

MAYPEARL INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2012*

Maypearl Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2012

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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, 2012, 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, 2012, 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, 2012, 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 October 12, 2012, 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 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 not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements. The other supplementary information 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, except for that portion marked "unaudited" on which we express no opinion, 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.

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

Anderson, Marx & Bohl, P.C.

October 12, 2012



# 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, 2012. 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 \$10,427,321 at August 31, 2012.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$487,985 less than the \$10,567,136 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs on financial statement exhibit C-2 decreased \$251,658 from last year. A decrease in instructional costs and capital expenditures over the prior year accounted for this decrease.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$4,404,511. The District began the current year with a fund balance in the amount of \$3,952,286.

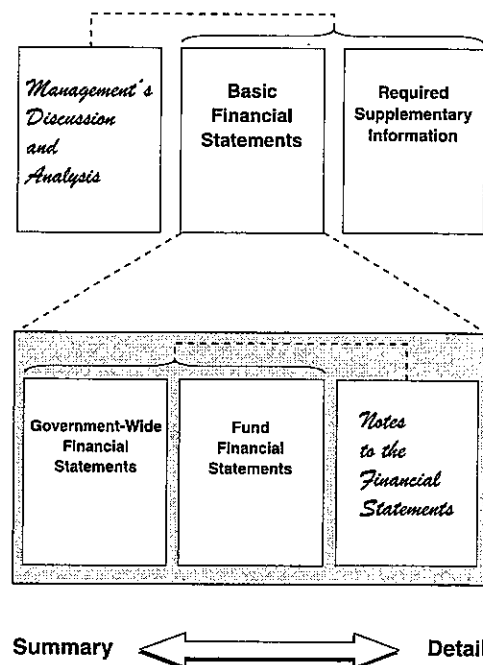
### OVERVIEW OF THE FINANCIAL STATEMENTS

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



## 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 \$10.43 million at August 31, 2012. (See Table A-1).

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

	Governmental Activities		Total Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
Current assets:			
Cash and cash equivalents	\$5.0	\$4.3	16
Investments	.7	.6	17
Due from other governments	.0	.2	**
Due from other funds	0	0	0
Other receivables	.1	.3	-67
Inventories – supplies and materials	0	0	0
Total current assets:	<u>5.8</u>	<u>5.4</u>	7
Noncurrent assets:			
Land, furniture and equipment	31.3	30.2	4
Less accumulated depreciation	<u>(7.8)</u>	<u>(6.9)</u>	-13
Total noncurrent assets	<u>23.5</u>	<u>23.3</u>	1
Total Assets	<u>29.3</u>	<u>28.7</u>	2
Current liabilities:			
Accounts payable and accrued liabilities	.4	.3	33
Claims payable	0	0	0
Due to other funds	0	0	0
Deferred revenue	<u>.3</u>	<u>.0</u>	**
Total current liabilities	<u>.7</u>	<u>.3</u>	133
Long-term liabilities:			
Noncurrent liabilities due in one year	.6	.5	20
Noncurrent liabilities due more than 1 yr	<u>17.6</u>	<u>17.9</u>	-2
Total Liabilities	<u>18.9</u>	<u>18.7</u>	1
Net Assets:			
Invested in capital assets, net of debt	5.3	5.0	6
Restricted	.6	.5	20
Unrestricted	<u>4.5</u>	<u>4.5</u>	0
Total Net Assets	<u>\$ 10.4</u>	<u>\$ 10.0</u>	4

The District has \$635,567 in restricted net assets that represent proceeds from debt service. These proceeds when spent, are restricted for the above purposes. The \$4,510,610 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 \$10,567,136. A significant portion, 34 percent, of the District's revenue comes from taxes. (See Figure A-3.) 48 percent comes from state aid – formula grants, while only 2 percent relates to charges for services.

The total cost of all programs and services was \$10,079,151; 83 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 \$17,211 or less than 1%.

