

MAYPEARL INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2013*

Maypearl Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2013

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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, 2013, 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**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maypearl Independent School District ("the District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Maypearl Independent School District as of August 31, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maypearl Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2013 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* in considering Maypearl Independent School District's internal control over financial reporting and compliance.

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

Anderson, Marx & Bohl, P.C.

Corsicana, Texas

November 10, 2013

# 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, 2013. 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 \$10,510,411 at August 31, 2013.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$83,090 less than the \$10,089,345 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs on financial statement exhibit C-2 increased \$11,594,731 from last year. A bond refinancing and capital expenditures over the prior year accounted for this increase.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$4,433,263. The District began the current year with a fund balance in the amount of \$4,404,511.

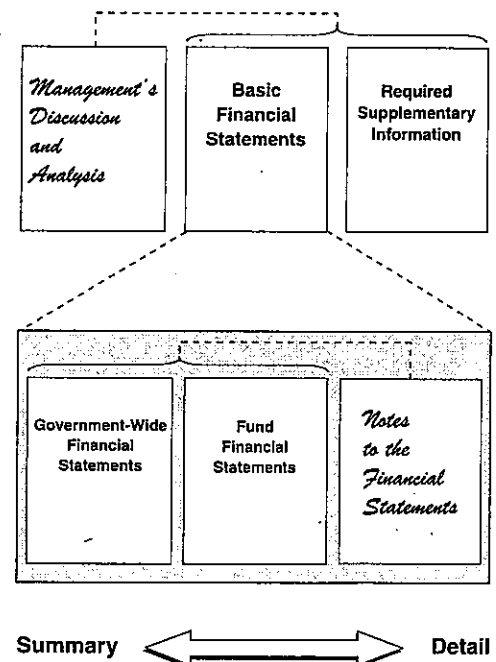
### OVERVIEW OF THE FINANCIAL STATEMENTS

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 \$10.51 million at August 31, 2013. (See Table A-1).

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

|   | Governmental<br>Activities |                | Total<br>Percentage<br>Change |
|---|----------------------------|----------------|-------------------------------|
|   | <u>2013</u>                | <u>2012</u>    | <u>2013-2012</u>              |
| Current assets:                           |                            |                |                               |
| Cash and cash equivalents                 | \$5.5                      | \$5.0          | 10                            |
| Investments                               | .7                         | .7             | 0                             |
| Due from other governments                | .0                         | .0             | **                            |
| Due from other funds                      | 0                          | 0              | **                            |
| Other receivables                         | .1                         | .1             | 0                             |
| Inventories – supplies and materials      | 0                          | 0              | **                            |
| Total current assets:                     | <u>6.3</u>                 | <u>5.8</u>     | 9                             |
| Noncurrent assets:                        |                            |                |                               |
| Land, furniture and equipment             | 33.1                       | 31.3           | 6                             |
| Less accumulated depreciation             | <u>(8.7)</u>               | <u>(7.8)</u>   | -12                           |
| Total noncurrent assets                   | <u>24.4</u>                | <u>23.5</u>    | 4                             |
| Total Assets                              | <u>30.7</u>                | <u>29.3</u>    | 5                             |
| Current liabilities:                      |                            |                |                               |
| Accounts payable and accrued liabilities  | .4                         | .4             | 0                             |
| Claims payable                            | 0                          | 0              | **                            |
| Due to other funds                        | 0                          | 0              | **                            |
| Deferred revenue                          | .7                         | .3             | 133                           |
| Total current liabilities                 | <u>1.1</u>                 | <u>.7</u>      | 57                            |
| Long-term liabilities:                    |                            |                |                               |
| Noncurrent liabilities due in one year    | .8                         | .6             | 33                            |
| Noncurrent liabilities due more than 1 yr | <u>18.3</u>                | <u>17.6</u>    | 4                             |
| Total Liabilities                         | <u>20.2</u>                | <u>18.9</u>    | 7                             |
| Net Assets:                               |                            |                |                               |
| Invested in capital assets, net of debt   | 5.3                        | 5.3            | 0                             |
| Restricted                                | 1.1                        | .6             | 83                            |
| Unrestricted                              | <u>4.1</u>                 | <u>4.5</u>     | -9                            |
| Total Net Assets                          | <u>\$ 10.5</u>             | <u>\$ 10.4</u> | 14                            |

The District has \$1,054,015 in restricted net assets that represent proceeds from debt service of \$1,046,936 and state and federal programs of \$7,079. These proceeds when spent, are restricted for the above purposes. The \$4,108,468 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 \$10,089,345. A significant portion, 37 percent, of the District's revenue comes from taxes. (See Figure A-3.) 49 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 \$10,006,255; 87 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, due to increased values tax revenues increased by \$57,335 or less than 2%.

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

|  | Governmental<br>Activities |              | Total<br>%<br>Change |
|--|----------------------------|--------------|----------------------|
|  | <u>2013</u>                | <u>2012</u>  |                      |
| Program Revenues:                                    |                            |              |                      |
| Charges for Services                                 | \$ .2                      | \$ .2        | 0                    |
| Operating Grants and Contributions                   | 1.1                        | 1.5          | -27                  |
| Capital Grants and Contributions                     | 0                          | 0            | **                   |
| General Revenues                                     |                            |              |                      |
| Property Taxes                                       | 3.7                        | 3.6          | 3                    |
| State Aid – Formula                                  | 4.9                        | 5.1          | -4                   |
| Investment Earnings                                  | .0                         | .0           | **                   |
| Other  | .2                         | .2           | 0                    |
| Total Revenues                                       | <u>10.1</u>                | <u>10.6</u>  | -5                   |
| Instruction  | 5.2                        | 5.2          | 0                    |
| Instructional Resources and Media Services           | .2                         | .1           | 100                  |
| Curriculum Dev. And Instructional Staff Dev.         | 0                          | 0            | **                   |
| Instructional Leadership                             | .1                         | .0           | **                   |
| School Leadership                                    | .5                         | .5           | 0                    |
| Guidance, Counseling and Evaluation Services         | .3                         | .3           | 0                    |
| Social Work Services                                 | 0                          | 0            | **                   |
| Health Services                                      | .1                         | .1           | 0                    |
| Student (Pupil) Transportation                       | .3                         | .2           | 50                   |
| Food Services  | .4                         | .4           | 0                    |
| Curricular/Extracurricular Activities                | .3                         | .3           | 0                    |
| General Administration                               | .4                         | .4           | 0                    |
| Plant Maintenance & Oper.                            | 1.1                        | 1.0          | 10                   |
| Security & Monitoring Svcs.                          | 0                          | 0            | **                   |
| Data Processing Services                             | .3                         | .4           | -25                  |
| Community Services                                   | 0                          | 0            | **                   |
| Debt Services  | .8                         | .8           | 0                    |
| Facilities Acquisition and Construction              | 0                          | 0            | **                   |
| Contracted Instr. Services Between Public Schools    | 0                          | 0            | **                   |
| Increment Costs Associated Chapter 41 (WADA)         | 0                          | 0            | **                   |
| Payments to Fiscal Agent/Member Dist. - SSA          | .0                         | .4           | **                   |
| Public Education Grant Progr.                        | 0                          | 0            | **                   |
| Payments to Juvenile Justice Alternative Ed. Program | 0                          | 0            | **                   |
| Payments to Charter Schools                          | 0                          | 0            | **                   |
| Payments to Tax Increment Fund                       | 0                          | 0            | **                   |
| Total Expenses                                       | <u>10.0</u>                | <u>10.1</u>  | -1                   |
| Excess (Deficiency) Before Other Resources,          |                            |              |                      |
| Uses & Transfers                                     | 0                          | 0            | **                   |
| Other Resources (Uses)                               | 0                          | 0            | **                   |
| Transfers In (Out)                                   | 0                          | 0            | **                   |
| Increase (Decrease) in Net Assets                    | <u>\$ .1</u>               | <u>\$ .5</u> | -80                  |

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 \$10.0 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3.7 million.
- Some of the cost was paid by those who directly benefited from the programs \$.18 million, or
- By grants and contributions \$1.14 million.

