement No. 54, which established a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources. The District reports governmental fund balance in the fund financial statements as follows:

Non-spendable – amounts that are not in spendable form or that are legally and contractually required to be maintained intact.

Restricted – amounts constrained to a specific purpose by the provider, through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by the District’s Board of Trustees; amounts cannot be used for any other purpose unless the Board of Trustees takes action to remove or change the constraint.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Other Accounting Policies- Assets, Liabilities and Net Assets or Equity (continued)

7. Fund Balance (continued)

Assigned – amounts constrained to a specific purpose by the Superintendent.

Unassigned – amounts not in the other classifications; applicable to the General Fund only.

The District policy is that the order of spending the fund balances shall be to reduce the funds in the following order: restricted, committed, assigned, and unassigned.

8. Data Control Codes

These codes refer to the account code structure prescribed by the Texas Education Agency ("TEA") in the Resource Guide.

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue for fiscal 2014 will ultimately change from the amount calculated as of August 31, 2014 because of the factors that TEA uses in its calculation.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as deferred in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The debt payments on retirement of debt are recorded as expenditures for fund basis financial statements but are a reduction of debt in the government wide financial statements. The capital asset additions are expenditures in the fund basis financial statements but are capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the Government-Wide Statement of Activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the deferred revenues are adjusted based on prior year levies and current year uncollectible amounts.

Note 3 - Deposits (Cash) and Investments

Deposits and investment transactions of the District are regulated by State statutes through provisions of Chapter 23, Subchapter E, Sections 23.71 through 23.8 (the School Depository Act) of the Texas Education Code and other Code sections referenced therein and through provisions of the Texas Revised Civil Statutes, Title 47, Articles 2529c, and 2548a regarding security for District funds in depository institutions.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest to be earned on deposited funds and for banking charges the District incurs as a result of banking services received. All depository contracts have a term of two years, commencing with the start of every odd-numbered fiscal year. Depository contracts are awarded on the basis of competitive bids received from area banks and can be awarded to more than one bank if the bids received are relatively equal.

The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require that all funds in the depository institution be fully secured by federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The collateral securities must be delivered to the District or placed with an independent trustee institution with safekeeping receipts delivered to the District. In accordance with State statutes pertaining to lawful collateralization of District deposits, safekeeping receipts are issued in the name of the depository with proper indication that the collateral securities are pledged by the depository to secure funds of the District.

Note 3 - Deposits (Cash) and Investments (continued)

Acceptable collateral securities include direct obligations of the United States of America (U.S.), bonds of any agency of the U.S. (except Farmers Home Administration Insured Notes), Bonds of the State of Texas or of any county, school district, city, or town of the State of Texas that have been rated A or better by Moody's Investors Service, Inc., as authorized by Chapter 2257 Collateral for Public Funds of the Government Code.

The District must approve all collateral securities prior to the security being pledged. The depository can change collateral securities pledged to secure District funds only upon obtaining the written approval of the District.

All demand and time deposits in the depository bank were entirely covered by federal depository insurance and by acceptable collateral securities held in the District's name by an agent of the District at year-end in accordance with provisions of the depository contract. Demand and time deposits at various banks held on behalf of different student groups were entirely covered by federal depository insurance at year-end.

At August 31, 2014, the District's carrying amount of deposits was \$7,678,774 and the bank balance was \$12,600,715. The District's bank balance at August 31, 2014, was entirely covered by FDIC insurance and pledged collateral held by the District's bank in the District's name. The deposits were collateralized in accordance with Texas Law.

Credit Risk

State law and the Mansfield ISD adopted Investment Policy restrict demand deposits, certificates of deposit (CD) and share certificates to those fully collateralized or FDIC insured from eligible depositories (banks and savings banks) doing business in Texas. Such CDs are limited to maturities under one (1) year and are further collateralized to 102% with pledged securities (and 110% if mortgage backed securities) with all collateral held by an independent custodian.

State law and the Mansfield ISD adopted Investment Policy limit repurchase agreements to banks and primary dealers, require an industry standard, written master repurchase agreement, require independent safekeeping of collateral, and require a 102% margin on collateral. Fully collateralized flex repurchase agreements are restricted by Policy to be used only with bond funds and are required to match the expected expenditure plan of the bond proceeds.

