

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2010*

Maypearl Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2010

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## *Introductory Section*

CERTIFICATE OF BOARD

Maypearl Independent School District  
Name of School District

Ellis  
County

070-915  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2010, at a meeting of the board of trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

## *Financial Section*

# ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE

## Independent Auditors' Report on Financial Statements

Board of Trustees  
Maypearl Independent School District  
P. O. Drawer 40  
Maypearl, Texas 76064

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maypearl Independent School District as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Maypearl Independent School 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, each major fund, and the aggregate remaining fund information of Maypearl Independent School District as of August 31, 2010, and the respective changes in financial position, 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 November 1, 2010, on our consideration of Maypearl Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in 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 identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Maypearl Independent School District's financial statements as a whole. The introductory section and individual nonmajor fund financial statements are presented for 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 individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 section has 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 it.

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

November 1, 2010



# MAYPEARL INDEPENDENT SCHOOL DISTRICT

*"Building a World Class Learning Community"*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Maypearl Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net assets on financial statement exhibit A-1 were \$9,983,688 at August 31, 2010.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$600,186 less than the \$11,777,053 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs on financial statement exhibit C-2 increased \$2,559,344 from last year. An increase in instructional costs and capital expenditures over the prior year accounted for this increase.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$3,961,660. The District began the current year with a fund balance in the amount of \$3,489,117.

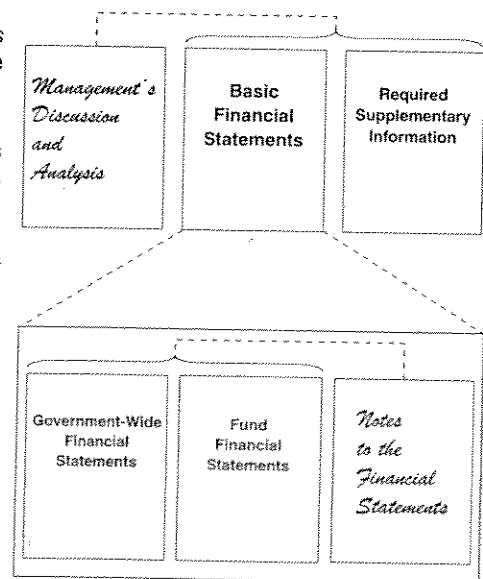
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report



Post Office Box 40 \* 309 Main Street \* Maypearl, Texas 76064 \* (972) 435-2116 \* (972) 435-2340

Summary

Detail

## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

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

## Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$9.98 million at August 31, 2010. (See Table A-1).

**Table A-1**  
Maypearl Independent School District's Net Assets  
(In million dollars)

	Governmental Activities		Total Percentage Change
	<u>2010</u>	<u>2009</u>	<u>2010-2009</u>
Current assets:			
Cash and cash equivalents	\$4.1	\$3.2	28
Investments	.7	.4	75
Due from other governments	.8	.7	14
Due from other funds	0	0	0
Other receivables	.2	.2	0
Inventories – supplies and materials	0	0	0
Total current assets:	<u>5.8</u>	<u>4.5</u>	28
Noncurrent assets:			
Land, furniture and equipment	29.6	28.0	57
Less accumulated depreciation	(6.1)	(5.4)	-12
Total noncurrent assets	<u>23.5</u>	<u>22.6</u>	3
Total Assets	<u>29.3</u>	<u>27.1</u>	8
Current liabilities:			
Accounts payable and accrued liabilities	.6	.5	20
Claims payable	0	0	0
Due to other funds	0	0	0
Deferred revenue	.0	.1	**
Total current liabilities	<u>.6</u>	<u>.6</u>	0
Long-term liabilities:			
Noncurrent liabilities due in one year	.6	.5	20
Noncurrent liabilities due more than 1 yr	18.1	16.6	9
Total Liabilities	<u>19.3</u>	<u>17.7</u>	9
Net Assets:			
Invested in capital assets, net of debt	5.3	5.4	-1
Restricted	.5	.3	66
Unrestricted	4.2	3.7	13
Total Net Assets	<u>\$ 10.0</u>	<u>\$9.4</u>	6

The District has \$489,054 in restricted net assets that represent proceeds from debt service of \$478,269 and state and federal programs of \$10,785. These proceeds when spent, are restricted for the above purposes. The \$4,158,921 of unrestricted net assets represent resources to be available to fund the programs of the District next year.

**Changes in net assets.** The District's total revenues were \$11,777,053. A significant portion, 29 percent, of the District's revenue comes from taxes. (See Figure A-3.) 51 percent comes from state aid – formula grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$11,176,867; 80 percent of these costs are for governmental activities associated with instructional and student services.

#### Governmental Activities

- Property tax rates remained the same. Even with this decline, due to increased values tax revenues increased by \$587,386 or 20%.