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

|  | Total Cost of Services |             |          | Net Cost of Services |             |          |
|--|------------------------|-------------|----------|----------------------|-------------|----------|
|  | <u>2013</u>            | <u>2012</u> | % Change | <u>2013</u>          | <u>2012</u> | % Change |
| Instruction                              | 5.2                    | 5.2         | 0        | 4.8                  | 4.6         | 4        |
| School administration                    | .4                     | .4          | 0        | .4                   | .4          | 0        |
| Plant Maintenance & Operations           | 1.1                    | 1.0         | 10       | 1.1                  | 1.0         | 10       |
| Debt Service – Interest & Fiscal Charges | .8                     | .8          | 0        | .5                   | .4          | 25       |

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$10.1 million, while the previous year it was \$10.6 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 1 times. Actual expenditures were \$624,420 below final budget amounts in the General Fund.

On the other hand, resources available were \$288,659 below the final budgeted amount due to reduction in state revenue as enrollment was less than anticipated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2013, the District had invested \$33,143,503 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 \$1,859,417 or 6% percent over last year.

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

|                                | Governmental Activities |               | Total Percentage Change<br><u>2013-2012</u> |
|--------------------------------|-------------------------|---------------|---|
|                                | <u>2013</u>             | <u>2012</u>   |   |
| Land                           | .767                    | .767          | 0   |
| Interim Construction           | 0                       | 0             | **  |
| Buildings and improvements     | 27.243                  | 27.475        | 1   |
| Vehicles                       | .989                    | .942          | 5   |
| Equipment                      | 1.693                   | 1.648         | 3   |
| Leased Assets                  | .452                    | .452          | **  |
| Totals at historical cost      | 33.144                  | 31.284        | 6   |
| Total accumulated depreciation | (8.710)                 | (7.792)       | -12   |
| Net capital assets             | <u>24,434</u>           | <u>23,492</u> | 4   |

The District's fiscal year 2014 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 \$19.060 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<br>Activities |        | Total<br>Percentage<br>Change |
|-----------------------------|----------------------------|--------|-------------------------------|
|                             | 2013                       | 2012   | 2013-2012                     |
| Leases payable              | .000                       | .000   | **                            |
| Bonds payable               | 19.060                     | 18.214 | 5                             |
| Notes payable               | 0                          | 0      | **                            |
| Less deferred amount        |                            |        |                               |
| On refundings               | (0)                        | (0)    | **                            |
| Total bonds & notes payable | 19.060                     | 18.214 | 5                             |

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

- Appraised value used for the 2014 budget preparation is down \$22,016,518, or less than 8% from 2013.
- General operating fund spending per student decreased in the 2014 budget from \$10,746 to \$9,891. This is a 8.0% decrease.
- The District's 2014 refined average daily attendance is expected to be 960, a relatively stable number.

These indicators were taken into account when adopting the general fund budget for 2014. Amounts available for appropriation in the general fund budget are \$9,495,534, a decrease of 8 percent over the final 2013 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2014.

### 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 POSITION**

AUGUST 31, 2013

| Data Control Codes      |                                  | 1  | Governmental Activities |
|-------------------------|----------------------------------|----|-------------------------|
| <b>ASSETS:</b>          |                                  |    |                         |
| 1110                    | Cash and Cash Equivalents        | \$ | 5,440,385               |
| 1120                    | Current Investments              |    | 678,384                 |
| 1225                    | Property Taxes Receivable (Net)  |    | 115,374                 |
| 1240                    | Due from Other Governments       |    | 12,988                  |
| 1260                    | Internal Balances                |    | --                      |
| Capital Assets:         |                                  |    |                         |
| 1510                    | Land                             |    | 767,106                 |
| 1520                    | Buildings and Improvements, Net  |    | 22,824,143              |
| 1530                    | Furniture and Equipment, Net     |    | 479,743                 |
| 1550                    | Capital Lease Assets, Net        |    | 362,104                 |
| 1000                    | Total Assets                     |    | <u>30,680,227</u>       |
| <b>LIABILITIES:</b>     |                                  |    |                         |
| 2110                    | Accounts Payable                 |    | 137,803                 |
| 2140                    | Interest Payable                 |    | 24,626                  |
| 2165                    | Accrued Liabilities              |    | 236,794                 |
| 2300                    | Unearned Revenue                 |    | 710,051                 |
| Noncurrent Liabilities: |                                  |    |                         |
| 2501                    | Due Within One Year              |    | 798,463                 |
| 2502                    | Due in More Than One Year        |    | 18,262,079              |
| 2000                    | Total Liabilities                |    | <u>20,169,816</u>       |
| <b>NET POSITION</b>     |                                  |    |                         |
| 3200                    | Net Investment in Capital Assets |    | 5,347,928               |
| Restricted For:         |                                  |    |                         |
| 3820                    | State and Federal Programs       |    | 7,079                   |
| 3850                    | Debt Service                     |    | 1,046,936               |
| 3900                    | Unrestricted                     |    | 4,108,468               |
| 3000                    | Total Net Position               | \$ | <u>10,510,411</u>       |

The accompanying notes are an integral part of this statement.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

| Data<br>Control<br>Codes | Functions/Programs   | 1             | 3                       | 4  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--------------------------|--|---------------|-------------------------|--|--|
|                          |  | Expenses      | Charges for<br>Services | Program Revenues<br>Operating<br>Grants and<br>Contributions | Governmental<br>Activities                                 |
|                          | Governmental Activities:                                     |               |                         |  |  |
| 11                       | Instruction  | \$ 5,199,807  | \$ --                   | \$ 404,663   | \$ (4,795,144)   |
| 12                       | Instructional Resources and Media Services                   | 145,702       | --                      | --   | (145,702)  |
| 13                       | Curriculum and Staff Development                             | 14,901        | --                      | 4,509  | (10,392)   |
| 21                       | Instructional Leadership                                     | 89,906        | --                      | 2,055  | (87,851)   |
| 23                       | School Leadership  | 490,862       | --                      | --   | (490,862)  |
| 31                       | Guidance, Counseling, & Evaluation Services                  | 301,646       | --                      | 150,714  | (150,932)  |
| 33                       | Health Services  | 107,829       | --                      | --   | (107,829)  |
| 34                       | Student Transportation                                       | 235,844       | --                      | --   | (235,844)  |
| 35                       | Food Service   | 437,847       | 150,173                 | 234,348  | (53,326)   |
| 36                       | Cocurricular/Extracurricular Activities                      | 355,116       | 27,782                  | --   | (327,334)  |
| 41                       | General Administration                                       | 391,058       | --                      | --   | (391,058)  |
| 51                       | Plant Maintenance and Operations                             | 1,142,329     | --                      | --   | (1,142,329)  |
| 52                       | Security and Monitoring Services                             | 3,721         | --                      | --   | (3,721)  |
| 53                       | Data Processing Services                                     | 315,190       | --                      | --   | (315,190)  |
| 72                       | Interest on Long-term Debt                                   | 784,797       | --                      | 277,581  | (507,216)  |
| 73                       | Bond Issuance Costs and Fees                                 | (10,300)      | --                      | --   | 10,300   |
| 93                       | Payments Related to Shared Services Arrangements             | --            | --                      | 62,011   | 62,011   |
| TG                       | Total Governmental Activities                                | 10,006,255    | 177,955                 | 1,135,881  | (8,692,419)  |
| TP                       | Total Primary Government                                     | \$ 10,006,255 | \$ 177,955              | \$ 1,135,881   | (8,692,419)  |
| General Revenues:        |  |               |                         |  |  |
| MT                       | Property Taxes, Levied for General Purposes                  |               |                         |  | 2,821,487  |
| DT                       | Property Taxes, Levied for Debt Service                      |               |                         |  | 865,709  |
| IE                       | Investment Earnings  |               |                         |  | 54,572   |
| GC                       | Grants and Contributions Not Restricted to Specific Programs |               |                         |  | 4,912,029  |
| MI                       | Miscellaneous  |               |                         |  | 121,712  |
| FR                       | Transfers  |               |                         |  | --   |
| TR                       | Total General Revenues and Transfers                         |               |                         |  | 8,775,509  |
| CN                       | Change in Net Position                                       |               |                         |  | 83,090   |
| NB                       | Net Position - Beginning                                     |               |                         |  | 10,427,321   |
| NE                       | Net Position - Ending  |               |                         |  | \$ 10,510,411  |