The Board of Trustees of the District has adopted a written investment policy (the "Investment Policy") regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area, conducted as part of the audit, disclosed that in the area of investment practices, management reports, and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act. Additionally, the investments and investment practices of the District are in compliance with the Trustees' investment policies.

The District's Investment Policy emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity, and addresses the quality and capability of investment personnel. The Investment Policy includes a list of authorized investment instruments.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

MANSFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. A securities lending program as permitted by Government Code 2256.0115;
5. Bankers' acceptances as permitted by Government Code 2256.012;
6. Commercial paper as permitted by Government Code 2256.013;
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015;
9. Public funds investment pools as permitted by Government Code 2256.016;

A summary of the District's cash and investments at August 31, 2013, are shown below.

	Cash on Deposit	External Investment Pools	Municipal Bonds	Total
Governmental Activities:				
General Fund	\$(1,608,378)	\$92,196,832	\$5,913,691	\$96,502,145
Debt Service Fund	7,594	8,211,082		8,218,676
Capital Projects Fund	8,506,444	29,844,736		38,351,180
Nonmajor Governmental Funds	(683,056)	4,971,479		4,288,423
Nonmajor Internal Service Funds				
Total Governmental Activities	<u>6,222,604</u>	<u>135,224,129</u>	<u>5,913,691</u>	<u>147,360,424</u>
Business-type Activities:				
Nonmajor Enterprise Funds	1,263,654			1,263,654
Total Business-type Activities	<u>1,263,654</u>			<u>1,263,654</u>
Fiduciary Funds:				
Agency Funds	760,569	68,151		828,720
Total Fiduciary Funds	<u>760,569</u>	<u>68,151</u>		<u>828,720</u>
Total	<u><u>\$8,246,827</u></u>	<u><u>\$135,292,280</u></u>	<u><u>\$5,913,691</u></u>	<u><u>\$149,452,798</u></u>

Local government investment pools, as defined by state law (2256.016) and approved by adopted Policy are authorized. By State law, all local government pools are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization.

Note 3 - Deposits (Cash) and Investments (continued)

As of August 31, 2014,

- Fully collateralized or FDIC insured time and demand deposits represented 3.91% of the total portfolio,
- municipal bonds rated A or better represented 4.02% of the total portfolio,
- the remainder of the portfolio, 92.07%, was in local government investment pools rated AAAm.

On August 5, 2011 Standard and Poor's, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term US and government sponsored entities sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists.

Concentration of Credit Risk

Mansfield ISD's adopted Investment Policy requires diversification on all authorized investment types which are monitored on at least a monthly basis.

As of August 31, 2014,

- funds in one investment pool, LOGIC, represented 16.59% of the total portfolio,
- funds in one investment pool, TexSTAR, represented 51.63% of the total portfolio,
- funds in one investment pool, Texas Class, represented 23.85% of the total portfolio,
- the remainder of the portfolio, was invested in municipal bonds rated A or better and represented 4.02% of the total portfolio.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, Mansfield ISD's adopted Investment Policy sets a maximum maturity of one year and a maximum weighted average maturity (WAM) of 180 days on any operating and debt service fund. A maximum weighted average maturity of 270 days is established, by Policy, for capital project funds. Maturities longer than one year are authorized provided legal limits are not exceeded.

As of August 31, 2014, the portfolio contained:

- no holdings that had a stated maturity beyond 699 days
- the dollar weighted average maturity of the total portfolio was 7 days.

A segmented maturity distribution of the portfolio follows:

Investment Type:	Fair Value	Credit Quality Rating	Percentage of Investments	Weighted Average Maturity
Municipal Bonds	\$ 5,913,691	A to AA	4.2%	144
Local Government Investment Pools				
LOGIC	24,381,377	AAAm	17.3%	54
TexStar	75,868,067	AAAm	53.7%	52
Texas Class	35,042,837	AAAm	24.8%	52
Total Value	\$ 141,205,972		100.0%	

Note 3 - Deposits (Cash) and Investments (continued)

Local Government Investment Pools

As of August 31, 2014, the District's investments included the Local Government Investment Cooperative ("LOGIC") and TexSTAR local government investment pools. LOGIC and TexSTAR investment pools' investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

LOGIC and TexSTAR are organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. LOGIC and TexSTAR were created in April 1994 and April 2002, respectively, through contracts among their participating governmental units, and are governed by a board of directors to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. TexSTAR's policy seeks to invest pooled assets in a manner that will provide for preservation and safety of principal and competitive investment returns while meeting the daily liquidity needs of the participants by utilizing economies of scale and professional investment expertise. JPMorgan Chase Bank, N.A. provides custody, fund accounting, and transfer agency services to both LOGIC and TexSTAR.