**Table A-2**  
Changes in Maypearl Independent School District's Net Assets  
(In million dollars)

	Governmental Activities		Total % Change
	2010	2009	
Program Revenues:			
Charges for Services	\$ .2	\$ .2	0
Operating Grants and Contributions	2.0	1.4	42
Capital Grants and Contributions	0	0	0
General Revenues			
Property Taxes	3.4	2.9	10
State Aid – Formula	6.0	6.0	0
Investment Earnings	.1	.1	0
Other	.1	.1	0
Total Revenues	11.8	10.7	10
Instruction	6.1	5.0	22
Instructional Resources and Media Services	.1	.1	0
Curriculum Dev. And Instructional Staff Dev.	0	0	0
Instructional Leadership	.1	.1	0
School Leadership	.6	.5	20
Guidance, Counseling and Evaluation Services	.2	.2	0
Social Work Services	0	0	0
Health Services	.1	.1	0
Student (Pupil) Transportation	.2	.2	0
Food Services	.4	.4	0
Curricular/Extracurricular Activities	.3	.3	0
General Administration	.4	.4	0
Plant Maintenance & Oper.	1.2	1.1	9
Security & Monitoring Svcs.	0	0	0
Data Processing Services	.4	.3	33
Community Services	0	0	0
Debt Services	.8	.8	0
Facilities Acquisition and Construction	0	0	0
Contracted Instr. Services Between Public Schools	0	0	0
Increment Costs Associated Chapter 41 (WADA)	0	0	0
Payments to Fiscal Agent/Member Dist. - SSA	.3	.3	0
Public Education Grant Progr.	0	0	0
Payments to Juvenile Justice Alternative Ed. Program	0	0	0
Payments to Charter Schools	0	0	0
Payments to Tax Increment Fund	0	0	0
Total Expenses	11.2	9.8	14
Excess (Deficiency) Before Other Resources,			
Uses & Transfers	0	0	0
Other Resources (Uses)	0	0	0
Transfers In (Out)	0	0	0
Increase (Decrease) in Net Assets	\$ .6	\$ .9	-33

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$11.2 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3.4 million.
- Some of the cost was paid by those who directly benefited from the programs \$.2 million, or
- By grants and contributions \$1.99 million.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>	
Instruction	6.1	5.0	22	5.4	4.5	20
School administration	.4	.4	0	.4	.4	0
Plant Maintenance & Operations	1.2	1.1	9	1.2	1.1	9
Debt Service – Interest & Fiscal Charges	.8	.8	0	.4	-.3	233

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$11.8 million, while the previous year it was \$10.7 million. The increase in local revenues is a result of state legislation that has required reductions in local tax rates but was offset by increased valuations. The slight decrease in state revenues is a result of a decrease in the number of students in average daily attendance. The change in federal revenues is due to the stimulus of federal program revenue distributed through other agencies.

#### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. Actual expenditures were \$1,601,003 below final budget amounts in the General Fund.

On the other hand, resources available were \$228,906 below the final budgeted amount.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2010, the District had invested \$29,617,764 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$1,601,591 or 5% percent over last year.

**Table A-4**  
**District's Capital Assets**  
*(In millions of dollars)*

	Governmental Activities		Total Percentage Change <u>2010-2009</u>
	<u>2010</u>	<u>2009</u>	
Land	.767	.767	0
Interim Construction	0	0	**
Buildings and improvements	26.352	25.010	1
Vehicles	.931	.783	5
Equipment	1.557	1.456	6
Other	.000	.000	**
Totals at historical cost	<u>29.617</u>	<u>28.016</u>	5
Total accumulated depreciation	<u>(6.123)</u>	<u>(5.412)</u>	-13
Net capital assets	<u>23.494</u>	<u>22.604</u>	3

The District's fiscal year 2011 capital budget projects no major projects. More detailed information about the District's capital assets is presented in the notes to the financial statements.

### Long Term Debt

At year-end the District had \$18.775 million in bonds, leases and notes outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

### Bond Ratings

The District's bonds presently carry "AAA" ratings with underlying ratings as follows: Moody's Investor Services "A3" and Standard & Poors "A".

**Table A-5**  
District's Long Term Debt  
(In millions of dollars)

	Governmental Activities		Total Percentage Change
	2010	2009	2010-2009
Leases payable	.000	.000	**
Bonds payable	18.775	17.127	9
Notes payable	0	0	**
Less deferred amount			
On refundings	(0)	(0)	0
Total bonds & notes payable	18.775	17.127	9

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2011 budget preparation is down \$2,811,055, or less than 1% from 2010.
- General operating fund spending per student declined in the 2011 budget from \$10,214 to \$9,486. This is a 7.0% decrease.
- The District's 2011 refined average daily attendance is expected to be 1,015, a relatively stable number.

These indicators were taken into account when adopting the general fund budget for 2011. Amounts available for appropriation in the general fund budget are \$9,628,803, a decrease of 8 percent over the final 2010 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2011.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Maypearl Independent School District's Business Services Department at P. O. Box 40, Maypearl, Texas 76064 or phone number 972-435-2116.