The accompanying notes are an integral part of this statement.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2013

| Data<br>Control<br>Codes                    | 10<br>General<br>Fund | 50<br>Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|---|-----------------------|-------------------------------|--------------------------------|--------------------------------------|
| <b>ASSETS:</b>                              |                       |                               |                                |                                      |
| 1110 Cash and Cash Equivalents              | \$ 5,426,349          | \$ 157                        | \$ 13,879                      | \$ 5,440,385                         |
| 1120 Current Investments                    | 71,774                | 606,610                       | --                             | 678,384                              |
| 1225 Taxes Receivable, Net                  | 90,375                | 24,999                        | --                             | 115,374                              |
| 1240 Due from Other Governments             | --                    | --                            | 12,988                         | 12,988                               |
| 1260 Due from Other Funds                   | 3,336                 | --                            | --                             | 3,336                                |
| 1000 Total Assets                           | <u>\$ 5,591,834</u>   | <u>\$ 631,766</u>             | <u>\$ 26,867</u>               | <u>\$ 6,250,467</u>                  |
| <b>LIABILITIES:</b>                         |                       |                               |                                |                                      |
| Current Liabilities:                        |                       |                               |                                |                                      |
| 2110 Accounts Payable                       | \$ 131,003            | \$ --                         | \$ 6,800                       | \$ 137,803                           |
| 2160 Accrued Wages Payable                  | 227,142               | --                            | 9,652                          | 236,794                              |
| 2170 Due to Other Funds                     | --                    | --                            | 3,336                          | 3,336                                |
| 2300 Unearned Revenue                       | 710,051               | --                            | --                             | 710,051                              |
| 2000 Total Liabilities                      | <u>1,068,196</u>      | <u>--</u>                     | <u>19,788</u>                  | <u>1,087,984</u>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>       |                       |                               |                                |                                      |
| 2601 Unavailable Revenue-Property Taxes     | 90,375                | 24,999                        | --                             | 115,374                              |
| 2600 Total Deferred Inflows of Resources    | <u>90,375</u>         | <u>24,999</u>                 | <u>--</u>                      | <u>115,374</u>                       |
| <b>FUND BALANCES:</b>                       |                       |                               |                                |                                      |
| Nonspendable Fund Balances:                 |                       |                               |                                |                                      |
| 3415 Long-Term Loans/Notes Receivable       | --                    | 606,767                       | --                             | 606,767                              |
| Restricted Fund Balances:                   |                       |                               |                                |                                      |
| 3450 Federal/State Funds Grant Restrictions | --                    | --                            | 7,079                          | 7,079                                |
| Committed Fund Balances:                    |                       |                               |                                |                                      |
| 3510 Construction                           | 200,000               | --                            | --                             | 200,000                              |
| Assigned Fund Balances:                     |                       |                               |                                |                                      |
| 3550 Construction                           | 2,200,000             | --                            | --                             | 2,200,000                            |
| 3600 Unassigned                             | 2,033,263             | --                            | --                             | 2,033,263                            |
| 3000 Total Fund Balances                    | <u>4,433,263</u>      | <u>606,767</u>                | <u>7,079</u>                   | <u>5,047,109</u>                     |
| Total Liabilities, Deferred Inflow          |                       |                               |                                |                                      |
| 4000 of Resources and Fund Balances         | <u>\$ 5,591,834</u>   | <u>\$ 631,766</u>             | <u>\$ 26,867</u>               | <u>\$ 6,250,467</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 POSITION**  
**AUGUST 31, 2013**

|   |                      |
|---|----------------------|
| Total fund balances - governmental funds balance sheet  | \$ 5,047,109         |
| Amounts reported for governmental activities in the Statement of Net Position are different because:    |                      |
| Capital assets used in governmental activities are not reported in the funds.                           | 24,433,096           |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 115,374              |
| Payables for bond principal which are not due in the current period are not reported in the funds.      | (15,728,393)         |
| Payables for capital leases which are not due in the current period are not reported in the funds.      | (274,718)            |
| Payables for bond interest which are not due in the current period are not reported in the funds.       | (1,592,057)          |
| Payables for notes which are not due in the current period are not reported in the funds.               | (1,490,000)          |
| Net position of governmental activities - Statement of Net Position                                     | <u>\$ 10,510,411</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, 2013**

| Data<br>Control<br>Codes                                    | 10<br>General<br>Fund | 50<br>Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|---|-----------------------|-------------------------------|--------------------------------|--------------------------------------|
| <b>REVENUES:</b>  |                       |                               |                                |                                      |
| 5700 <i>Local and Intermediate Sources</i>                  | \$ 3,044,753          | \$ 876,336                    | \$ 149,593                     | \$ 4,070,682                         |
| 5800 <i>State Program Revenues</i>                          | 5,087,737             | 277,581                       | 96,122                         | 5,461,440                            |
| 5900 <i>Federal Program Revenues</i>                        | 91,556                | --                            | 472,123                        | 563,679                              |
| 5020 <b>Total Revenues</b>                                  | <u>8,224,046</u>      | <u>1,153,917</u>              | <u>717,838</u>                 | <u>10,095,801</u>                    |
| <b>EXPENDITURES:</b>  |                       |                               |                                |                                      |
| Current:  |                       |                               |                                |                                      |
| 0011 <i>Instruction</i>                                     | 4,536,724             | --                            | 176,479                        | 4,713,203                            |
| 0012 <i>Instructional Resources and Media Services</i>      | 131,245               | --                            | --                             | 131,245                              |
| 0013 <i>Curriculum and Staff Development</i>                | 8,913                 | --                            | 4,509                          | 13,422                               |
| 0021 <i>Instructional Leadership</i>                        | 78,930                | --                            | 2,055                          | 80,985                               |
| 0023 <i>School Leadership</i>                               | 442,156               | --                            | --                             | 442,156                              |
| 0031 <i>Guidance, Counseling, &amp; Evaluation Services</i> | 120,861               | --                            | 150,854                        | 271,715                              |
| 0033 <i>Health Services</i>                                 | 97,130                | --                            | --                             | 97,130                               |
| 0034 <i>Student Transportation</i>                          | 212,442               | --                            | --                             | 212,442                              |
| 0035 <i>Food Service</i>                                    | --                    | --                            | 392,862                        | 392,862                              |
| 0036 <i>Cocurricular/Extracurricular Activities</i>         | 319,879               | --                            | --                             | 319,879                              |
| 0041 <i>General Administration</i>                          | 352,255               | --                            | --                             | 352,255                              |
| 0051 <i>Plant Maintenance and Operations</i>                | 2,858,723             | --                            | --                             | 2,858,723                            |
| 0052 <i>Security and Monitoring Services</i>                | 3,352                 | --                            | --                             | 3,352                                |
| 0053 <i>Data Processing Services</i>                        | 283,915               | --                            | --                             | 283,915                              |
| 0071 <i>Principal on Long-term Debt</i>                     | 207,245               | 11,368,330                    | --                             | 11,575,575                           |
| 0072 <i>Interest on Long-term Debt</i>                      | 26,366                | 633,080                       | --                             | 659,446                              |
| 0073 <i>Bond Issuance Costs and Fees</i>                    | 1,249                 | 4,578                         | --                             | 5,827                                |
| 6030 <b>Total Expenditures</b>                              | <u>9,681,385</u>      | <u>12,005,988</u>             | <u>726,759</u>                 | <u>22,414,132</u>                    |
| 1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>    |                       |                               |                                |                                      |
| 1100 <b>Expenditures</b>                                    | <u>(1,457,339)</u>    | <u>(10,852,071)</u>           | <u>(8,921)</u>                 | <u>(12,318,331)</u>                  |
| Other Financing Sources and (Uses):                         |                       |                               |                                |                                      |
| 7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>     | --                    | 10,851,093                    | --                             | 10,851,093                           |
| 7914 <i>Issuance of Non-Current Debt</i>                    | 1,490,000             | --                            | --                             | 1,490,000                            |
| 7915 <i>Transfers In</i>                                    | --                    | --                            | 16,000                         | 16,000                               |
| 7916 <i>Premium or Discount on Issuance of Bonds</i>        | 12,091                | 702                           | --                             | 12,793                               |
| 8911 <i>Transfers Out</i>                                   | (16,000)              | --                            | --                             | (16,000)                             |
| 7080 <b>Total Other Financing Sources and (Uses)</b>        | <u>1,486,091</u>      | <u>10,851,795</u>             | <u>16,000</u>                  | <u>12,353,886</u>                    |
| 1200 <b>Net Change in Fund Balances</b>                     | <u>28,752</u>         | <u>(276)</u>                  | <u>7,079</u>                   | <u>35,555</u>                        |
| 0100 <b>Fund Balances - Beginning</b>                       | <u>4,404,511</u>      | <u>607,043</u>                | <u>--</u>                      | <u>5,011,554</u>                     |
| 3000 <b>Fund Balances - Ending</b>                          | <u>\$ 4,433,263</u>   | <u>\$ 606,767</u>             | <u>\$ 7,079</u>                | <u>\$ 5,047,109</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, 2013**

|  |                  |
|--|------------------|
| Net change in fund balances - total governmental funds   | \$ 35,555        |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: |                  |
| Capital outlays are not reported as expenses in the SOA.   | 1,859,417        |
| The depreciation of capital assets used in governmental activities is not reported in the funds.           | (917,891)        |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.    | (19,249)         |
| Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.   | (12,341,093)     |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.               | 11,488,330       |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.      | 87,245           |
| Bond issuance costs and similar items are amortized in the SOA but not in the funds.                       | 16,127           |
| The accretion of interest on capital appreciation bonds is not reported in the funds.                      | (133,291)        |
| (Increase) decrease in accrued interest from beginning of period to end of period.                         | 7,940            |
| Change in net position of governmental activities - Statement of Activities                                | \$ <u>83,090</u> |

The accompanying notes are an integral part of this statement.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2013**

|                          |                           | Agency<br>Fund      |
|--------------------------|---------------------------|---------------------|
|                          |                           |                     |
| Data<br>Control<br>Codes |                           | Student<br>Activity |
| <b>ASSETS:</b>           |                           |                     |
| 1110                     | Cash and Cash Equivalents | \$ 90,496           |
| 1120                     | Current Investments       | 63,386              |
| 1000                     | Total Assets              | <u>153,882</u>      |
| <b>LIABILITIES:</b>      |                           |                     |
| Current Liabilities:     |                           |                     |
| 2190                     | Due to Student Groups     | 153,882             |
| 2000                     | Total Liabilities         | <u>153,882</u>      |
| <b>NET POSITION:</b>     |                           |                     |
| 3000                     | Total Net Position        | <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, 2013**

**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 and there are no component units included within the District's reporting entity.

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

**a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, 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:

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.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

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.

**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 \$17,454 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.

**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.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

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<br/>Useful Lives</u> |
|-----------------------|-----------------------------------|
| Buildings             | 50                                |
| Building Improvements | 20                                |
| Vehicles              | 5-10                              |
| Office Equipment      | 7                                 |
| Computer Equipment    | 3                                 |

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. 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.

f. Interfund Activity

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

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

g. 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.

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not 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.

j. Net Position Flow Assumption

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

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 Position of Individual Funds

Following are funds having deficit fund balances or fund net position 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 |

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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,262,676 and the bank balance was \$6,564,301. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, 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.

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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, 2013 are shown below.

| <u>Investment or Investment Type</u>          | <u>Maturity</u> | <u>Fair Value</u> |
|---|-----------------|-------------------|
| Certificates of Deposit include in cash total | N/A             | \$ 128,364        |
| Lone Star Investments                         | N/A             | 9,975             |
| Total Investments                             |                 | <u>\$ 138,339</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.

At August 31, 2013, 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.

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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.

D. Capital Assets

Capital asset activity for the year ended August 31, 2013, was as follows:

|  | Beginning<br>Balances | Increases         | Decreases    | Ending<br>Balances   |
|--|-----------------------|-------------------|--------------|----------------------|
| <u>Governmental activities:</u>              |                       |                   |              |                      |
| <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                   | 27,475,198            | 1,767,216         | --           | 29,242,414           |
| Equipment                                    | 1,647,689             | 45,076            | --           | 1,692,765            |
| Vehicles                                     | 941,463               | 47,125            | --           | 988,588              |
| Leased Assets                                | 452,630               | --                | --           | 452,630              |
| Total capital assets being depreciated       | <u>30,516,980</u>     | <u>1,859,417</u>  | <u>--</u>    | <u>32,376,397</u>    |
| Less accumulated depreciation for:           |                       |                   |              |                      |
| Buildings and improvements                   | (5,732,481)           | (685,790)         | --           | (6,418,271)          |
| Equipment                                    | (1,451,503)           | (117,703)         | --           | (1,569,206)          |
| Vehicles                                     | (563,269)             | (69,135)          | --           | (632,404)            |
| Leased Assets                                | (45,263)              | (45,263)          | --           | (90,526)             |
| Total accumulated depreciation               | <u>(7,792,516)</u>    | <u>(917,891)</u>  | <u>--</u>    | <u>(8,710,407)</u>   |
| Total capital assets being depreciated, net  | <u>22,724,464</u>     | <u>941,526</u>    | <u>--</u>    | <u>23,665,990</u>    |
| Governmental activities capital assets, net  | <u>\$ 23,491,570</u>  | <u>\$ 941,526</u> | <u>\$ --</u> | <u>\$ 24,433,096</u> |

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Depreciation was charged to functions as follows:

|   |    |                |
|---|----|----------------|
| Instruction                                 | \$ | 516,278        |
| Instructional Resources and Media Services  |    | 14,457         |
| Curriculum and Staff Development            |    | 1,479          |
| Instructional Leadership                    |    | 8,921          |
| School Leadership                           |    | 48,706         |
| Guidance, Counseling, & Evaluation Services |    | 29,931         |
| Health Services                             |    | 10,699         |
| Student Transportation                      |    | 23,402         |
| Food Services                               |    | 44,985         |
| Extracurricular Activities                  |    | 35,237         |
| General Administration                      |    | 38,803         |
| Plant Maintenance and Operations            |    | 113,349        |
| Security and Monitoring Services            |    | 369            |
| Data Processing Services                    |    | 31,275         |
|   | \$ | <u>917,891</u> |

**E. Interfund Balances and Activities**

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

Balances due to and due from other funds at August 31, 2013, consisted of the following:

| <u>Due To Fund</u> | <u>Due From Fund</u>     | <u>Amount</u>   | <u>Purpose</u>   |
|--------------------|--------------------------|-----------------|------------------|
| General Fund       | Other Governmental Funds | \$ 3,336        | Short-term loans |
|                    | Total                    | <u>\$ 3,336</u> |                  |

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

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

Transfers to and from other funds at August 31, 2013, consisted of the following:

| <u>Transfers From</u> | <u>Transfers To</u>      | <u>Amount</u>    | <u>Reason</u>                  |
|-----------------------|--------------------------|------------------|--------------------------------|
| General Fund          | Other Governmental Funds | \$ 16,000        | Supplement other funds sources |
|                       | Total                    | <u>\$ 16,000</u> |                                |

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
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**F. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2013, are as follows:

|                                 | Beginning<br>Balance | Increases           | Decreases             | Ending<br>Balance    | Amounts<br>Due Within<br>One Year |
|---------------------------------|----------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| <u>Governmental activities:</u> |                      |                     |                       |                      |                                   |
| General obligation bonds        | \$ 11,786,206        | \$ 1,750,532        | \$ --                 | \$ 13,536,738        | \$ 518,601                        |
| General obligation bonds        |                      |                     |                       |                      |                                   |
| Capital Appreciation bonds      | 2,939,424            | --                  | (2,267,769)           | 671,655              | --                                |
| QCCB Construction Bond *        | 1,640,000            | --                  | (120,000)             | 1,520,000            | 120,000                           |
| Tax Maintenance Note *          | --                   | 1,490,000           | --                    | 1,490,000            | 70,000                            |
| Capital Leases *                | 361,963              | --                  | (87,245)              | 274,718              | 89,862                            |
| Accretion on Capital App Bnd    | 1,434,140            | 133,291             | --                    | 1,567,431            | --                                |
| Premium on Issuance             | 51,808               | --                  | (51,808)              | --                   | --                                |
| Total governmental activities   | <u>\$ 18,213,541</u> | <u>\$ 3,373,823</u> | <u>\$ (2,526,822)</u> | <u>\$ 19,060,542</u> | <u>\$ 798,463</u>                 |

\* To be paid from General Fund

General Obligation Bonds

General obligation school building bonds payable at August 31, 2013, 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, 2013 is \$0 after refunding.

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, 2013 is \$256,738 after refunding.

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, 2013 is \$3,260,000 after refunding.

The District issued \$7,224,000 of Unlimited Tax School Refunding Bonds, Series 2012 during the year ended August 31, 2013 for the purposes of lowering interest rates. Interest rates vary from 2.625% to 3.0% with installments varying from \$209,321 to \$898,006. The total balance on this issue at August 31, 2013 is \$7,102,677 with \$12,677 considered capital appreciation bonds.

The District issued \$719,995 of Unlimited Tax School Refunding Bonds, Series 2012A during the year ended August 31, 2013 for the purposes of lowering interest rates. Interest rates vary from 1.0% to 3.0% with installments varying from \$35,727 to \$93,150. The total balance on this issue at August 31, 2013 is \$696,880 with \$56,880 considered capital appreciation bonds.

The District issued \$1,367,099 of Unlimited Tax School Refunding Bonds, Series 2013 during the year ended August 31, 2013 for the purposes of lowering interest rates. Interest rates are approximately 2.0% with installments varying from \$24,738 to \$454,500. The total balance on this issue at August 31, 2013 is \$1,367,099 with \$487,099 considered capital appreciation bonds.

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The District issued \$1,539,999 of Unlimited Tax School Refunding Bonds, Series 2013A during the year ended August 31, 2013 for the purposes of lowering interest rates. Interest rates vary from 1.5% to 4.0% with installments varying from \$31,841 to \$185,700. The total balance on this issue at August 31, 2013 is \$1,524,999 with \$114,999 considered capital appreciation bonds.

The District obtained a savings benefit of \$3,162,193 from the four refinancings issued during the year.

**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, 2013 is \$1,520,000 with a final maturity date of 2025.

**Tax Maintenance Notes**

The District issued \$1,490,000 of Maintenance Tax Notes, Series 2013 during the year ended August 31, 2013 for the purposes of construction. Interest rates vary from 1.0% to 3.5% with installments varying from \$122,100 to \$127,050. The total balance on this issue at August 31, 2013 is \$1,490,000 with a final maturity date of 2028.

**Lease**

The District issued a \$452,630 lease obligation during a prior 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, 2013 is \$274,718 with a final maturity date of 2016.

**2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2013, are as follows:

| Year Ending August 31, | Governmental Activities |              |               |
|------------------------|-------------------------|--------------|---------------|
|                        | Principal               | Interest     | Total         |
| 2014                   | \$ 708,601              | \$ 565,625   | \$ 1,274,226  |
| 2015                   | 790,017                 | 524,165      | 1,314,182     |
| 2016                   | 709,031                 | 611,135      | 1,320,166     |
| 2017                   | 527,296                 | 703,639      | 1,230,935     |
| 2018                   | 555,878                 | 711,827      | 1,267,705     |
| 2019-2023              | 3,428,928               | 3,106,033    | 6,534,961     |
| 2024-2028              | 4,058,642               | 2,365,085    | 6,423,727     |
| 2029-2033              | 5,245,000               | 640,542      | 5,885,542     |
| 2034-2038              | 1,195,000               | 18,416       | 1,213,416     |
| Totals                 | \$ 17,218,393           | \$ 9,246,467 | \$ 26,464,860 |

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2013, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

| <u>Bond Issue</u> | <u>Amount</u>        |
|-------------------|----------------------|
| 2000              | \$ 720,000           |
| 2004              | 8,591,795            |
| 2005              | 1,540,000            |
| Total             | <u>\$ 10,851,795</u> |

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2013, as follows:

| <u>Year Ending August 31,</u> | <u>Governmental Activities</u> |                  |                   |
|-------------------------------|--------------------------------|------------------|-------------------|
|                               | <u>Principal</u>               | <u>Interest</u>  | <u>Total</u>      |
| 2014                          | \$ 89,862                      | \$ 8,332         | \$ 98,194         |
| 2015                          | 92,558                         | 5,637            | 98,195            |
| 2016                          | 92,298                         | 2,868            | 95,166            |
| Totals                        | <u>\$ 274,718</u>              | <u>\$ 16,837</u> | <u>\$ 291,555</u> |
| Lease expenditures in 2013    |                                |                  | <u>\$ 98,195</u>  |

The effective interest rate on capital leases is 3%.

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 2013, 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.

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.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
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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 2013, 2012 and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0 % for fiscal year 2012, and 6.644% for fiscal year 2011. 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, 2013, 2012 and 2011 were \$320,660, \$339,203 and \$347,615, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$44,013, \$41,792 and \$58,842, 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.

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 0.5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$50,103, \$51,054, and \$54,314, respectively, the active member contributions were \$32,567, \$33,185, and \$35,304, respectively, and the District's contributions were \$27,557, \$28,080, and \$29,873, respectively, which equaled the required contributions each year.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
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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, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$13,486, \$11,544, and \$12,246, 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, 2013, the amount received by TRS-Care on behalf of the District was \$14,893.

J. Employee Health Care Coverage

During the year ended August 31, 2013, 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, 2013, 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, 2012, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2013.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
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**FOR THE YEAR ENDED AUGUST 31, 2013**

**L. New Pronouncements**

During 2013 the District adopted the provisions of GASB Statements No. 62 and 63. "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model.

During 2013 the District also adopted the provisions of GASB Statement No. 65. "Items Previously Reported as Assets and Liabilities". This provision recognizes certain items previously reported as assets or liabilities as deferred outflows or resources (expenses or expenditures) or deferred inflows of resources (revenues).

**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                  | 2013             | 2012             |
|---|------------------|------------------|
| Unpaid (overpayment) claims at September 1        | \$ 55,525        | \$ 86,561        |
| Net claims incurred or (adjusted) during the year | 78,685           | 44,110           |
| Payments of claims during the year                | (41,363)         | (75,146)         |
| Unpaid claims at August 31                        | <u>\$ 92,847</u> | <u>\$ 55,525</u> |

The above amount is reflected as a liability on the financial statements as of August 31, 2013.

**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.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

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<br>Fund Balance |
|---------------------------|---------------------------------|
| Appropriated Budget Funds | \$ <u>7,079</u>                 |

O. Accumulated Unpaid Vacation and Personnel Leave Benefits

At August 31, 2013, 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, 2013 which are not recorded on the financial statements in the amount of \$396,664. These benefits are recorded as expenditures as used.

P. Budget Overages

The District overspent its food budget by \$10,493 or 3%.

### *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, 2013

| Data<br>Control<br>Codes |   | 1                | 2            | 3            | Variance with                          |
|--------------------------|---|------------------|--------------|--------------|--|
|                          |   | Budgeted Amounts |              | Actual       | Final Budget<br>Positive<br>(Negative) |
|                          |   | Original         | Final        |              |  |
|                          | <b>REVENUES:</b>                              |                  |              |              |  |
| 5700                     | Local and Intermediate Sources                | \$ 2,967,974     | \$ 3,014,784 | \$ 3,044,753 | \$ 29,969                              |
| 5800                     | State Program Revenues                        | 5,493,503        | 5,493,503    | 5,087,737    | (405,766)                              |
| 5900                     | Federal Program Revenues                      | --               | 4,418        | 91,556       | 87,138                                 |
| 5020                     | Total Revenues                                | 8,461,477        | 8,512,705    | 8,224,046    | (288,659)                              |
|                          | <b>EXPENDITURES:</b>                          |                  |              |              |  |
|                          | Current:                                      |                  |              |              |  |
|                          | Instruction & Instructional Related Services: |                  |              |              |  |
| 0011                     | Instruction                                   | 4,722,564        | 4,736,690    | 4,536,724    | 199,966                                |
| 0012                     | Instructional Resources and Media Services    | 132,871          | 142,512      | 131,245      | 11,267                                 |
| 0013                     | Curriculum and Staff Development              | 7,200            | 12,200       | 8,913        | 3,287                                  |
|                          | Total Instruction & Instr. Related Services   | 4,862,635        | 4,891,402    | 4,676,882    | 214,520                                |
|                          | Instructional and School Leadership:          |                  |              |              |  |
| 0021                     | Instructional Leadership                      | 94,675           | 94,675       | 78,930       | 15,745                                 |
| 0023                     | School Leadership                             | 445,587          | 445,587      | 442,156      | 3,431                                  |
|                          | Total Instructional & School Leadership       | 540,262          | 540,262      | 521,086      | 19,176                                 |
|                          | Support Services - Student (Pupil):           |                  |              |              |  |
| 0031                     | Guidance, Counseling and Evaluation Services  | 198,617          | 198,617      | 120,861      | 77,756                                 |
| 0033                     | Health Services                               | --               | 100,353      | 97,130       | 3,223                                  |
| 0034                     | Student (Pupil) Transportation                | 424,656          | 365,969      | 212,442      | 153,527                                |
| 0036                     | Cocurricular/Extracurricular Activities       | 311,126          | 326,687      | 319,879      | 6,808                                  |
|                          | Total Support Services - Student (Pupil)      | 934,399          | 991,626      | 750,312      | 241,314                                |
|                          | Administrative Support Services:              |                  |              |              |  |
| 0041                     | General Administration                        | 397,760          | 397,760      | 352,255      | 45,505                                 |
|                          | Total Administrative Support Services         | 397,760          | 397,760      | 352,255      | 45,505                                 |
|                          | Support Services - Nonstudent Based:          |                  |              |              |  |
| 0051                     | Plant Maintenance and Operations              | 1,176,947        | 2,935,281    | 2,858,723    | 76,558                                 |
| 0052                     | Security and Monitoring Services              | 16,538           | 16,538       | 3,352        | 13,186                                 |
| 0053                     | Data Processing Services                      | 297,325          | 297,325      | 283,915      | 13,410                                 |
|                          | Total Support Services - Nonstudent Based     | 1,490,810        | 3,249,144    | 3,145,990    | 103,154                                |
|                          | Debt Service:                                 |                  |              |              |  |
| 0071                     | Principal on Long-Term Debt                   | 235,611          | 207,245      | 207,245      | --                                     |
| 0072                     | Interest on Long-Term Debt                    | --               | 26,366       | 26,366       | --                                     |
| 0073                     | Bond Issuance Costs and Fees                  | --               | 2,000        | 1,249        | 751                                    |
|                          | Total Debt Service                            | 235,611          | 235,611      | 234,860      | 751                                    |
| 6030                     | Total Expenditures                            | 8,461,477        | 10,305,805   | 9,681,385    | 624,420                                |
| 1100                     | Excess (Deficiency) of Revenues Over (Under)  |                  |              |              |  |
| 1100                     | Expenditures                                  | --               | (1,793,100)  | (1,457,339)  | 335,761                                |
|                          | Other Financing Sources (Uses):               |                  |              |              |  |
| 7914                     | Issuance of Non-Current Debt                  | --               | 1,490,000    | 1,490,000    | --                                     |
| 7916                     | Premium or Discount on Issuance of Bonds      | --               | 12,091       | 12,091       | --                                     |
| 8911                     | Transfers Out                                 | --               | (16,000)     | (16,000)     | --                                     |
| 7080                     | Total Other Financing Sources and (Uses)      | --               | 1,486,091    | 1,486,091    | --                                     |
| 1200                     | Net Change in Fund Balance                    | --               | (307,009)    | 28,752       | 335,761                                |
| 0100                     | Fund Balance - Beginning                      | 4,404,511        | 4,404,511    | 4,404,511    | --                                     |
| 3000                     | Fund Balance - Ending                         | \$ 4,404,511     | \$ 4,097,502 | \$ 4,433,263 | \$ 335,761                             |

### *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, 2013**

| Year Ended<br>August 31        | 1           |         | 2            |         | 3  |             |
|--------------------------------|-------------|---------|--------------|---------|--|-------------|
|                                | Tax Rates   |         |              |         | Assessed/Appraised<br>Value For School<br>Tax Purposes |             |
|                                | Maintenance |         | Debt Service |         |  |             |
| 2004 and Prior Years           | \$          | Various | \$           | Various | \$   | Various     |
| 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                           |             | 1.04    |              | .319    |  | 264,796,836 |
| 2013 (School Year Under Audit) |             | 1.04    |              | .319    |  | 266,902,134 |
| 1000 Totals                    |             |         |              |         |  |             |

| 10<br>Beginning<br>Balance<br>9/1/12 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/13 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 18,191                            | \$ --                                 | \$ --                            | \$ --                             | \$ (2,983)                            | \$ 15,208                          |
| 6,311                                | --                                    | --                               | --                                | (562)                                 | 5,749                              |
| 4,769                                | --                                    | 96                               | 19                                | (546)                                 | 4,108                              |
| 14,031                               | --                                    | 7,088                            | 1,577                             | 289                                   | 5,655                              |
| 11,504                               | --                                    | 6,666                            | 1,923                             | 2,017                                 | 4,932                              |
| 16,012                               | --                                    | 9,216                            | 2,836                             | 1,728                                 | 5,688                              |
| 20,119                               | --                                    | 10,337                           | 3,171                             | 1,377                                 | 7,988                              |
| 20,030                               | --                                    | 11,578                           | 3,551                             | 3,278                                 | 8,179                              |
| 44,021                               | --                                    | 21,783                           | 6,681                             | 969                                   | 16,526                             |
| --                                   | 3,627,200                             | 2,730,788                        | 837,617                           | --                                    | 58,795                             |
| <u>\$ 154,988</u>                    | <u>\$ 3,627,200</u>                   | <u>\$ 2,797,552</u>              | <u>\$ 857,375</u>                 | <u>\$ 5,567</u>                       | <u>\$ 132,828</u>                  |

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015

### GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2013

#### FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

| Account Number | Account Name   | 1<br>(702)<br>School Board | 2<br>(703)<br>Tax Collection | 3<br>(701)<br>Supt's Office | 4<br>(750)<br>Indirect Cost | 5<br>(720)<br>Direct Cost | 6<br>(Other)<br>Misc. | 7<br>Total |
|----------------|--|----------------------------|------------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------|------------|
| 611X-6146      | Payroll Costs  | \$ --                      | \$ --                        | \$ 212,434                  | \$ 152,795                  | \$ --                     | \$ 4,594              | \$ 369,823 |
| 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   | --                         | --                           | --                          | --                          | 11,900                    | --                    | 11,900     |
| 6212           | Audit Services   | --                         | --                           | --                          | 14,120                      | --                        | --                    | 14,120     |
| 6213           | Tax Appraisal and Collection   | --                         | 33,977                       | --                          | --                          | --                        | --                    | 33,977     |
| 621X           | Other Prof. Services   | --                         | 3,296                        | 3,505                       | --                          | 4,942                     | 2,326                 | 14,069     |
| 6220           | Tuition and Transfer Payments  | --                         | --                           | --                          | --                          | --                        | --                    | --         |
| 6230           | Education Service Centers  | --                         | --                           | --                          | --                          | --                        | 6,702                 | 6,702      |
| 6240           | Contr. Maint. and Repair   | --                         | --                           | --                          | --                          | 10,149                    | --                    | 10,149     |
| 6250           | Utilities  | --                         | --                           | --                          | --                          | --                        | --                    | --         |
| 6260           | Rentals  | --                         | --                           | --                          | --                          | 1,788                     | --                    | 1,788      |
| 6290           | Miscellaneous Contr.   | --                         | --                           | --                          | --                          | --                        | --                    | --         |
| 6310           | Operational Supplies, Materials  | --                         | --                           | --                          | --                          | --                        | --                    | --         |
| 6320           | Textbooks and Reading  | --                         | --                           | --                          | --                          | --                        | --                    | --         |
| 6330           | Testing Materials  | --                         | --                           | --                          | --                          | --                        | --                    | --         |
| 63XX           | Other Supplies, Materials  | --                         | --                           | 5,354                       | 260                         | --                        | 2,209                 | 7,823      |
| 6410           | Travel, Subsistence, Stipends  | 6,973                      | --                           | --                          | --                          | 3,233                     | --                    | 10,206     |
| 6420           | Ins. and Bonding Costs   | --                         | --                           | --                          | --                          | --                        | 16,160                | 16,160     |
| 6430           | Election Costs   | 1,976                      | --                           | --                          | --                          | --                        | --                    | 1,976      |
| 6490           | Miscellaneous Operating  | 118                        | --                           | 3,629                       | 3,166                       | --                        | --                    | 6,913      |
| 6500           | Debt Service   | --                         | --                           | --                          | --                          | --                        | --                    | --         |
| 6600           | Capital Outlay   | --                         | --                           | --                          | --                          | --                        | --                    | --         |

Total \$ 9,067 \$ 37,273 \$ 224,922 \$ 170,341 \$ 32,012 \$ 31,991 \$ 505,606

Total Expenditures for General and Special Revenue Funds (9) \$ 10,408,144

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

|  |      |              |
|--|------|--------------|
| Total Capital Outlay (6600)                | (10) | \$ 1,859,417 |
| Total Debt & Lease (6500)                  | (11) | 234,860      |
| Plant Maintenance (Function 51, 6100-6400) | (12) | 1,063,401    |
| Food (Function 35, 6341 and 6499)          | (13) | 182,800      |
| Stipends (6413)                            | (14) | --           |
| Column 4 (above) - Total Indirect Cost     |      | 170,341      |

Subtotal 3,510,819

Net Allowed Direct Cost \$ 6,897,325

#### CUMULATIVE

|   |      |               |
|---|------|---------------|
| Total Cost of Buildings Before Depreciation (1520)                    | (15) | \$ 29,242,414 |
| 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) | 1,692,765     |
| Historical Cost of Furniture & Equipment over 16 years old            | (19) | --            |
| Amount of Federal Money in Furniture & Equipment (Net of #19)         | (20) | --            |

(8) Note A - \$153,351 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, 2013**

**EXHIBIT J-3**

| Data<br>Control<br>Codes | Explanation  | Amount       |
|--------------------------|--|--------------|
| 1                        | Total General Fund Fund Balance as of August 31, 2013 (Exhibit C-1 object 3000 for the General Fund only)  | \$ 4,433,263 |
| 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  | 1,750,000    |
| 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)  | 4,150,000    |
| 13                       | Excess (Deficit) Unassigned General Fund Fund Balance (1-12)   | \$ 283,263   |

Excess funds to be used for future capital needs of the District.

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**EXHIBIT J-4**

| Data<br>Control<br>Codes |  | 1          | 2          | 3                                  |
|--------------------------|--|------------|------------|------------------------------------|
|                          |  | Budget     | Actual     | Variance<br>Positive<br>(Negative) |
|                          | <b>REVENUES:</b>                             |            |            |                                    |
| 5700                     | Local and Intermediate Sources               | \$ 153,000 | \$ 149,593 | \$ (3,407)                         |
| 5800                     | State Program Revenues                       | 12,369     | 11,192     | (1,177)                            |
| 5900                     | Federal Program Revenues                     | 217,000    | 223,156    | 6,156                              |
| 5020                     | Total Revenues                               | 382,369    | 383,941    | 1,572                              |
|                          | <b>EXPENDITURES:</b>                         |            |            |                                    |
|                          | Current:                                     |            |            |                                    |
|                          | Support Services - Student (Pupil):          |            |            |                                    |
| 0035                     | Food Services                                | 382,369    | 392,862    | (10,493)                           |
|                          | Total Support Services - Student (Pupil)     | 382,369    | 392,862    | (10,493)                           |
| 6030                     | Total Expenditures                           | 382,369    | 392,862    | (10,493)                           |
| 1100                     | Excess (Deficiency) of Revenues Over (Under) |            |            |                                    |
| 1100                     | Expenditures                                 | --         | (8,921)    | (8,921)                            |
|                          | Other Financing Sources (Uses):              |            |            |                                    |
| 7915                     | Transfers In                                 | 16,000     | 16,000     | --                                 |
| 7080                     | Total Other Financing Sources and (Uses)     | 16,000     | 16,000     | --                                 |
| 1200                     | Net Change in Fund Balance                   | 16,000     | 7,079      | (8,921)                            |
| 0100                     | Fund Balance - Beginning                     | --         | --         | --                                 |
| 3000                     | Fund Balance - Ending                        | \$ 16,000  | \$ 7,079   | \$ (8,921)                         |

# MAYPEARL INDEPENDENT SCHOOL DISTRICT

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT J-5

| Data<br>Control<br>Codes        |  | 1            | 2            | 3<br>Variance<br>Positive<br>(Negative) |
|---------------------------------|--|--------------|--------------|---|
|                                 |  | Budget       | Actual       |   |
| REVENUES:                       |  |              |              |   |
| 5700                            | Local and Intermediate Sources               | \$ 865,144   | \$ 876,336   | \$ 11,192                               |
| 5800                            | State Program Revenues                       | 269,947      | 277,581      | 7,634                                   |
| 5020                            | Total Revenues                               | 1,135,091    | 1,153,917    | 18,826                                  |
| EXPENDITURES:                   |  |              |              |   |
| Debt Service:                   |  |              |              |   |
| 0071                            | Principal on Long-Term Debt                  | 11,370,794   | 11,368,330   | 2,464                                   |
| 0072                            | Interest on Long-Term Debt                   | 633,080      | 633,080      | --                                      |
| 0073                            | Bond Issuance Costs and Fees                 | 4,600        | 4,578        | 22                                      |
|                                 | Total Debt Service                           | 12,008,474   | 12,005,988   | 2,486                                   |
| 6030                            | Total Expenditures                           | 12,008,474   | 12,005,988   | 2,486                                   |
| 1100                            | Excess (Deficiency) of Revenues Over (Under) |              |              |   |
| 1100                            | Expenditures                                 | (10,873,383) | (10,852,071) | 21,312                                  |
| Other Financing Sources (Uses): |  |              |              |   |
| 7911                            | Capital-Related Debt Issued (Regular Bonds)  | 10,851,093   | 10,851,093   | --                                      |
| 7916                            | Premium or Discount on Issuance of Bonds     | 702          | 702          | --                                      |
| 7080                            | Total Other Financing Sources and (Uses)     | 10,851,795   | 10,851,795   | --                                      |
| 1200                            | Net Change in Fund Balance                   | (21,588)     | (276)        | 21,312                                  |
| 0100                            | Fund Balance - Beginning                     | 607,043      | 607,043      | --                                      |
| 3000                            | Fund Balance - Ending                        | \$ 585,455   | \$ 606,767   | \$ 21,312                               |

# **ANDERSON, MARX & BOHL, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**HUDSON ANDERSON, CPA**

**FRANK MARX, III, CPA**

**DORI BOHL, CPA& CFE**

Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maypearl Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Maypearl Independent School District's basic financial statements, and have issued our report thereon dated November 10, 2013.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Maypearl Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maypearl Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Maypearl Independent School District's internal control.

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

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

## **Compliance and Other Matters**

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

## **Maypearl Independent School District's Response to Findings**

Maypearl Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Maypearl Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

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

Anderson, Marx & Bohl, P.C.

Corsicana, Texas

November 10, 2013

# ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA

FRANK MARX, III, CPA

DORI BOHL, CPA & CFE

## Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Members of the Board of Trustees:

### **Report on Compliance for Each Major Federal Program**

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 Maypearl Independent School District's major federal program for the year ended August 31, 2013. Maypearl Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

### ***Opinion on Each Major Federal Program***

In our opinion, Maypearl Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2013.

## Report on Internal Control Over Compliance

Management of Maypearl Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Maypearl Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
November 10, 2013

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.553                | School Breakfast Program                  |
| 10.555                | National School Lunch Program             |
| 10.555                | National School Lunch Program-non cash    |

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

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

None noted

**C. Federal Award Findings and Questioned Costs**

None noted

**MAYPEARL INDEPENDENT SCHOOL DISTRICT****SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS****FOR THE YEAR ENDED AUGUST 31, 2013**

| <u>Finding/Recommendation</u>                          | <u>Current Status</u>       | <u>Management's Explanation<br/>If Not Implemented</u> |
|--|-----------------------------|--|
| The District failed to properly record a capital lease | Corrected                   |  |
| The District overspent its food budget                 | Reduced to negligible level |  |

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

None noted, so none required

**MAYPEARL INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**EXHIBIT K-1**

| (1)   | (2)                       | (2A)   | (3)                      |
|---|---------------------------|--|--------------------------|
| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title          | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures  |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES                       |                           |  |                          |
| Passed Through State Department of Education:                       |                           |  |                          |
| Medical Assistance Program *  | 93.778                    | 070-915                                      | \$ 29,545                |
| Total U. S. Department of Health and Human Services                 |                           |  | <u>29,545</u>            |
| U. S. DEPARTMENT OF EDUCATION                                       |                           |  |                          |
| Passed Through State Department of Education:                       |                           |  |                          |
| ESEA Title I Part A - Improving Basic Programs *                    | 84.010a                   | 13610101070915                               | 59,444                   |
| SSA IDEA-B Formula *  | 84.027                    | 21554001070905                               | 62,011                   |
| IDEA-B Formula *  | 84.027                    | 136101010070915                              | 162,723                  |
| Total CFDA Number 84.027  |                           |  | <u>224,734</u>           |
| Career and Technical - Basic Grant                                  | 84.048                    | 134200060070915                              | 4,679                    |
| IDEA-B Preschool *  | 84.173                    | 36610010709056610                            | 3,624                    |
| Title III Part A English Language Acquisition and Language Enhancer | 84.365                    | 13671001070915                               | 248                      |
| ESEA Title II Part A - Teacher & Principal Training & Recruiting    | 84.367a                   | 1369450107915                                | 18,249                   |
| Total Passed Through State Department of Education                  |                           |  | <u>310,978</u>           |
| Total U. S. Department of Education                                 |                           |  | <u>310,978</u>           |
| U. S. DEPARTMENT OF AGRICULTURE                                     |                           |  |                          |
| Passed Through State Department of Education:                       |                           |  |                          |
| School Breakfast Program *  | 10.553                    | 070-915                                      | 57,167                   |
| National School Lunch Program *                                     | 10.555                    | 070-915                                      | 144,820                  |
| National School Lunch Program (Non-cash) *                          | 10.555                    | 070-915                                      | 21,169                   |
| Total CFDA Number 10.555  |                           |  | <u>165,989</u>           |
| Total Passed Through State Department of Education                  |                           |  | <u>223,156</u>           |
| Total U. S. Department of Agriculture                               |                           |  | <u>223,156</u>           |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                         |                           |  | <b>\$ <u>563,679</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, 2013**

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, 2013*

| <u>Data<br/>Control<br/>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 unmodified opinion in the Annual Financial Report?  | Yes              |
| SF5                               | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?  | No               |
| SF9                               | Was there any disclosure in the Annual Financial Report of material noncompliance?   | No               |
| SF10                              | What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?      | \$ 1,567,431     |