LOGIC's investment objectives are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The portfolio's maximum final stated maturity is 397 days for fixed-rate securities and 24 months for variable rate notes. The portfolio will maintain a dollar-weighted average maturity to reset that does not exceed 60 days and a dollar-weighted average to final maturity of 90 days or less. LOGIC may invest in securities including: certain obligations of the United States or its agencies and instrumentalities; repurchase agreements; and SEC-registered money-market funds rated in the highest rating category by at least one nationally recognized statistical rating organization. It can also invest in commercial paper.

TexSTAR's portfolio is a government-repurchase agreement (REPO) pool, utilizing primarily U.S. Treasury securities, U.S. agency securities - both fixed and floating - and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the United States or its agencies or its instrumentalities. The weighted average maturity to reset of the pool's assets is limited to 60 days or less and the weighted average to final maturity of the pool's assets is limited to 90 days or less.

The fair value of District portions in LOGIC and TexSTAR are the same as the value of the shares. These external pooled funds operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external pooled funds use amortized cost rather than market value to report net assets to compute share price. Accordingly, the fair value of the positions of the pooled funds is the same as the value of the external pool shares. The funds are structured similar to a money market mutual fund which allows shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1, although this cannot be fully guaranteed.

Custodial Credit Risk

To control custody risk, State law and Mansfield ISD's adopted Investment Policy requires collateral for all time and demand deposits as well as repurchase agreements be transferred delivery versus payment and held by an independent party approved by the District and held in the District's name. The custodian

is required to provide original safekeeping receipts and monthly reporting of positions and position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% (and 110% for mortgaged backed securities) and be executed under a written agreement. The counterparty of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

As of August 31, 2014:

- the portfolio contained no certificates of deposit,
- the portfolio contained no flex repurchase agreements,
- all bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

Note 4 - Property Taxes

Property taxes are levied by October 1 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. The assessed value of the roll on January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$9,072,174,412.

The tax rates assessed for the year ended August 31, 2014 to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$.4871 per \$100 of valuation, respectively, for a total of \$1.5271 per \$100 of valuation. Current tax collections for the year ended August 31, 2014 were 106.00% of the tax levy.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds 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.

Note 5 - Interfund Receivables and Payables

Interfund balances at August 31, 2014, consisted of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
Governmental Funds		
General Fund	\$ 2,263,230	\$ 2,290,572
Debt Service Fund	94,360	
Nonmajor Governmental Funds	-	57,036
Proprietary Funds		
Enterprise Funds		9,982
Total	\$ 2,357,590	\$ 2,357,590

Interfund balances result from the time lag between the dates reimbursable expenditures occur and payments between funds are made.

Note 6 - Capital Assets

The District records assets based on historical costs and calculates depreciation on capital assets in accordance with GASB Statement 34. The District's capitalization policy is to capitalize assets costing over \$5,000 and with a life expectancy of 1 year or more. Depreciation expense is allocated to functional categories based upon expenditures in the general fund.

Capital asset activity for the governmental activities of the District for the year ended August 31, 2014, are as follows:

	Balance August 31, 2013	Additions	(Retirements) and Transfers	Balance August 31, 2014
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 52,023,610		\$	
Construction in progress	22,053,297			
Total Capital assets, not being depreciated	74,076,907			
Capital assets, being depreciated:				
Buildings and improvements	836,447,345			
Furniture and equipment	6,868,874			
Vehicles	24,732,531			
Total Capital assets, being depreciated	868,048,750			
Less accumulated depreciation for:				
Buildings and improvements	(262,272,649)			
Furniture and Equipment	(3,645,266)			
Vehicles	(11,960,075)			
Total Accumulated depreciation	(277,877,990)			
Total capital assets being depreciated, net	590,170,760			
Governmental Capital Assets	\$ 664,247,667	\$	\$	\$

Note 6 - Capital Assets (continued)

Depreciation expense of the governmental activities was charged to the functions/programs as follows:

Function	Depreciation Expense
Governmental Activities:	
Instruction	\$ 22,142,655
Instructional resources and media services	1,555,597
Instructional leadership	34,121
School leadership	1,754,010
Guidance, counseling and evaluation services	329,304
Health services	186,038
Student transportation	1,730,109
Food Services	2,996,597
Extracurricular activities	1,771,316
General administration	233,892
Facilities maintenance and operations	391,935
Security and monitoring services	83,528
Data processing services	336,385
Total Governmental Activities	\$ 33,545,487

Note 7 - Long-Term Debt and Debt Service Requirements

Bonds and accreted interest are secured by ad valorem taxes levied against all taxable property and are serviced by the Debt Service Fund with an apportionment of the ad valorem tax levy. Interest rates on the bonds range from 1.75% to 5.25%. The principal amount of bond indebtedness cannot exceed 10% of the assessed valuation of taxable property in the District according to the last completed and approved ad valorem tax rolls of the District. At August 31, 2014, 7,534,195 was available in the Debt Service Fund to service these bonds.

As of August 31, 2014, the District had \$98,500,000 in authorized but unissued general obligation bonds, but see Note 15 Subsequent Event. At year end, \$61,995,000 of bonds outstanding are considered defeased and have not been included in the District's Statement of Net Assets.

MANSFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

The following is a summary of changes in long-term obligations of the District for the year ended August 31, 2014:

	Balance September 1, 2013	Additions	Retirements/ Refundings	Balance August 31, 2014	Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	\$ 691,174,962	\$	\$ (21,011,589)	\$ 712,186,551	\$ 18,768,374
Accreted interest on premium	3,703,858	452,746		\$ 4,156,604	
Premium on bond issuance	58,599,658			\$ 58,599,658	
Total Bonds and Notes Payable	\$ 753,478,478	\$ 452,746	\$ (21,011,589)	\$ 774,942,813	\$ 18,768,374

Annual requirements to amortize all bonded debt outstanding as of August 31, 2014, follow:

Year Ending August 31,	Principal	Interest	Totals
2015	\$ 18,768,373	\$ 35,789,198	\$ 54,557,571
2016	21,335,000	31,122,085	52,457,085
2017	21,540,000	30,157,504	51,697,504
2018	23,460,000	31,256,323	54,716,323
2019	24,580,000	30,137,838	54,717,838
2020-2024	169,475,000	129,077,282	298,552,282
2025-2029	212,655,000	82,303,329	294,958,329
2030-2034	125,035,000	40,650,687	165,685,687
2035-2039	53,765,000	21,928,225	75,693,225
2040-2043	48,905,000	5,634,975	54,539,975
	\$ 719,518,373	\$ 438,057,446	\$ 1,157,575,819

Note: Accreted interest is included in the interest column in the year it is payable.

Note 7 - Long-Term Debt and Debt Service Requirements (continued)

Bonds Payable

Bonds payable at August 31, 2014, are composed of the following individual issues:

<u>Description - Authorization (Dated)</u>	<u>Interest Rate</u>	<u>Amount Original Issue</u>
Unlimited Tax School Building & Refunding Bonds 2002 (9/3/2002)	3.25% - 5.50%	\$ 79,789,984
Unlimited Tax School Building & Refunding Fixed Rate Bonds - 2003 (7/31/2003)	2.00% - 5.00%	70,435,000
Unlimited Tax School Building Bonds 2003 (3/30/2004)	2.00% - 5.25%	76,330,000
Unlimited Tax Refunding Bonds 2005 (1/15/05)	2.25% - 5.00%	35,744,980
Unlimited Tax School Building Bonds 2005 (7/12/05)	3.00% - 5.00%	77,610,000
Unlimited Tax School Building Bonds 2006 (7/1/06)	4.25% - 5.00%	98,830,000
Unlimited Tax Refunding Bonds 2006 (8/15/2006)	4.00% - 5.00%	47,349,797
Unlimited Tax School Building Bonds - 2006 (5/15/2007)	4.00% - 5.00%	72,070,000
Unlimited Tax School Building Bonds - 2008 (6/15/2008)	4.00% - 5.00%	80,000,000
Unlimited Tax Refunding Bonds 2009 (11/20/2009)	3.00% - 5.00%	44,600,000
Unlimited Tax Refunding Bonds 2010 (7/15/10)	4.00% - 5.00%	85,465,000
Unlimited Tax School Building Bonds 2010 (10/1/2010)	2.00% - 5.00%	49,225,000
Unlimited Tax Refunding Bonds 2011 (4/15/2011)	2.00% - 4.00%	9,500,000
Unlimited Tax School Building Variable Rate Bonds 2012* (2/15/2012)	1.75% as of 8/31/2012	50,000,000
Unlimited Tax Refunding Bonds 2012 (12/15/2011)	3.00% - 5.00%	16,915,000
Unlimited Tax Refunding Bonds 2012A (7/1/2012)	3.00% - 5.00%	41,275,000
Unlimited Tax Refunding Bonds, Series 2012B	3.00% - 5.00%	30,460,000
Unlimited Tax Refunding Bonds, Series 2013A	2.00% - 5.00%	63,255,000
Unlimited Tax Refunding Bonds, Series 2013B	2.00% - 5.00%	86,170,000
Unlimited Tax Refunding Bonds Taxable, Series 2013C	4.00%	21,855,000

MANSFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

Note 7 - Long-Term Debt and Debt Service Requirements (continued)

Description - Authorization (Dated)	Amount Outstanding September 1,				Accumulated Interest	Amount Outstanding August 31,
	2013	Issued	Retired	Refunded	Accretion	2014
Unlimited Tax School Building & Refunding Bonds 2002 (9/3/2002)	\$ 3,440,952	\$	\$ (416,589)	\$	\$ 1,752,746	\$ 4,777,109
Bonds 2005 (1/15/05)	6,759,999		(3,320,000)			3,439,999
Unlimited Tax School Building Bonds 2005 (7/12/05)			(1,495,000)			2,290,000
Unlimited Tax School Building Bonds 2006 (7/1/06)	8,075,000		(1,700,000)			6,375,000
Unlimited Tax Refunding Bonds 2006 (8/15/2006)	47,162,869		(275,000)		3,355,500	50,243,369
Unlimited Tax School Building Bonds - 2006 (5/15/2007)	69,275,000		(2,375,000)			66,900,000
Unlimited Tax School Building Bonds - 2008 (6/15/2008)	80,000,000					80,000,000
Unlimited Tax Refunding Bonds 2009 (11/20/2009)	31,165,000		(2,485,000)			28,680,000
Unlimited Tax Refunding Bonds 2010 (7/15/10)	83,840,000		(1,695,000)			82,145,000
Unlimited Tax School Building Bonds 2010 (10/1/2010)	46,425,000					46,425,000
Unlimited Tax Refunding Bonds 2011 (4/15/2011)	8,660,000		(340,000)			8,320,000
Unlimited Tax School Building Variable Rate Bonds						

MANSFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

2012* (2/15/2012) Unlimited Tax Refunding Bonds 2012 (12/15/2011) Unlimited Tax Refunding Bonds 2012A (7/1/2012) Unlimited Tax Refunding Bonds, Series 2012B Unlimited Tax Refunding Bonds, Series 2013A Unlimited Tax Refunding Bonds, Series 2013B Unlimited Tax Refunding Bonds, Series 2013C	50,000,000	-	(5,355,000)	-	(245,000)	21,490,000	21,245,000
	\$ 694,878,820	\$	\$ (21,011,589)	\$		\$ 5,108,246	\$ 678,975,477
						Accumulated Interest Accretion	(5,108,246)
							\$ 673,867,231

Note 8 - Operating Leases

Commitments under Operating Leases

The following is a schedule of the District's future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of August 31, 2014.

Fiscal Year	Amount
2015	\$ 860,976
2016	215,244

Rental expense for the year ended August 31, 2014 was \$860,976.

Note 9 - Deferred Revenue

Deferred revenue at year end represents assets that are not available for use by the District to liquidate current year liabilities. A summary of deferred revenue by fund follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
State funding payments	\$ 3,477,174	\$2,258,999	\$	\$	\$ 5,736,173
Advertising	-				
MISD Foundation			-		
Prepaid lunch cards			369,109		369,109
Scholarships			12,073		12,073
Parking permits	42,264				42,264
Prepaid tuition					
Total	<u>\$ 3,519,438</u>	<u>\$2,258,999</u>	<u>\$ 381,182</u>	<u>\$</u>	<u>\$ 6,159,619</u>

Property tax revenues are earned but are not available as of year end; therefore, they are recognized as revenues in the government-wide financial statements and deferred in the fund level financial statements.