## *Basic Financial Statements*

**MAYPEARL INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET ASSETS**

AUGUST 31, 2010

1

Data Control Codes		Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 4,071,076
1120	Current Investments	728,758
1225	Property Taxes Receivable (Net)	194,451
1240	Due from Other Governments	773,412
1420	Capitalized Bond and Other Debt Issuance Costs	41,627
	Capital Assets:	
1510	Land	767,106
1520	Buildings and Improvements, Net	21,802,097
1530	Furniture and Equipment, Net	925,226
1000	Total Assets	<u>29,303,753</u>
<b>LIABILITIES:</b>		
2110	Accounts Payable	210,737
2140	Interest Payable	35,199
2160	Accrued Wages Payable	299,551
	Noncurrent Liabilities:	
2501	Due Within One Year	632,690
2502	Due in More Than One Year	18,141,888
2000	Total Liabilities	<u>19,320,065</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets, Net of Related Debt	5,335,713
	Restricted For:	
3820	State and Federal Programs	10,785
3850	Debt Service	478,269
3900	Unrestricted	4,158,921
3000	Total Net Assets	<u>\$ 9,983,688</u>

The accompanying notes are an integral part of this statement.



## MAYPEARL INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 6,117,403	\$ --	\$ 742,808	\$ (5,374,595)
12	Instructional Resources and Media Services	155,963	--	--	(155,963)
13	Curriculum and Staff Development	20,075	--	--	(20,075)
21	Instructional Leadership	69,049	--	--	(69,049)
23	School Leadership	572,124	--	--	(572,124)
31	Guidance, Counseling, & Evaluation Services	157,916	--	--	(157,916)
33	Health Services	123,898	--	--	(123,898)
34	Student Transportation	159,722	--	--	(159,722)
35	Food Service	417,475	147,299	226,725	(43,451)
36	Cocurricular/Extracurricular Activities	273,887	36,836	--	(237,051)
41	General Administration	392,540	--	--	(392,540)
51	Plant Maintenance and Operations	1,181,953	--	--	(1,181,953)
52	Security and Monitoring Services	44,501	--	--	(44,501)
53	Data Processing Services	350,883	--	--	(350,883)
72	Interest on Long-term Debt	818,805	--	461,868	(356,937)
73	Bond Issuance Costs and Fees	1,695	--	--	(1,695)
93	Payments Related to Shared Services Arrangements	318,978	--	561,478	242,500
TG	Total Governmental Activities	11,176,867	184,135	1,992,879	(8,999,853)
TP	Total Primary Government	\$ 11,176,867	\$ 184,135	\$ 1,992,879	(8,999,853)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,633,024
DT	Property Taxes, Levied for Debt Service				804,639
IE	Investment Earnings				18,068
GC	Grants and Contributions Not Restricted to Specific Programs				6,041,192
MI	Miscellaneous				103,116
TR	Total General Revenues				9,600,039
CN	Change in Net Assets				600,186
NB	Net Assets - Beginning				9,383,502
NE	Net Assets - Ending				\$ 9,983,688

The accompanying notes are an integral part of this statement.

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

10

Data Control Codes		General Fund	IDEA - Part B Formula - ARRA
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ 3,399,973	\$ --
1120	Current Investments	289,463	--
1225	Taxes Receivable, Net	155,634	--
1240	Due from Other Governments	591,488	154,513
1260	Due from Other Funds	178,618	--
1000	Total Assets	<u>\$ 4,615,176</u>	<u>\$ 154,513</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$ 201,637	\$ --
2160	Accrued Wages Payable	294,827	--
2170	Due to Other Funds	--	154,513
2200	Accrued Expenditures	1,418	--
2300	Unearned Revenue	155,634	--
2000	Total Liabilities	<u>653,516</u>	<u>154,513</u>
<b>FUND BALANCES:</b>			
Reserved Fund Balances:			
3420	Debt Service	--	--
3450	Reserve for Food Service	--	--
Designated Fund Balance:			
3510	Construction	3,050,000	--
3600	Unreserved	911,660	--
3000	Total Fund Balances	<u>3,961,660</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,615,176</u>	<u>\$ 154,513</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 157	\$ 651,061	\$ 19,885	\$ 4,071,076
439,295	--	--	728,758
38,817	--	--	194,451
--	--	27,411	773,412
--	--	--	178,618
<u>\$ 478,269</u>	<u>\$ 651,061</u>	<u>\$ 47,296</u>	<u>\$ 5,946,315</u>
\$ --	\$ --	\$ 9,100	\$ 210,737
--	--	3,019	297,846
--	--	24,105	178,618
--	--	287	1,705
38,817	--	--	194,451
<u>38,817</u>	<u>--</u>	<u>36,511</u>	<u>883,357</u>
439,452	--	--	439,452
--	--	10,785	10,785
--	651,061	--	3,701,061
--	--	--	911,660
<u>439,452</u>	<u>651,061</u>	<u>10,785</u>	<u>5,062,958</u>
<u>\$ 478,269</u>	<u>\$ 651,061</u>	<u>\$ 47,296</u>	<u>\$ 5,946,315</u>

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AUGUST 31, 2010**

Total fund balances - governmental funds balance sheet	\$ 5,062,958
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	23,494,429
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	194,451
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,475,035)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,278,224)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(56,518)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	41,627
Net assets of governmental activities - Statement of Net Assets	\$ <u>9,983,688</u>

The accompanying notes are an integral part of this statement.