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

	Governmental Activities		Total % Change
	<u>2012</u>	<u>2011</u>	
Program Revenues:			
Charges for Services	\$ .2	\$ .1	100
Operating Grants and Contributions	1.5	1.2	25
Capital Grants and Contributions	0	0	0
General Revenues			
Property Taxes	3.6	3.6	0
State Aid – Formula	5.1	5.7	-11
Investment Earnings	.0	.0	**
Other	.2	.1	100
Total Revenues	<u>10.6</u>	<u>10.7</u>	-1
Instruction	5.2	5.8	-10
Instructional Resources and Media Services	.1	.1	0
Curriculum Dev. And Instructional Staff Dev.	0	0	0
Instructional Leadership	.0	.1	**
School Leadership	.5	.6	-17
Guidance, Counseling and Evaluation Services	.3	.2	50
Social Work Services	0	0	0
Health Services	.1	.1	0
Student (Pupil) Transportation	.2	.1	100
Food Services	.4	.4	0
Curricular/Extracurricular Activities	.3	.3	0
General Administration	.4	.4	0
Plant Maintenance & Oper.	1.0	1.1	-9
Security & Monitoring Svcs.	0	0	0
Data Processing Services	.4	.4	0
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	.4	.3	33
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	<u>10.1</u>	<u>10.7</u>	-6
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	<u>\$ .5</u>	<u>\$ .0</u>	**

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 \$10.1 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3.6 million.
- Some of the cost was paid by those who directly benefited from the programs \$.18 million, or
- By grants and contributions \$1.52 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>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
Instruction	5.2	5.8	-10	4.6	5.2	-12
School administration	.4	.4	0	.4	.4	0
Plant Maintenance & Operations	1.0	1.1	-10	1.0	1.1	-10
Debt Service – Interest & Fiscal Charges	.8	.8	0	.4	.4	0

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$10.6 million, while the previous year it was \$10.8 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 decrease in state revenues is a result of a stable rate in the number of students in average daily attendance while the local tax base increased. The change in federal revenues is due to the change in stimulus of federal program revenue distributed through other agencies.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 2 times. Actual expenditures were \$693,355 below final budget amounts in the General Fund.

On the other hand, resources available were \$7,975 above the final budgeted amount.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2012, the District had invested \$31,284,086 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 \$1,019,345 or 3% percent over last year.

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

	Governmental Activities		Total Percentage Change <u>2012-2011</u>
	<u>2012</u>	<u>2011</u>	
Land	.767	.767	0
Interim Construction	0	0	**
Buildings and improvements	27.475	26.966	2
Vehicles	.942	.942	0
Equipment	1.648	1.590	4
Leased Assets	.452	.000	**
Totals at historical cost	31.284	30.265	3
Total accumulated depreciation	(7.792)	(6.943)	-12
Net capital assets	<u>23.492</u>	<u>23.322</u>	1

The District's fiscal year 2013 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 \$18.214 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
	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
Leases payable	.000	.000	**
Bonds payable	18.214	18.333	-1
Notes payable	0	0	**
Less deferred amount			
On refundings	(0)	(0)	0
Total bonds & notes payable	<u>18.214</u>	<u>18.333</u>	-1

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

- Appraised value used for the 2013 budget preparation is up \$272,091,108, or less than 3% from 2012.
- General operating fund spending per student decreased in the 2013 budget from \$9,290 to \$8,582. This is a 8.0% decrease.
- The District's 2013 refined average daily attendance is expected to be 986, a relatively stable number.

These indicators were taken into account when adopting the general fund budget for 2013. Amounts available for appropriation in the general fund budget are \$8,461,477, a decrease of 8 percent over the final 2012 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2013.

### 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, 2012

1

Data Control Codes		Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 4,966,812
1120	Current Investments	700,355
1225	Property Taxes Receivable (Net)	134,623
1240	Due from Other Governments	10,622
1420	Capitalized Bond and Other Debt Issuance Costs	35,681
Capital Assets:		
1510	Land	767,106
1520	Buildings and Improvements, Net	21,742,717
1530	Furniture and Equipment, Net	574,380
1550	Capital Lease Assets, Net	407,367
1000	Total Assets	<u>29,339,663</u>
<b>LIABILITIES:</b>		
2110	Accounts Payable	133,504
2140	Interest Payable	32,566
2165	Accrued Liabilities	248,581
2300	Unearned Revenue	284,150
Noncurrent Liabilities:		
2501	Due Within One Year	582,413
2502	Due in More Than One Year	17,631,128
2000	Total Liabilities	<u>18,912,342</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets, Net of Related Debt	5,281,144
Restricted For:		
3850	Debt Service	635,567
3900	Unrestricted	4,510,610
3000	Total Net Assets	<u>\$ 10,427,321</u>

The accompanying notes are an integral part of this statement.



**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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	\$ 5,189,880	\$ --	\$ 633,323	\$ (4,556,557)
12	Instructional Resources and Media Services	135,940	--	--	(135,940)
13	Curriculum and Staff Development	12,523	--	--	(12,523)
21	Instructional Leadership	55,931	--	--	(55,931)
23	School Leadership	470,866	--	--	(470,866)
31	Guidance, Counseling, & Evaluation Services	246,732	--	--	(246,732)
33	Health Services	104,191	--	--	(104,191)
34	Student Transportation	230,296	--	--	(230,296)
35	Food Service	422,943	146,837	223,808	(52,298)
36	Cocurricular/Extracurricular Activities	324,057	29,708	--	(294,349)
41	General Administration	375,145	--	--	(375,145)
51	Plant Maintenance and Operations	983,126	--	--	(983,126)
52	Security and Monitoring Services	9,099	--	--	(9,099)
53	Data Processing Services	348,067	--	--	(348,067)
72	Interest on Long-term Debt	806,260	--	360,206	(446,054)
73	Bond Issuance Costs and Fees	6,445	--	--	(6,445)
93	Payments Related to Shared Services Arrangements	357,650	--	307,629	(50,021)
TG	Total Governmental Activities	10,079,151	176,545	1,524,966	(8,377,640)
TP	Total Primary Government	\$ 10,079,151	\$ 176,545	\$ 1,524,966	(8,377,640)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,776,087
DT	Property Taxes, Levied for Debt Service				853,774
IE	Investment Earnings				44,887
GC	Grants and Contributions Not Restricted to Specific Programs				5,087,412
MI	Miscellaneous				103,465
TR	Total General Revenues				8,865,625
CN	Change in Net Assets				487,985
NB	Net Assets - Beginning				9,939,336
NE	Net Assets - Ending				\$ 10,427,321

The accompanying notes are an integral part of this statement.

## MAYPEARL INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 4,955,566	\$ 157	\$ 11,089	\$ 4,966,812
1120 Current Investments	93,469	606,886	--	700,355
1225 Taxes Receivable, Net	106,099	28,524	--	134,623
1240 Due from Other Governments	--	--	10,622	10,622
1000 Total Assets	<u>\$ 5,155,134</u>	<u>\$ 635,567</u>	<u>\$ 21,711</u>	<u>\$ 5,812,412</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 122,415	\$ --	\$ 11,089	\$ 133,504
2160 Accrued Wages Payable	237,959	--	10,622	248,581
2300 Deferred Revenue	390,249	28,524	--	418,773
2000 Total Liabilities	<u>750,623</u>	<u>28,524</u>	<u>21,711</u>	<u>800,858</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3415 Long-Term Loans/Notes Receivable	--	607,043	--	607,043
Committed Fund Balances:				
3510 Construction	200,000	--	--	200,000
Assigned Fund Balances:				
3550 Construction	2,200,000	--	--	2,200,000
3600 Unassigned	2,004,511	--	--	2,004,511
3000 Total Fund Balances	<u>4,404,511</u>	<u>607,043</u>	<u>--</u>	<u>5,011,554</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,155,134</u>	<u>\$ 635,567</u>	<u>\$ 21,711</u>	<u>\$ 5,812,412</u>

The accompanying notes are an integral part of this statement.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AUGUST 31, 2012**

Total fund balances - governmental funds balance sheet	\$ 5,011,554
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.	23,491,570
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	134,623
Payables for bond principal which are not due in the current period are not reported in the funds.	(16,365,630)
Payables for capital leases which are not due in the current period are not reported in the funds.	(361,963)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,466,706)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(51,808)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>35,681</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 10,427,321</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, 2012**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 3,040,453	\$ 870,481	\$ 145,938	\$ 4,056,872
5800 <i>State Program Revenues</i>	5,363,845	360,206	21,743	5,745,794
5900 <i>Federal Program Revenues</i>	307,629	--	516,140	823,769
5020 <i>Total Revenues</i>	<u>8,711,927</u>	<u>1,230,687</u>	<u>683,821</u>	<u>10,626,435</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	4,409,732	--	291,781	4,701,513
0012 <i>Instructional Resources and Media Services</i>	122,958	--	--	122,958
0013 <i>Curriculum and Staff Development</i>	7,202	--	4,125	11,327
0021 <i>Instructional Leadership</i>	48,483	--	2,107	50,590
0023 <i>School Leadership</i>	425,899	--	--	425,899
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	207,107	--	16,062	223,169
0033 <i>Health Services</i>	94,241	--	--	94,241
0034 <i>Student Transportation</i>	660,933	--	--	660,933
0035 <i>Food Service</i>	--	--	382,552	382,552
0036 <i>Cocurricular/Extracurricular Activities</i>	322,110	--	--	322,110
0041 <i>General Administration</i>	339,319	--	--	339,319
0051 <i>Plant Maintenance and Operations</i>	911,547	--	--	911,547
0052 <i>Security and Monitoring Services</i>	8,230	--	--	8,230
0053 <i>Data Processing Services</i>	314,827	--	--	314,827
0071 <i>Principal on Long-term Debt</i>	210,667	356,715	--	567,382
0072 <i>Interest on Long-term Debt</i>	24,072	786,023	--	810,095
0073 <i>Bond Issuance Costs and Fees</i>	1,250	4,577	--	5,827
0081 <i>Capital Outlay</i>	--	--	509,232	509,232
0093 <i>Payments to Shared Service Arrangements</i>	357,650	--	--	357,650
6030 <i>Total Expenditures</i>	<u>8,466,227</u>	<u>1,147,315</u>	<u>1,205,859</u>	<u>10,819,401</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>245,700</u>	<u>83,372</u>	<u>(522,038)</u>	<u>(192,966)</u>
Other Financing Sources and (Uses):				
7913 <i>Proceeds from Capital Leases</i>	452,630	--	--	452,630
7915 <i>Transfers In</i>	--	--	246,105	246,105
8911 <i>Transfers Out</i>	(246,105)	--	--	(246,105)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>206,525</u>	<u>--</u>	<u>246,105</u>	<u>452,630</u>
1200 <i>Net Change in Fund Balances</i>	<u>452,225</u>	<u>83,372</u>	<u>(275,933)</u>	<u>259,664</u>
0100 <i>Fund Balances - Beginning</i>	3,952,286	523,671	275,933	4,751,890
3000 <i>Fund Balances - Ending</i>	<u>\$ 4,404,511</u>	<u>\$ 607,043</u>	<u>\$ --</u>	<u>\$ 5,011,554</u>

The accompanying notes are an integral part of this statement.

**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, 2012**

Net change in fund balances - total governmental funds	\$ 259,664
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,019,345
The depreciation of capital assets used in governmental activities is not reported in the funds.	(849,694)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(59,299)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(452,630)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	476,715
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	90,667
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(618)
The accretion of interest on capital appreciation bonds is not reported in the funds.	2,430
(Increase) decrease in accrued interest from beginning of period to end of period.	1,405
Change in net assets of governmental activities - Statement of Activities	\$ <u>487,985</u>

The accompanying notes are an integral part of this statement.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****AUGUST 31, 2012**

		Agency Fund
Data Control Codes		Student Activity
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 85,104
1120	<i>Current Investments</i>	64,886
1000	Total Assets	<u>149,990</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	149,990
2000	Total Liabilities	<u>149,990</u>
<b>NET ASSETS</b>		
3000	Total Net Assets	<u>\$ -</u>

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, 2012**

**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.

**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.

In addition, the District reports the following fund types:

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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 \$20,365 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, 2012**

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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, 2012**

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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:

<u>Violation</u>	<u>Action Taken</u>
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:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**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, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,778,462 and the bank balance was \$5,885,473. The District's cash deposits at August 31, 2012 and during the year ended August 31, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**2. Investments:**

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

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

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

The District's investments at August 31, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit included in cash	N/A	\$ 64,045
Lone Star Investment Pool	N/A	38,695
Total Investments		<u>\$ 102,740</u>

**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.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

At August 31, 2012, 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.

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.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**D. Capital Assets**

Capital asset activity for the year ended August 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 767,106	\$ --	\$ --	\$ 767,106
Total capital assets not being depreciated	<u>767,106</u>	<u>--</u>	<u>--</u>	<u>767,106</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	26,965,966	509,232	--	27,475,198
Equipment	1,590,206	57,483	--	1,647,689
Vehicles	941,463	--	--	941,463
Leased assets	--	452,630	--	452,630
Total capital assets being depreciated	<u>29,497,635</u>	<u>1,019,345</u>	<u>--</u>	<u>30,516,980</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,135,980)	(596,501)	--	(5,732,481)
Equipment	(1,310,744)	(140,759)	--	(1,451,503)
Vehicles	(496,098)	(67,171)	--	(563,269)
Leased assets	--	(45,263)	--	(45,263)
Total accumulated depreciation	<u>(6,942,822)</u>	<u>(849,694)</u>	<u>--</u>	<u>(7,792,516)</u>
Total capital assets being depreciated, net	<u>22,554,813</u>	<u>169,651</u>	<u>--</u>	<u>22,724,464</u>
Governmental activities capital assets, net	<u>\$ 23,321,919</u>	<u>\$ 169,651</u>	<u>\$ --</u>	<u>\$ 23,491,570</u>

Depreciation was charged to functions as follows:

Instruction	\$ 494,541
Instructional Resources and Media Services	12,982
Curriculum and Staff Development	1,196
Instructional Leadership	5,341
School Leadership	44,967
Guidance, Counseling, & Evaluation Services	23,563
Health Services	9,950
Student Transportation	21,993
Food Services	40,391
Extracurricular Activities	30,947
General Administration	35,826
Plant Maintenance and Operations	93,888
Security and Monitoring Services	869
Data Processing Services	33,240
	<u>\$ 849,694</u>

**E. Interfund Balances and Activities**

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

There were no interfund balances at August 31, 2012.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 246,105	Supplement other funds sources
	Total	<u>\$ 246,105</u>	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

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, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 12,005,000	\$ --	\$ (218,794)	\$ 11,786,206	\$ 229,274
General obligation bonds					
Capital Appreciation	3,077,345	--	(137,921)	2,939,424	145,894
QCCB Construction Bond**	1,760,000	--	(120,000)	1,640,000	120,000
Capital leases **	--	452,630	(90,667)	361,963	87,245
Accretion on Capital App Bd	1,436,570	--	(2,430)	1,434,140	--
Premium on Issuance	54,163	--	(2,355)	51,808	--
Total governmental activities	<u>\$ 18,333,078</u>	<u>\$ 452,630</u>	<u>\$ (572,167)</u>	<u>\$ 18,213,541</u>	<u>\$ 582,413</u>

\*\* To be paid from General Fund

General Obligation Bonds

General obligation school building bonds payable at August 31, 2012, 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, 2012 is \$811,203 with a \$66,203 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, 2012 is \$8,994,427 with a \$2,873,221 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, 2012 is \$4,920,000.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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, 2012 is \$1,640,000 with a final maturity date of 2025.

Lease

The District issued a \$452,630 lease obligation during the year to purchase 5 buses, with an interest rate of 3% and installments of \$98,141 per year. The total balance on this issue at August 31, 2012 is \$361,963 with a final maturity date of 2016.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2012, are as follows:

<u>Year Ending August 31,</u>	Governmental Activities		
	Principal	Interest	Total
2013	\$ 495,168	\$ 815,698	\$ 1,310,866
2014	681,499	629,604	1,311,103
2015	721,362	627,009	1,348,371
2016	728,181	626,192	1,354,373
2017	552,180	698,037	1,250,217
2018-2022	2,913,611	3,645,852	6,559,463
2023-2027	2,446,701	4,170,412	6,617,113
2028-2032	5,250,000	1,333,164	6,583,164
2033-2037	2,576,928	132,625	2,709,553
Totals	<u>\$ 16,365,630</u>	<u>\$ 12,678,593</u>	<u>\$ 29,044,223</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2012, as follows:

<u>Year Ending August 31,</u>	Governmental Activities		
	Principal	Interest	Total
2013	\$ 87,245	\$ 10,950	\$ 98,195
2014	89,892	8,332	98,224
2015	92,558	5,637	98,195
2016	92,268	2,868	95,136
Totals	<u>\$ 361,963</u>	<u>\$ 27,787</u>	<u>\$ 389,750</u>

Lease Expenditures in 2012 \$ 98,195

The effective interest rate on capital leases is 3.000%.

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 2012, 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, 2012**

**H. Pension Plan**

**1. Plan Description**

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

**2. Funding Policy**

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011, and 2010, and a state contribution rate of 6% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2012, 2011 and 2010 were \$339,203, \$347,615 and \$361,034, respectively. The District paid additional state contributions for the years ending August 31, 2012, 2011 and 2010 in the amount of \$41,792, \$58,842 and \$58,988, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

**I. Retiree Health Care Plans**

**1. TRS-Care**

**a. Plan Description**

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



**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. 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 2012, 2011 and 2010. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$51,054, \$54,314, and \$59,464, respectively, the active member contributions were \$33,185, \$35,304, and \$38,652, respectively, and the District's contributions were \$28,080, \$29,873, and \$32,705 respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$11,544, \$12,246, and \$13,680, respectively.

3. Early Retiree Reinsurance Program (ERRP)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2012, the amount received by TRS-Care on behalf of the District was \$12,729.

J. Employee Health Care Coverage

During the year ended August 31, 2012, 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 September 1, 2012, 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, 2011, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**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, 2012.

**L. Shared Services Arrangements**

**Shared Services Arrangement - Membership**

The District participates in a shared services arrangement ("SSA") for 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.

**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**

	2012	2011
Unpaid (overpayment) claims at September 1	\$ 86,561	\$ 65,494
Net claims incurred or (adjusted) during the year	44,110	62,590
Payments of claims during the year	(75,146)	(41,523)
Unpaid claims at August 31	<u>\$ 55,525</u>	<u>\$ 86,561</u>

The above amount is reflected as a liability on the financial statements as of August 31, 2012.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**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, 2012 Fund Balance
Appropriated Budget Funds	\$ <u>    --    </u>

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

At August 31, 2012, 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, 2012 which are not recorded on the financial statements in the amount of \$542,953. These benefits are recorded as expenditures as used.

**P. Budget Overages**

The District exceeded it food budget by \$61,968 or 19%.

### *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**
**EXHIBIT G-1**
**GENERAL FUND**
**BUDGETARY COMPARISON SCHEDULE**
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,958,423	\$ 3,024,630	\$ 3,040,453	\$ 15,823
5800	State Program Revenues	5,481,322	5,481,322	5,363,845	(117,477)
5900	Federal Program Revenues	198,000	198,000	307,629	109,629
5020	Total Revenues	8,637,745	8,703,952	8,711,927	7,975
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,614,217	4,622,658	4,409,732	212,926
0012	Instructional Resources and Media Services	113,872	135,369	122,958	12,411
0013	Curriculum and Staff Development	7,500	7,500	7,202	298
	Total Instruction & Instr. Related Services	4,735,589	4,765,527	4,539,892	225,635
Instructional and School Leadership:					
0021	Instructional Leadership	56,351	56,351	48,483	7,868
0023	School Leadership	429,270	429,270	425,899	3,371
	Total Instructional & School Leadership	485,621	485,621	474,382	11,239
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	211,072	211,122	207,107	4,015
0033	Health Services	95,535	95,535	94,241	1,294
0034	Student (Pupil) Transportation	365,206	721,391	660,933	60,458
0036	Cocurricular/Extracurricular Activities	313,933	342,139	322,110	20,029
	Total Support Services - Student (Pupil)	985,746	1,370,187	1,284,391	85,796
Administrative Support Services:					
0041	General Administration	385,284	385,284	339,319	45,965
	Total Administrative Support Services	385,284	385,284	339,319	45,965
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,209,578	1,217,591	911,547	306,044
0052	Security and Monitoring Services	12,023	12,023	8,230	3,793
0053	Data Processing Services	326,710	326,710	314,827	11,883
	Total Support Services - Nonstudent Based	1,548,311	1,556,324	1,234,604	321,720
Debt Service:					
0071	Principal on Long-Term Debt	120,000	210,667	210,667	--
0072	Interest on Long-Term Debt	16,544	24,072	24,072	--
0073	Bond Issuance Costs and Fees	3,000	4,250	1,250	3,000
	Total Debt Service	139,544	238,989	235,989	3,000
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	357,650	357,650	357,650	--
	Total Intergovernmental Charges	357,650	357,650	357,650	--
6030	Total Expenditures	8,637,745	9,159,582	8,466,227	693,355
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(455,630)	245,700	701,330
Other Financing Sources (Uses):					
7913	Proceeds from Capital Leases	--	452,630	452,630	--
8911	Transfers Out	--	(246,105)	(246,105)	--
7080	Total Other Financing Sources and (Uses)	--	206,525	206,525	--
1200	Net Change in Fund Balance	--	(249,105)	452,225	701,330
0100	Fund Balance - Beginning	3,952,286	3,952,286	3,952,286	--
3000	Fund Balance - Ending	\$ 3,952,286	\$ 3,703,181	\$ 4,404,511	\$ 701,330

### *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, 2012**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2003 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.04		.319		245,800,589
2011		1.04		.319		259,003,311
2012 (School Year Under Audit)		1.04		.319		264,796,836
1000 Totals						

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 23,617	\$ --	\$ --	\$ --	\$ (10,393)	\$ 13,224
8,442	--	47	4	(3,424)	4,967
10,270	--	647	147	(3,165)	6,311
17,886	--	5,817	1,159	(6,141)	4,769
22,870	--	4,747	1,056	(3,036)	14,031
17,466	--	3,665	1,057	(1,240)	11,504
26,584	--	5,633	1,733	(3,206)	16,012
32,718	--	9,766	2,995	162	20,119
63,405	--	31,955	9,801	(1,619)	20,030
--	3,598,589	2,720,199	834,369	--	44,021
<u>\$ 223,258</u>	<u>\$ 3,598,589</u>	<u>\$ 2,782,476</u>	<u>\$ 852,321</u>	<u>\$ (32,062)</u>	<u>\$ 154,988</u>



**MAYPEARL INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT J-2**

**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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	\$ --	\$ --	\$ 204,346	\$ 160,925	\$ --	\$ --	\$ 365,271
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	--	--	--	--	6,827	--	6,827
6212	Audit Services	--	--	--	13,345	--	--	13,345
6213	Tax Appraisal and Collection	--	27,857	--	--	--	--	27,857
621X	Other Prof. Services	--	6,146	492	--	5,853	10,930	23,421
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	1,734	--	--	--	--	6,350	8,084
6240	Contr. Maint. and Repair	--	--	--	--	8,566	--	8,566
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	1,693	--	1,693
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	7,423	--	--	5,073	12,496
6410	Travel, Subsistence, Stipends	6,358	--	--	--	1,935	--	8,293
6420	Ins. and Bonding Costs	--	--	--	--	--	16,313	16,313
6430	Election Costs	2,279	--	--	--	--	--	2,279
6490	Miscellaneous Operating	791	--	2,811	1,265	--	124	4,991
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 11,162 \$ 34,003 \$ 215,072 \$ 175,535 \$ 24,874 \$ 38,790 \$ 499,436

Total Expenditures for General and Special Revenue Funds (9) \$ 9,162,854

**LESS: Deductions of Unallowable Costs**
**FISCAL YEAR**

Total Capital Outlay (6600) (10) \$ 596,496  
 Total Debt & Lease (6500) (11) 235,989  
 Plant Maintenance (Function 51, 6100-6400) (12) 863,987  
 Food (Function 35, 6341 and 6499) (13) --  
 Stipends (6413) (14) --  
 Column 4 (above) - Total Indirect Cost 175,535

**Subtotal**
**1,872,007**
**Net Allowed Direct Cost**
**\$ 7,290,847**
**CUMULATIVE**

Total Cost of Buildings Before Depreciation (1520) (15) \$ 27,475,198  
 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) 1,647,689  
 Historical Cost of Furniture & Equipment over 16 years old (19) --  
 Amount of Federal Money in Furniture & Equipment (Net of #19) (20) --

(8) Note A - \$160,117 in 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, 2012**

**EXHIBIT J-3**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2012 (Exhibit C-1 object 3000 for the General Fund only)	\$ 4,404,511
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	200,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	2,200,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	1,800,000
8	Estimate of delayed payments from state sources (58XX)	--
9	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	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	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)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	4,200,000
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 204,511

Above amount anticipated to be used for capital expenditures

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**EXHIBIT J-4**

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 96,000	\$ 145,938	\$ 49,938
5800	State Program Revenues	11,102	12,360	1,258
5900	Federal Program Revenues	213,482	211,448	(2,034)
5020	Total Revenues	320,584	369,746	49,162
<b>EXPENDITURES:</b>				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	320,584	382,552	(61,968)
	Total Support Services - Student (Pupil)	320,584	382,552	(61,968)
6030	Total Expenditures	320,584	382,552	(61,968)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	(12,806)	(12,806)
Other Financing Sources (Uses):				
7915	Transfers In	10,909	10,909	--
7080	Total Other Financing Sources and (Uses)	10,909	10,909	--
1200	Net Change in Fund Balance	10,909	(1,897)	(12,806)
0100	Fund Balance - Beginning	1,897	1,897	--
3000	Fund Balance - Ending	\$ 12,806	\$ -	\$ (12,806)

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 867,366	\$ 870,481	\$ 3,115
5800	State Program Revenues	280,372	360,206	79,834
5020	Total Revenues	1,147,738	1,230,687	82,949
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	356,715	356,715	--
0072	Interest on Long-Term Debt	786,023	786,023	--
0073	Bond Issuance Costs and Fees	5,000	4,577	423
	Total Debt Service	1,147,738	1,147,315	423
6030	Total Expenditures	1,147,738	1,147,315	423
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	83,372	83,372
1200	Net Change in Fund Balance	--	83,372	83,372
0100	Fund Balance - Beginning	523,671	523,671	--
3000	Fund Balance - Ending	\$ 523,671	\$ 607,043	\$ 83,372

# 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, 2012, which collectively comprise the Maypearl Independent School District's basic financial statements and have issued our report thereon dated October 12, 2012. 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

Management of Maypearl Independent School District is responsible for establishing and maintaining effective 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 12-01 and 12-02.

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.

October 12, 2012

# 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 That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

#### Compliance

We have audited Maypearl Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Maypearl Independent School District's major federal programs for the year ended August 31, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

#### 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

October 12, 2012



**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**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?   X   Yes        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 OMB Circular A-133?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84-027A	SSA IDEA Part B Formula
84-027	IDEA Part B-Formula
84-173	SSA IDEA Part B-Preschool

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

Auditee qualified as low-risk auditee?   X   Yes        No

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**B. Financial Statement Findings**

12-01

Condition: The District failed to record a lease due to it being a non cash transaction.

Criteria: The District is required to record a capital lease obligation as an other resource and capital expenditure when it assumes such an obligation.

Effect: Total expenditures and other resources were understated.

Cause: The District failed to record a lease due to it being a non cash transaction.

Recommendation: The District should record a lease obligation in the books when it is executed.

District's Response: The District will record the resource from a capital lease along with the capital expenditure.

12-02

Condition: The District overspent it food budget by \$61,968 or 19%.

Criteria: The District is required to monitor its spending against its budget before approving expenditures not in its original budget.

Effect: The District spent in excess of its approved budget.

Cause: The District failed to properly amend its budget before approving expenditures not in its original budget.

Recommendation: The District needs to amend its budget or restrict spending in categories that are fully spent.

District's Response: The District will monitor its anticipated spending and amend its budget accordingly.

**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, 2012**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
No prior audit findings		

## **MAYPEARL INDEPENDENT SCHOOL DISTRICT**

### ***CORRECTIVE ACTION PLAN***

***FOR THE YEAR ENDED AUGUST 31, 2012***

The District will record capital lease obligations in the books when a lease is executed. Leighanne McAlister at phone number 972-435-2116 will be responsible.

The District will monitor its spending and amend its budget as required. Leighanne McAlister at phone number 972-435-2116 will be responsible.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**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	1261010107091	\$ 62,417
ESEA Title I Part A - Improving Basic Programs *	84.010a	13610101070915	5,074
Total CFDA Number 84.010a			<u>67,491</u>
IDEA-B Formula *	84.027	136101010070915	5,548
SSA IDEA-B Formula *	84.027A	26600010709055800	294,057
Career and Technical - Basic Grant	84.048	124200060070915	5,522
SSA IDEA-B Preschool *	84.173	26610010709056610	13,572
Title III Part A English Language Acquisition and Language Enhancement	84.365	12671001070915	4,371
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	1269450107915	25,917
Education Jobs Fund	84.410	11550101070915	195,843
Total Passed Through State Department of Education			<u>612,321</u>
Total U. S. Department of Education			<u>612,321</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
Food Distribution	10.550	070-915	21,428
School Breakfast Program *	10.553	070-915	45,948
National School Lunch Program *	10.555	070-915	144,072
Total Passed Through State Department of Education			<u>211,448</u>
Total U. S. Department of Agriculture			<u>211,448</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>823,769</u></b>

\* 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, 2012**

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, 2012*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning 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?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 1,434,140