Note 10 - Assigned Fund Balance

Assigned fund balance as of August 31, 2014, is composed of the following:

	<u>Total</u>
Rider 36	\$ 195,690
High School Allotment	2,520,602
Total	<u>\$ 2,716,292</u>

Note 11 - Retirement Plan

Plan Description

The Mansfield Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of the employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy

State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate of 6.0% for fiscal year 2012, 6.644% for fiscal year 2011, 6.4% from September to December 2009, and 6.644% from January to August 2010. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's 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.

Contributions

Staff members of the District are required to pay 6.4% of their eligible gross earnings to the TRS pension plan. The State of Texas contributed 6.0% for fiscal year 2012, 6.644% for fiscal year 2011, 6.4% from September to December 2009, and 6.644% from January to August 2010 of all employees' eligible gross earnings, except for those staff members subject to statutory minimum requirements and those staff members being paid from and participating in federally funded programs. State statutes establish these rates. The statutory minimum requirements are based on the State of Texas teacher schedule adjusted based on local tax rates. For staff members funded by federal programs, the federal programs are required to contribute 6.644% for fiscal years 2014, 2013 and 2012.

Note 11 - Retirement Plan (continued)

Contributions made by the State, District and staff members to TRS for the years ended August 31, 2014, 2013, and 2012, are as follows:

Fiscal Year	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	Employee Contributions to TRS	District's Annual Covered Payroll
2014	\$ 8,796,515	\$ 2,708,451	\$ 11,384,402	\$ 177,881,289
2013	7,789,716	2,404,076	10,867,453	169,803,888
2012	10,034,246	2,170,019	10,811,555	168,929,048

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

TRS - Care Health Insurance Benefits for Retirees

Plan Description. The Mansfield Independent School 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 TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2014, 2013, and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

Note 11 - Retirement Plan (continued)

Contributions made by the State, District, and staff members, for the years ended August 31, 2014, 2013, and 2012 are as follows:

Fiscal Year	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	Employee Contributions to TRS	District's Annual Covered Payroll
2014	\$ 856,197	\$ 1,011,555	\$ 1,156,231	\$ 177,881,289
2013	1,639,018	1,001,617	1,103,720	169,803,888
2012	1,633,031	929,117	1,098,029	168,929,048

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on-behalf of the District were \$453,087, \$447,928, and \$409,519, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

The Early Retiree Reinsurance Program ("ERRP") is a provision of the Patient Protection and Affordable Care Act and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant ages 55-64 who is eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage for early retirees. TRS has received funds from the ERRP program in fiscal year 2012. For the year ended August 31, 2014, the subsidy payments received by the ERRP program on-behalf of the District were \$428,475. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 12 - Risk Management

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan ("the Plan"). The District paid premiums of \$250 per month per employee who worked at least 20 hours per week to the Plan; and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

As of September 1, 1998, the District has fully insured all workers' compensation claims. The current contract covers the period from September 1, 2013 through August 31, 2014. Premium payments are expensed as paid.

Note 12 - Risk Management (continued)

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 13 - Litigation, Commitments and Contingencies

Litigation - The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of District's management, the potential losses after insurance coverage, on all claims will not have a material adverse effect on the District's financial statements; thus, no provision for losses has been recorded.

Grant Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the District has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectability of any related receivable at August 31, 2014, 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 statements for such contingencies.

Construction - The District was obligated at August 31, 2014, under major contracts for construction, renovations, and repair of various facilities. The construction contract details associated with some of the major projects are as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Estimated Remaining Commitment</u>
Turf Project	\$ 4,718,000	\$ 26,033	\$ 4,691,967
Ag Farm	4,290,929	747,237	3,543,692
Alice Ponder Elementary	16,404,495	1,094,517	15,309,978
J.L. Boren Elementary	16,404,493	1,104,179	15,300,314
Charlotte Anderson Elementary	17,215,538	13,459	17,202,079
Glenn Harmon Elementary	17,215,538	329,489	16,886,049
Wireless Infrastructure	4,650,776	3,247,832	1,402,944
Campus Security	7,457,713	4,342,301	3,115,412
School ADA Canopies	916,786	146,966	769,820
Renovations Project #1	27,963,512	7,098,156	20,865,356
Renovations Project #2	22,049,724	2,293,930	19,755,794
Renovations Project #3	9,511,746	214,718	9,297,028
Construction Wave #1	22,018,260	1,247,582	20,770,678
Construction Wave #2	3,571,387	146,898	3,424,489
	<u>\$ 174,388,897</u>	<u>\$ 22,053,297</u>	<u>\$ 152,335,600</u>