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

		10	
Data Control Codes		General Fund	IDEA - Part B Formula - ARRA
<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 2,836,103	\$ --
5800	State Program Revenues	6,389,566	--
5900	Federal Program Revenues	218,113	162,876
5020	Total Revenues	9,443,782	162,876
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	5,517,686	71,992
0012	Instructional Resources and Media Services	144,893	--
0013	Curriculum and Staff Development	18,450	--
0021	Instructional Leadership	57,295	--
0023	School Leadership	531,516	--
0031	Guidance, Counseling, & Evaluation Services	109,078	--
0033	Health Services	115,104	--
0034	Student Transportation	241,373	90,884
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	254,447	--
0041	General Administration	364,679	--
0051	Plant Maintenance and Operations	1,112,278	--
0052	Security and Monitoring Services	41,342	--
0053	Data Processing Services	325,978	--
0071	Principal on Long-term Debt	125,000	--
0072	Interest on Long-term Debt	7,520	--
0073	Bond Issuance Costs and Fees	4,600	--
0081	Capital Outlay	--	--
0093	Payments to Shared Service Arrangements	--	--
6030	Total Expenditures	8,971,239	162,876
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	472,543	--
Other Financing Sources and (Uses):			
7911	Capital-Related Debt Issued (Regular Bonds)	--	--
7080	Total Other Financing Sources and (Uses)	--	--
1200	Net Change in Fund Balances	472,543	--
0100	Fund Balances - Beginning	3,489,117	--
3000	Fund Balances - Ending	\$ 3,961,660	\$ --

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 810,444	\$ --	\$ 147,299	\$ 3,793,846
461,868	--	56,352	6,907,786
--	--	717,526	1,098,515
1,272,312	--	921,177	11,800,147
--	--	180,869	5,770,547
--	--	--	144,893
--	--	200	18,650
--	--	6,853	64,148
--	--	--	531,516
--	--	37,630	146,708
--	--	--	115,104
--	--	--	332,257
--	--	395,121	395,121
--	--	--	254,447
--	--	--	364,679
--	--	--	1,112,278
--	--	--	41,342
486,615	--	--	325,978
606,113	--	--	611,615
1,077	--	--	613,633
--	--	--	5,677
--	1,309,712	--	1,309,712
--	--	318,978	318,978
1,093,805	1,309,712	939,651	12,477,283
178,507	(1,309,712)	(18,474)	(677,136)
--	1,960,000	--	1,960,000
--	1,960,000	--	1,960,000
178,507	650,288	(18,474)	1,282,864
260,945	773	29,259	3,780,094
\$ 439,452	\$ 651,061	\$ 10,785	\$ 5,062,958

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2010*

Net change in fund balances - total governmental funds	\$ 1,282,864
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,601,591
The depreciation of capital assets used in governmental activities is not reported in the funds.	(711,600)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(23,094)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(1,960,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	611,615
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	3,982
The accretion of interest on capital appreciation bonds is not reported in the funds.	(202,470)
(Increase) decrease in accrued interest from beginning of period to end of period.	(2,702)
Change in net assets of governmental activities - Statement of Activities	\$ <u>600,186</u>

The accompanying notes are an integral part of this statement.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS**

AUGUST 31, 2010

Data Control Codes		Agency Fund	Student Activity
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	105,811
1120	Current Investments		63,282
1000	Total Assets		169,093
<b>LIABILITIES:</b>			
Current Liabilities:			
2190	Due to Student Groups		169,093
2000	Total Liabilities		169,093
<b>NET ASSETS</b>			
3000	Total Net Assets	\$	0

The accompanying notes are an integral part of this statement.



**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

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

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

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

The District reports the following major governmental funds:

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

**IDEA-Part B, ARRA:** This accounts for the revenue and expenses associated with this stimulus program.

**Debt Service Fund:** This is the District's fund that accounts for funds collected for the purpose of retiring bonded debt and accounts for expenditures that service this debt.

**Capital Projects Fund:** This is the District's fund that accounts for the expenditures of the proceeds of the new \$2,000,000 debt.

## MAYPEARL INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

In addition, the District reports the following fund types:

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

Agency Funds (a fiduciary fund) are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The District's only Agency Fund is the Student Activity Fund.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, however, an allowance for doubtful collection of \$29,416 is included.

Allowances for uncollectible tax receivables 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.

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

b. Inventories and Prepaid Items

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings	50
Building Improvements	20
Vehicles	5-10
Office Equipment	7
Computer Equipment	3

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

e. Interfund Activity

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

f. 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 certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

g. Data Control Codes

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

## MAYPEARL INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

#### B. Compliance and Accountability

##### 1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

##### 2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

#### C. Deposits and Investments

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

##### 1. Cash Deposits:

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,673,929 and the bank balance was \$4,710,754. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

##### 2. Investments:

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

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

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

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

The District's investments at August 31, 2010 are shown below.

Investment or Investment Type	Maturity	Fair Value
Lone Star Investment Pool	N/A	\$ 294,998
Total Investments		\$ 294,998

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2010, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, contain no credit risk.

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

### Investment Accounting Policy

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

### Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

### D. Capital Assets

Capital asset activity for the year ended August 31, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 767,106	\$ --	\$ --	\$ 767,106
Total capital assets not being depreciated	767,106	--	--	767,106
<i>Capital assets being depreciated:</i>				
Buildings and improvements	25,009,832	1,323,929	(18,000)	26,351,761
Equipment	1,456,644	93,790	(7,000)	1,557,434
Vehicles	782,591	183,872	25,000	941,463
Total capital assets being depreciated	27,249,067	1,601,591	--	28,850,658
Less accumulated depreciation for:				
Buildings and improvements	(4,066,853)	(482,811)	--	(4,549,664)
Equipment	(990,566)	(157,898)	--	(1,148,464)
Vehicles	(354,316)	(70,891)	--	(425,207)
Total accumulated depreciation	(5,411,735)	(711,600)	--	(6,123,335)
Total capital assets being depreciated, net	21,837,332	889,991	--	22,727,323
Governmental activities capital assets, net	\$ 22,604,438	\$ 889,991	\$ --	\$ 23,494,429

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

Depreciation was charged to functions as follows:

Instruction	\$	433,369
Instructional Resources and Media Services		11,070
Curriculum and Staff Development		1,425
Instructional Leadership		4,901
School Leadership		40,608
Guidance, Counseling, & Evaluation Services		11,208
Health Services		8,794
Student Transportation		11,337
Food Services		29,631
Extracurricular Activities		19,440
General Administration		27,861
Plant Maintenance and Operations		83,892
Security and Monitoring Services		3,159
Data Processing Services		24,905
	\$	<u>711,600</u>

### E. Interfund Balances and Activities

#### 1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 24,105	Short-term loans
General Fund	IDEA-Part B Formula AARA	154,513	Short-term loans
	Total	<u>\$ 178,618</u>	

All amounts due are scheduled to be repaid within one year.

#### 2. Transfers To and From Other Funds

There were no transfers during the year.

### F. Long-Term Obligations

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 12,800,000	\$ --	\$ (390,000)	\$ 12,410,000	\$ 405,000
General obligation bonds					
Capital Appreciation	3,286,650	--	(96,615)	3,190,035	112,690
QSCB Construction Bond **	--	2,000,000	(125,000)	1,875,000	115,000
Accretion on Capital App Bd	1,040,555	202,470	--	1,243,025	--
Premium on Issuance ***	58,873	--	(2,355)	56,518	--
Total governmental activities	<u>\$ 17,186,078</u>	<u>\$ 2,202,470</u>	<u>\$ (613,970)</u>	<u>\$ 18,774,578</u>	<u>\$ 632,690</u>

\*\* To be repaid from General Fund revenues.

\*\*\* Not included as debt in 2009

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

### General Obligation Bonds

General obligation school building bonds payable at August 31, 2010, with their outstanding balance are comprised of the following individual issues.

The District issued \$4,499,998 of Schoolhouse and Refunding Bonds, Series 2000 during the year ended August 31, 2000 for the purposes of construction. Interest rates vary from 3.3% to 5.6% with installments varying from \$75,000 to \$410,000. The total balance on this issue at August 31, 2010 is \$934,997 with a \$139,997 portion reflected as Capital Appreciation Bonds.

The District issued \$9,449,993 of Unlimited Tax Refunding Bonds, Series 2004 during the year ended August 31, 2004 for the purposes of construction. Interest rates vary from 2.5% to 5.55% with installments varying from \$75,685 to \$1,081,375. The balance on this issue at August 31, 2010 is \$9,245,038 with a \$3,050,038 portion reflected as Capital Appreciation Bonds.

The District issued \$6,219,359 of Unlimited Tax School Building and Refunding Bonds, Series 2005 during the year ended August 31, 2005 for the purposes of construction. Interest rates vary from 3.0% to 5.0% with installments varying from \$20,365 to \$448,461. The total balance on this issue at August 31, 2010 is \$5,420,000 with no portion remaining as Capital Appreciation Bonds.

### Qualified School Construction Bond

The District issued \$2,000,000 of Qualified School Construction Maintenance Tax Note Bonds during the year ended August 31, 2010 for the purposes of construction. Interest rate is fixed at .94%% with installments varying from \$115,000 to \$130,000. The total balance on this issue at August 31, 2010 is \$1,875,000 with a final maturity date of 2025.

## 2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2010, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 632,690	\$ 617,625	\$ 1,250,315
2012	476,715	803,566	1,280,281
2013	477,097	815,698	1,292,795
2014	681,499	629,604	1,311,103
2015	721,362	627,009	1,348,371
2016-2020	3,010,010	4,227,876	7,237,886
2021-2025	2,999,955	3,736,333	6,736,288
2026-2030	3,585,707	2,870,005	6,455,712
2031-2035	4,890,000	508,750	5,398,750
2036-2040	--	--	--
Totals	\$ 17,475,035	\$ 14,836,466	\$ 32,311,501

## G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, 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.



## MAYPEARL INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

#### H. Pension Plan

##### 1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

##### 2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$361,034, \$319,973 and \$315,102, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009 and 2008 were \$58,988, \$41,051 and \$37,527, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$377,647 for the year ended August 31, 2010.

#### I. Retiree Health Care Plan

##### 1. Plan Description

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

##### 2. 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 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$59,464, \$53,187, and \$52,377, respectively, the active member contributions were \$38,652, \$34,572, and \$34,045, respectively, and the District's contributions were \$32,705, \$29,253, and \$28,807, respectively, which equaled the required contributions each year.

## MAYPEARL INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$13,680, \$11,167, and \$11,209, respectively.

#### J. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable October 1, 2010, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the TRS Active Care are available for the year ended December 31, 2009, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

#### K. Commitments and Contingencies

##### 1. Contingencies

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

##### 2. Litigation

No reportable litigation was pending against the District at August 31, 2010.

#### L. Shared Services Arrangements

##### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for IDEA-Part B and Special Education with the following school districts:

##### Member Districts

Avalon ISD  
Italy ISD  
Milford ISD  
Ferris ISD  
Palmer ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Ferris 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 the District. The fiscal agent manager is responsible for all financial activities of the SSA.

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

### M. Self-Funded Workman's Compensation Insurance

On September 1, 1991 the District joined a self-funded workers compensation plan known as East Texas Educational Insurance Association along with other Texas School Districts. The District pays an administrative fee based on total payroll costs multiplied by an experience modifier. The service agreement provides that the association will be self-sustaining through member premiums. Excess worker's compensation insurance is carried by Midwest Employers Casualty Co.. The specific retention is \$225,000, aggregate limit \$5,000,000. Liabilities are reported when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated.

#### Statement of Change in Liability

	2010	2009
Unpaid (overpayment) claims at September 1	\$ 28,902	\$ 33,674
Net claims incurred or (adjusted) during the year	55,824	7,277
Payments of claims during the year	(19,232)	(12,049)
Unpaid claims at August 31	\$ 65,494	\$ 28,902

The above amount is reflected as a liability on the financial statements as of August 31, 2010.

### N. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present final amended budgeted revenues and expenditures for each of these funds along with the adopted budget for the General Fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J4 and J5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	August 31, 2010
	Fund Balance
Appropriated Budget Funds	\$ 10,785

## **MAYPEARL INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2010**

**O. Accumulated Unpaid Vacation and Personal Leave Benefits**

At August 31, 2010, the District had no liability for accrued sick leave or vacation leave.

District employees accumulate personal leave at the rate of 5 days per year with no accumulation limit.

The District has non vested sick and personal leave benefits at August 31, 2010 which are not recorded on the financial statements in the amount of \$402,346. These benefits are recorded as expenditures as used.

**P. Deferred Career and Technology State Revenue**

Due to underspending in 2008, the District began the year with \$82,224 in deferred revenue in its Career and Technology category. By increasing its spending in this program during the year, the District was able to recognize \$82,224 as revenue, leaving \$-0- in deferred revenue.

### *Required Supplementary Information*

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

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT G-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 2,345,155	\$ 2,378,146	\$ 2,836,103	\$ 457,957
5800	State Program Revenues	7,294,542	7,139,542	6,389,566	(749,976)
5900	Federal Program Revenues	155,000	155,000	218,113	63,113
5020	Total Revenues	9,794,697	9,672,688	9,443,782	(228,906)
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,711,877	5,778,681	5,517,686	260,995
0012	Instructional Resources and Media Services	145,748	154,260	144,893	9,367
0013	Curriculum and Staff Development	17,750	18,750	18,450	300
	Total Instruction & Instr. Related Services	5,875,375	5,951,691	5,681,029	270,662
Instructional and School Leadership:					
0021	Instructional Leadership	66,500	66,500	57,295	9,205
0023	School Leadership	529,609	557,069	531,516	25,553
	Total Instructional & School Leadership	596,109	623,569	588,811	34,758
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	196,428	111,186	109,078	2,108
0033	Health Services	112,053	115,553	115,104	449
0034	Student (Pupil) Transportation	334,980	334,980	241,373	93,607
0036	Cocurricular/Extracurricular Activities	305,149	305,149	254,447	50,702
	Total Support Services - Student (Pupil)	948,610	866,868	720,002	146,866
Administrative Support Services:					
0041	General Administration	419,776	419,776	364,679	55,097
	Total Administrative Support Services	419,776	419,776	364,679	55,097
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,258,831	1,886,392	1,112,278	774,114
0052	Security and Monitoring Services	47,000	47,000	41,342	5,658
0053	Data Processing Services	312,613	327,613	325,978	1,635
	Total Support Services - Nonstudent Based	1,618,444	2,261,005	1,479,598	781,407
Debt Service:					
0071	Principal on Long-Term Debt	133,333	125,000	125,000	--
0072	Interest on Long-Term Debt	--	7,520	7,520	--
0073	Bond Issuance Costs and Fees	--	4,813	4,600	213
	Total Debt Service	133,333	137,333	137,120	213
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	312,000	312,000	--	312,000
	Total Intergovernmental Charges	312,000	312,000	--	312,000
6030	Total Expenditures	9,903,647	10,572,242	8,971,239	1,601,003
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(108,950)	(899,554)	472,543	1,372,097
1200	Net Change in Fund Balance	(108,950)	(899,554)	472,543	1,372,097
0100	Fund Balance - Beginning	3,489,117	3,489,117	3,489,117	--
3000	Fund Balance - Ending	\$ 3,380,167	\$ 2,589,563	\$ 3,961,660	\$ 1,372,097

### *Other Supplementary Information*

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

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2010

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2001 and Prior Years	\$	Various	\$	Various	\$	Various
2002		1.3764		.1736		101,349,760
2003		1.38		.17		113,707,162
2004		1.45		.13		125,860,759
2005		1.45		.329		136,076,391
2006		1.457		.294		151,554,890
2007		1.348		.30		165,447,964
2008		1.348		.30		185,475,597
2009		1.04		.32		208,757,353
2010 (School Year Under Audit)		1.04		.319		245,800,589
1000 Totals						



10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 12,680	\$ --	\$ 254	\$ 41	\$ (541)	\$ 11,844
7,108	--	91	11	(787)	6,219
9,529	--	1,001	123	(819)	7,586
12,357	--	1,101	99	(571)	10,586
18,169	--	5,021	1,139	1,876	13,885
25,095	--	14,135	2,817	9,949	18,092
30,201	--	13,955	3,106	9,590	22,730
38,858	--	18,160	5,239	9,516	24,975
96,458	--	51,693	15,906	6,556	35,415
--	3,340,430	2,500,817	767,078	--	72,535
<u>\$ 250,455</u>	<u>\$ 3,340,430</u>	<u>\$ 2,606,228</u>	<u>\$ 795,559</u>	<u>\$ 34,769</u>	<u>\$ 223,867</u>

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-2

## FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 210,328	\$ --	\$ --	\$ --	\$ 210,328
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	--	--	23,044	--	23,044
6212	Audit Services	--	--	--	11,525	--	--	11,525
6213	Tax Appraisal and Collection	--	29,256	--	--	--	--	29,256
621X	Other Prof. Services	--	6,364	2,775	4,520	6,249	4,177	24,085
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	--	--	7,018	7,018
6240	Contr. Maint. and Repair	--	--	--	--	8,862	--	8,862
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	2,505	--	2,505
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	10,418	--	--	5,322	15,740
6410	Travel, Subsistence, Stipends	7,088	--	4,178	--	3,466	--	14,732
6420	Ins. and Bonding Costs	--	--	--	--	--	10,137	10,137
6430	Election Costs	1,854	--	--	--	--	--	1,854
6490	Miscellaneous Operating	1,777	--	2,378	1,315	--	123	5,593
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--
Total		\$ 10,719	\$ 35,620	\$ 230,077	\$ 17,360	\$ 44,126	\$ 26,777	\$ 364,679

Total Expenditures for General and Special Revenue Funds (9) \$ 10,073,766

LESS: Deductions of Unallowable Costs

FISCAL YEAR		
Total Capital Outlay (6600)	(10)	\$ 1,601,591
Total Debt & Lease (6500)	(11)	137,120
Plant Maintenance (Function 51, 6100-6400)	(12)	1,087,991
Food (Function 35, 6341 and 6499)	(13)	--
Stipends (6413)	(14)	--
Column 4 (above) - Total Indirect Cost		17,360
Subtotal		2,844,062
Net Allowed Direct Cost		\$ 7,229,704

CUMULATIVE		
Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 26,351,761
Historical Cost of Buildings over 50 years old	(16)	--
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,557,434
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	--

(8) Note A - No Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2010

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 3,961,660
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	--
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	3,050,000
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	900,000
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	--
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	3,950,000
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 11,660

Above amount to be used for facilities and equipment additions.

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-4

Data Control Codes	1  Budget	2  Actual	3 Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 190,000	\$ 147,299	\$ (42,701)
5800 <i>State Program Revenues</i>	11,102	14,199	3,097
5900 <i>Federal Program Revenues</i>	204,900	215,149	10,249
5020 <i>Total Revenues</i>	406,002	376,647	(29,355)
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	406,085	395,121	10,964
Total Support Services - Student (Pupil)	406,085	395,121	10,964
6030 <i>Total Expenditures</i>	406,085	395,121	10,964
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	(83)	(18,474)	(18,391)
1200 <i>Net Change in Fund Balance</i>	(83)	(18,474)	(18,391)
0100 <i>Fund Balance - Beginning</i>	29,259	29,259	--
3000 <i>Fund Balance - Ending</i>	\$ 29,176	\$ 10,785	\$ (18,391)

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-5

Data Control Codes	1  Budget	2  Actual	3 Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 658,729	\$ 810,444	\$ 151,715
5800 <i>State Program Revenues</i>	451,054	461,868	10,814
5020 <i>Total Revenues</i>	1,109,783	1,272,312	162,529
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	486,615	486,615	--
0072 <i>Interest on Long-Term Debt</i>	617,668	606,113	11,555
0073 <i>Bond Issuance Costs and Fees</i>	5,500	1,077	4,423
<i>Total Debt Service</i>	1,109,783	1,093,805	15,978
6030 <i>Total Expenditures</i>	1,109,783	1,093,805	15,978
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	178,507	178,507
1200 <i>Net Change in Fund Balance</i>	--	178,507	178,507
0100 <i>Fund Balance - Beginning</i>	260,945	260,945	--
3000 <i>Fund Balance - Ending</i>	\$ 260,945	\$ 439,452	\$ 178,507

# ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA& CFE

## Independent Auditors' Report

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

Board of Trustees  
Maypearl Independent School District  
P. O. Drawer 40  
Maypearl, Texas 76064

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maypearl Independent School District as of and for the year ended August 31, 2010, which collectively comprise the Maypearl Independent School District's basic financial statements and have issued our report thereon dated November 1, 2010. 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 Maypearl Independent School District's internal control over financial reporting as a basis for designing our auditing 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 Maypearl Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Maypearl Independent School 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 Maypearl Independent School 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*.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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.

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

November 1, 2010

# ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE

## Independent Auditors' Report

Report on Compliance with Requirements Applicable  
To each Major Program and on Internal Control over Compliance  
In Accordance With OMB Circular A-133

Board of Trustees  
Maypearl Independent School District  
P. O. Drawer 40  
Maypearl, Texas 76064

Members of the Board of Trustees:

### Compliance

We have audited the compliance of Maypearl Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. Maypearl Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Maypearl Independent School District's management. Our responsibility is to express an opinion on Maypearl Independent School 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 Maypearl Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Maypearl Independent School District's compliance with those requirements.

In our opinion, Maypearl Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

### Internal Control Over Compliance

Management of Maypearl Independent School 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 Maypearl Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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 Maypearl Independent School District's internal control over compliance.



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

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 considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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.

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

November 1, 2010

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	ESEA Title I Part A-Improving Basic Programs
84.394A	ARRA Title XIV SFSF Grant
84.391	ARRA Special Education
84.392	ARRA IDEA Part B-Preschool
84.389A	ARRA Title I Part A-Improving Basic Programs

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

B. Financial Statement Findings

None noted

C. Federal Award Findings and Questioned Costs

None noted

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

Finding/Recommendation .....	Current Status .....	Management's Explanation If Not Implemented .....
None reported		

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

None noted so none required

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	106101010	\$ 69,082
ESEA Title I Part A - Improving Basic Programs *	84.010a	116101010	3,306
Total CFDA Number 84.010a			<u>72,388</u>
SSA IDEA-B Formula *	84.027A	070-915	210,361
Career and Technical - Basic Grant	84.048	104200060	1,553
SSA IDEA-B Preschool *	84.173	070-915	7,752
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.186a	106910010	2,266
Title II Part D Enhancing Education Through Technology *	84.318x	106300010	1,223
Title III Part A English Language Acquisition and Language Enhancement	84.365	106710010	8,227
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	106945010	29,812
ARRA - Title II Part D Subpart 1-Enhancing Education Through Technology	84.386	105530010	1,251
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389	105510010	40,067
ARRA - IDEA-Part B Formula *	84.391	105540010	162,876
ARRA - IDEA Part B, Preschool *	84.392	105550010	2,225
ARRA of 2009 Title XIV State Fiscal Stabilization Fund *	84.394A	105570010	343,365
Total Passed Through State Department of Education			<u>883,366</u>
Total U. S. Department of Education			<u>883,366</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
Food Distribution	10.550	070-915	20,367
School Breakfast Program *	10.553	070-915	37,881
National School Lunch Program *	10.555	070-915	156,901
Total Passed Through State Department of Education			<u>215,149</u>
Total U. S. Department of Agriculture			<u>215,149</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,098,515</u>

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

The accompanying notes are an integral part of this schedule.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT****NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2010****Basis of Presentation**

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

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS*  
*AS OF AUGUST 31, 2010*

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 1,243,025