Note 15 - Shared Service Arrangement

The District participates in a Shared Service Arrangement (SSA) for students with auditory impairments attending the Regional Day School Program for the Deaf. The District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. However, intergovernmental charges in a special revenue fund include payments to the fiscal agent for the District's share of project deficits. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Arlington ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Mansfield ISD. The fiscal agent manager is responsible for all financial activities of the SSA. Shared Service Arrangement expenditures of \$127,500 were attributable to Mansfield ISD participation.

Note 17 - Subsequent Event

The District issued \$59,445,000 of Unlimited Tax Refunding Bonds, Series 2014 dated December 5, 2014, and delivered December 30, 2014, to advance refund \$59,785,000 of outstanding Unlimited Tax School Building and Refunding Bonds, Series 2007. The proceeds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds.

The District also issued \$47,145,000 of Unlimited Tax School Building Bonds, Series 2014 dated December 5, 2014, and delivered December 30, 2014 from the 2011 Bond Election.

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REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

The District is required by state law to adopt annual budgets for the General Fund, National School Lunch and Breakfast Program fund (Food Service Fund) and Debt Service Fund. Special Revenue Funds, other than the Food Service Fund, are required to be budgeted on a project basis. Each budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

The District uses the following procedures in establishing the budgets reflected in the financial statements:

Prior to August 20th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and means of financing them.

A meeting of the Board of School Trustees is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.

Prior to September 1, the budget is legally enacted by the Board of School Trustees.

The officially adopted district budget, as amended, must be filed with TEA through PEIMS (Public Education Information Management System) by the date prescribed in the annual system guidelines. This requirement for filing the amended budget with TEA is satisfied when the school district files its Annual Financial and Compliance Report.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of School Trustees. Amendments are presented to the Board at their 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 dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of School Trustees. All budget appropriations lapse at year end.

Expenditures over Appropriations

The District had expenditures over appropriations in the following General Fund functions:

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OTHER SUPPLEMENTARY INFORMATION

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REQUIRED TEA SCHEDULES

STATISTICAL SECTION
(UNAUDITED)

Statistical Tables are used to provide detailed data on the physical, economic, social and political characteristics of a government. They are intended to provide financial report users with a broader and more complete understanding of the government and its financial affairs than it is possible from the basic financial statements.

The District's Statistical Tables usually cover ten fiscal years and often present data from outside the accounting records. The tables are unaudited due to the nature of the information contained therein.

GOVERNMENT AUDITING STANDARDS REPORT SECTION

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**REPORT OF INDEPENDENT AUDITORS 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***

To The Board of Trustees
Mansfield Independent School District
Mansfield, Texas

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Mansfield Independent School District (the “District”) as of and for the year ended August 31, 2014 which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 17, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Closing

This report is intended solely for the information and use of the board of trustees, the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fort Worth, Texas
January 17, 2013

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

To the Board of Trustees
Mansfield Independent School District
Mansfield, Texas

Compliance

We have audited Mansfield Independent School District's (the "District") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Internal Control over Compliance

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

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

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

Closing

This report is intended solely for the information and use of the board of trustees, the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fort Worth, Texas
January 17, 2013

FEDERAL AWARDS SECTION

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MANSFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2014

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes: Findings #12-01, #12-02 and #12-03
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) 2-7 of OMB Circular A-133?	None

Identification of major programs:

Name of Federal Program or Cluster:	CFDA Numbers:
Education Jobs Fund	84.410A
ESEA Title III, Part A Limited English Proficiency	84.365A

Dollar Threshold Considered Between Type A and Type B Federal Programs

Auditee qualified as low risk auditee?	Yes
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MANSFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2014

MANSFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2014

III. Federal Awards Findings And Questioned Costs

The audit disclosed no findings or questioned costs required to be reported.

IV. Summary Schedule Of Prior Audit Findings

No prior year findings.

Note 1 Basis of Presentation

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

Note 3 - Reconciliation of Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported on Exhibit C-3: