

MAYPEARL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

Maypearl Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

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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, 2016, at a meeting of the board of trustees of such school district on the 17 day of November, 2016.



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 the Maypearl Independent School District ("the District") as of and for the year ended August 31, 2016, 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, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2016, Maypearl Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Maypearl Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Maypearl Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Maypearl Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 77, *Tax Abatements*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Maypearl Independent School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 79, *Investment Pools*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 15, 2016 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.

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
November 15, 2016

MAYPEARL INDEPENDENT SCHOOL DISTRICT



"A Superior Learning Community"

Superintendent
Ritchie Bowling

Business Manager
Leighanne McAlister

**Special Programs
Director**
Enid Johnson

Technology Director
Debbie Griffin

Athletic Director
Tal D. Sanders

**Support Services
Director**
Dale Cheek

**Child Nutrition
Director**
Robin Leal

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, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position on financial statement exhibit A-1 was \$9,741,141 at August 31, 2016.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$889,377 less than the \$11,779,493 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs on financial statement exhibit C-2 decreased \$212,506 from last year. A decrease in instructional costs and facilities maintenance accounted for this decrease.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$3,550,922. The District began the current year with a fund balance in the amount of \$2,976,418.

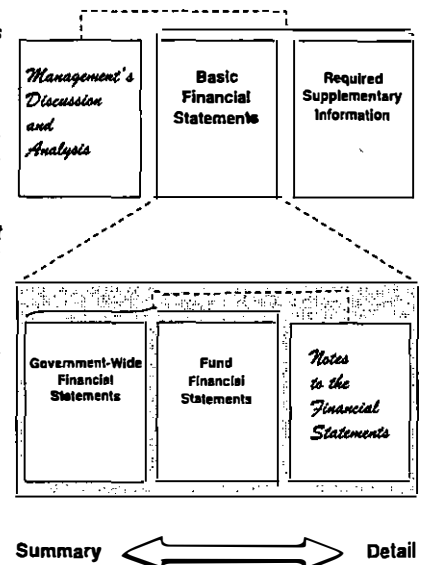
OVERVIEW OF THE FINANCIAL STATEMENTS

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



Elementary Principal
Lisa Hyles

Intermediate Principal
Cristin Votaw

Junior High Principal
Dennis Mitchell

High School Principal
Lesley Austin

Board of Trustees

Tricia Ikard
James Eubank
Brad Roesler
Heath Daniel
Charles Frame
Shane Gravens
Justin Stinson

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 position 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 position and how it has changed. Net position—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 position is 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 position and a statement of changes in fiduciary net position. 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 position. The District's combined net position was \$9.7 million at August 31, 2016. (See Table A-1).

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

	Governmental Activities		Total Percentage Change
	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>
Current assets:			
Cash and cash equivalents	\$3.6	\$3.5	3
Investments	.7	.7	0
Due from other governments	.4	.0	**
Due from other funds	0	0	**
Other receivables	.2	.1	100
Inventories – supplies and materials	0	0	**
Total current assets:	<u>4.9</u>	<u>4.3</u>	14
Noncurrent assets:			
Land, furniture and equipment	34.6	34.2	1
Less accumulated depreciation	(11.5)	(10.5)	-10
Total noncurrent assets	<u>23.1</u>	<u>23.7</u>	-3
Total Assets	<u>28.0</u>	<u>28.0</u>	0
Deferred Outflows of Resources	.8	.2	300
Current liabilities:			
Accounts payable and accrued liabilities	.5	.4	25
Claims payable	0	0	**
Due to other funds	0	0	**
Deferred revenue	.0	.2	**
Total current liabilities	<u>.5</u>	<u>.6</u>	-17
Long-term liabilities:			
Noncurrent liabilities due in one year	.6	.8	-25
Noncurrent liabilities due more than 1 yr	16.2	16.8	-4
Net pension liability	1.7	.8	113
Total Liabilities	<u>19.0</u>	<u>19.0</u>	0
Deferred Inflows of Resources	.1	.3	-67
Net Position:			
Invested in capital assets, net of debt	6.3	6.1	3
Restricted	.7	.7	0
Unrestricted	2.7	2.1	29
Total Net Position	<u>\$ 9.7</u>	<u>\$ 8.9</u>	9

The District has \$733,977 in restricted net position that represents proceeds from debt service of \$689,939 and state and federal programs of \$44,038. These proceeds when spent are restricted for the above purposes. The \$2,667,659 of unrestricted net position represents resources to be available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$11,779,493. A significant portion, 32 percent, of the District's revenue comes from taxes. (See Table A-2.) 52 percent comes from state aid – formula grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$10,890,116; 84 percent of these costs are for governmental activities associated with instructional and student services.

Governmental Activities

- Property tax rates remained the same. Tax revenues increased by \$50,518 or 1%.

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

	Governmental Activities		Total % Change
	<u>2016</u>	<u>2015</u>	
Program Revenues:			
Charges for Services	\$.2	\$.2	0
Operating Grants and Contributions	1.6	1.2	33
Capital Grants and Contributions	0	0	**
General Revenues			
Property Taxes	3.7	3.7	0
State Aid -- Formula	6.2	5.4	15
Investment Earnings	.0	.0	**
Other	.1	.1	0
Total Revenues	11.8	10.6	11
Instruction	5.8	5.8	0
Instructional Resources and Media Services	.1	.1	0
Curriculum Dev. And Instructional Staff Dev.	0	0	**
Instructional Leadership	.1	.1	0
School Leadership	.6	.6	0
Guidance, Counseling and Evaluation Services	.4	.4	0
Social Work Services	0	0	**
Health Services	.1	.1	0
Student (Pupil) Transportation	.2	.2	0
Food Services	.5	.4	25
Curricular/Extracurricular Activities	.5	.4	25
General Administration	.4	.5	-20
Plant Maintenance & Oper.	1.3	1.3	0
Security & Monitoring Svcs.	.0	.0	**
Data Processing Services	.4	.4	0
Community Services	0	0	**
Debt Services	.5	.6	-17
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	.0	**
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	10.9	10.9	0
Excess (Deficiency) Before Other Resources,			
Uses & Transfers	.9	-.3	400
Other Resources (Uses)	0	0	**
Transfers In (Out)	0	0	**
Increase (Decrease) in Net Position	<u>\$.9</u>	<u>\$ -.3</u>	400

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 \$10.9 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 \$.17 million, or
- By grants and contributions \$1.6 million.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2016	2015		2016	2015	
Instruction	5.8	5.8	0	5.0	5.1	-2
School administration	.4	.5	-20	.4	.5	-20
Plant Maintenance & Operations	1.3	1.3	0	1.3	1.3	0
Debt Service – Interest & Fiscal Charges	.5	.6	-17	.3	.4	-25

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$11.5 million, while the previous year it was \$10.6 million. The increase in local revenues is mainly a result of increased tax collections and donations. The increase in state revenues is a result of an increase in the number of students in average daily attendance and state funding formulas. The change in federal revenues is based on federal programs distributed through other agencies.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 1 time. Actual expenditures were \$376,310 below final budget amounts in the General Fund.

On the other hand, resources available were \$198,194 above the final budgeted amount as tax and state revenue were more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$34,649,478 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 \$407,282 or 1 percent over last year.

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

	Governmental Activities		Total Percentage Change 2016-2015
	2016	2015	
Land	.767	.767	0
Interim Construction	0.000	0.000	**
Buildings and improvements	29.682	29.663	0
Vehicles	1.550	1.008	54
Equipment	2.581	2.282	13
Leased Assets	.069	.522	-87
Totals at historical cost	34.649	34.242	1
Total accumulated depreciation	(11.535)	(10.548)	9
Net capital assets	23.114	23.694	-2

The District's fiscal year 2017 capital budget projects no major projects. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end, the District had \$18.47 million in bonds, leases, pension liability 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.

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

	Governmental Activities		Total Percentage Change
	2016	2015	2016-2015
Leases payable	.048	.154	-69
Bonds payable	15.465	16.132	-4
Notes payable	1.245	1.335	-7
Pension liability	1.712	.830	106
Less deferred amount			
On refundings	(0)	(0)	**
Total bonds & notes payable	18.470	18.451	0

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2017 budget preparation is \$260,950,462, a decrease of 3% from 2016.
- General operating fund spending per student decreased in the 2017 budget from \$8,947 to \$8,610. This is a 3.8% decrease.
- The District's 2017 refined average daily attendance is expected to be 1,064, a slight increase.

These indicators were taken into account when adopting the general fund budget for 2017. Amounts available for appropriation in the general fund budget are \$9,160,564, an increase of 1 percent over the final 2016 budget.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2017.

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 972-435-1000.

Basic Financial Statements

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

AUGUST 31, 2016

Data Control Codes		1 Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 3,574,657
1120	Current Investments	753,731
1225	Property Taxes Receivable (Net)	158,439
1240	Due from Other Governments	413,369
Capital Assets:		
1510	Land	767,106
1520	Buildings and Improvements, Net	21,130,311
1530	Furniture and Equipment, Net	1,167,123
1550	Capital Lease Assets, Net	49,658
1000	Total Assets	<u>28,014,394</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1705	Deferred Outflow Related to Pensions	831,694
1700	Total Deferred Outflows of Resources	<u>831,694</u>
LIABILITIES:		
2110	Accounts Payable	133,895
2140	Interest Payable	16,672
2165	Accrued Liabilities	357,408
Noncurrent Liabilities:		
2501	Due Within One Year	550,655
2502	Due in More Than One Year	16,207,366
2540	Net Pension Liability	1,711,583
2000	Total Liabilities	<u>18,977,579</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions	127,368
2600	Total Deferred Inflows of Resources	<u>127,368</u>
NET POSITION:		
3200	Net Investment in Capital Assets	6,339,505
Restricted For:		
3820	State and Federal Programs	44,038
3850	Debt Service	689,939
3900	Unrestricted	2,667,659
3000	Total Net Position	<u>\$ 9,741,141</u>

The accompanying notes are an integral part of this statement.

MAYPEARL INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 5,838,621	\$ --	\$ 882,635	\$ (4,955,986)
12	<i>Instructional Resources and Media Services</i>	104,656	--	--	(104,656)
13	<i>Curriculum and Staff Development</i>	27,289	--	3,276	(24,013)
21	<i>Instructional Leadership</i>	110,530	--	--	(110,530)
23	<i>School Leadership</i>	614,446	--	--	(614,446)
31	<i>Guidance, Counseling, & Evaluation Services</i>	350,628	--	71,162	(279,466)
33	<i>Health Services</i>	135,438	--	45,565	(89,873)
34	<i>Student Transportation</i>	193,383	--	61,887	(131,496)
35	<i>Food Service</i>	440,892	144,463	250,575	(45,854)
36	<i>Cocurricular/Extracurricular Activities</i>	456,932	31,598	--	(425,334)
41	<i>General Administration</i>	398,982	--	--	(398,982)
51	<i>Facilities Maintenance and Operations</i>	1,279,791	--	--	(1,279,791)
52	<i>Security and Monitoring Services</i>	16,607	--	--	(16,607)
53	<i>Data Processing Services</i>	369,774	--	--	(369,774)
72	<i>Interest on Long-term Debt</i>	544,620	--	255,744	(288,876)
73	<i>Bond Issuance Costs and Fees</i>	7,527	--	--	(7,527)
TG	Total Governmental Activities	10,890,116	176,061	1,570,844	(9,143,211)
TP	Total Primary Government	<u>\$ 10,890,116</u>	<u>\$ 176,061</u>	<u>\$ 1,570,844</u>	<u>(9,143,211)</u>
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				2,876,314
DT	<i>Property Taxes, Levied for Debt Service</i>				845,211
IE	<i>Investment Earnings</i>				47,208
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				6,147,597
MI	<i>Miscellaneous</i>				116,258
TR	Total General Revenues				<u>10,032,588</u>
CN	Change in Net Position				889,377
NB	Net Position - Beginning				8,851,764
NE	Net Position - Ending				<u>\$ 9,741,141</u>

The accompanying notes are an integral part of this statement.

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

AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ 3,583,929	\$ 157	\$ (9,429)	\$ 3,574,657
1120 <i>Current Investments</i>	98,394	655,337	--	753,731
1225 <i>Taxes Receivable, Net</i>	123,994	34,445	--	158,439
1240 <i>Due from Other Governments</i>	262,397	--	150,972	413,369
1260 <i>Due from Other Funds</i>	71,411	--	--	71,411
1000 Total Assets	<u>4,140,125</u>	<u>689,939</u>	<u>141,543</u>	<u>4,971,607</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 133,895	\$ --	\$ --	\$ 133,895
2160 <i>Accrued Wages Payable</i>	329,717	--	24,342	354,059
2170 <i>Due to Other Funds</i>	--	--	71,411	71,411
2200 <i>Accrued Expenditures</i>	1,597	--	1,752	3,349
2000 Total Liabilities	<u>465,209</u>	<u>--</u>	<u>97,505</u>	<u>562,714</u>
DEFERRED INFLOWS OF RESOURCES:				
<i>Deferred Revenue - Property Taxes</i>	123,994	34,445	--	158,439
2600 Total Deferred Inflows of Resources	<u>123,994</u>	<u>34,445</u>	<u>--</u>	<u>158,439</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	44,038	44,038
3480 <i>Retirement of Long-Term Debt</i>	--	655,494	--	655,494
Assigned Fund Balances:				
3550 <i>Construction</i>	1,300,000	--	--	1,300,000
3600 <i>Unassigned</i>	2,250,922	--	--	2,250,922
3000 Total Fund Balances	<u>3,550,922</u>	<u>655,494</u>	<u>44,038</u>	<u>4,250,454</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 4,140,125</u>	<u>\$ 689,939</u>	<u>\$ 141,543</u>	<u>\$ 4,971,607</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, 2016

Total fund balances - governmental funds balance sheet	\$ 4,250,454
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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.	23,114,198
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	158,439
Payables for bond principal which are not due in the current period are not reported in the funds.	(13,690,744)
Payables for capital leases which are not due in the current period are not reported in the funds.	(47,932)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,791,017)
Payables for notes which are not due in the current period are not reported in the funds.	(1,245,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,711,583)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(127,368)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>831,694</u>

Net position of governmental activities - Statement of Net Position	\$ <u><u>9,741,141</u></u>
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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, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 3,085,059	\$ 846,342	\$ 144,463	\$ 4,075,864
5800 <i>State Program Revenues</i>	6,227,735	255,744	165,430	6,648,909
5900 <i>Federal Program Revenues</i>	45,565	--	728,633	774,198
5020 <i>Total Revenues</i>	<u>9,358,359</u>	<u>1,102,086</u>	<u>1,038,526</u>	<u>11,498,971</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	4,875,434	--	507,162	5,382,596
0012 <i>Instructional Resources and Media Services</i>	91,272	--	--	91,272
0013 <i>Curriculum and Staff Development</i>	21,308	--	3,272	24,580
0021 <i>Instructional Leadership</i>	96,023	--	--	96,023
0023 <i>School Leadership</i>	531,158	--	--	531,158
0031 <i>Guidance, Counseling, & Evaluation Services</i>	244,541	--	71,154	315,695
0033 <i>Health Services</i>	117,088	--	--	117,088
0034 <i>Student Transportation</i>	204,464	--	61,900	266,364
0035 <i>Food Service</i>	--	--	388,048	388,048
0036 <i>Cocurricular/Extracurricular Activities</i>	402,442	--	--	402,442
0041 <i>General Administration</i>	351,000	--	--	351,000
0051 <i>Facilities Maintenance and Operations</i>	1,127,043	--	--	1,127,043
0052 <i>Security and Monitoring Services</i>	14,456	--	--	14,456
0053 <i>Data Processing Services</i>	324,128	--	--	324,128
0071 <i>Principal on Long-term Debt</i>	324,275	504,031	--	828,306
0072 <i>Interest on Long-term Debt</i>	54,073	527,470	--	581,543
0073 <i>Bond Issuance Costs and Fees</i>	5,150	2,377	--	7,527
6030 <i>Total Expenditures</i>	<u>8,783,855</u>	<u>1,033,878</u>	<u>1,031,536</u>	<u>10,849,269</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>574,504</u>	<u>68,208</u>	<u>6,990</u>	<u>649,702</u>
1200 <i>Net Change in Fund Balances</i>	<u>574,504</u>	<u>68,208</u>	<u>6,990</u>	<u>649,702</u>
0100 <i>Fund Balances - Beginning</i>	<u>2,976,418</u>	<u>587,286</u>	<u>37,048</u>	<u>3,600,752</u>
3000 <i>Fund Balances - Ending</i>	<u>\$ 3,550,922</u>	<u>\$ 655,494</u>	<u>\$ 44,038</u>	<u>\$ 4,250,454</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, 2016*

Net change in fund balances - total governmental funds	\$ 649,702
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	407,282
The depreciation of capital assets used in governmental activities is not reported in the funds.	(986,828)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	30,177
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	719,031
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	106,405
The accretion of interest on capital appreciation bonds is not reported in the funds.	37,068
(Increase) decrease in accrued interest from beginning of period to end of period.	2,725
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(76,185)
	<hr/>
Change in net position of governmental activities - Statement of Activities	\$ <u><u>889,377</u></u>

The accompanying notes are an integral part of this statement.

MAYPEARL INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2016**

Data Control Codes	Agency Fund	Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$	103,534
1120 <i>Current Investments</i>		61,341
1000 Total Assets		164,875
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>		164,875
2000 Total Liabilities		164,875
NET POSITION:		
3000 Total Net Position	\$	--

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, 2016

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, 2016

Agency Funds: These funds 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.

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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.

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

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	5-10
Equipment	3-15

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not 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
FOR THE YEAR ENDED AUGUST 31, 2016

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.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. New Accounting Standards Adopted

In fiscal year 2016, the District adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 72, *Fair Value Measurement and Application*

-- Statement No. 73, *Amends GASB 67 and 68*

-- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

-- Statement No. 77, *Tax Abatement Disclosures*

-- Statement No. 79, *Certain External Investment Pools and Pool Participants*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b. Statement No. 73 clarifies the the application of certain provisions of Statements 67 and 68.
- c. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial state- ments. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- d. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.
- e. Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,805,072 and the bank balance was \$4,538,185. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

The District's investments at August 31, 2016 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	N/A	\$ 126,881
Bank Money Market Investment Account	N/A	644,974
Lone Star Investments	N/A	43,217
Total Investments		<u>\$ 815,072</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, 2016, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

D. Capital Assets

Capital asset activity for the year ended August 31, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending 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	29,662,547	19,721	--	29,682,268
Equipment	2,282,152	368,240	69,522	2,580,870
Vehicles	1,008,239	88,843	(452,630)	1,549,712
Capital Leases	522,152	--	452,630	69,522
Total capital assets being depreciated	<u>33,475,090</u>	<u>476,804</u>	<u>69,522</u>	<u>33,882,372</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,793,966)	(757,991)	--	(8,551,957)
Equipment	(1,811,014)	(17,812)	--	(1,828,826)
Vehicles	(752,488)	(201,093)	181,052	(1,134,633)
Capital Leases	(190,984)	(9,932)	(181,052)	(19,864)
Total accumulated depreciation	<u>(10,548,452)</u>	<u>(986,828)</u>	<u>--</u>	<u>(11,535,280)</u>
Total capital assets being depreciated, net	<u>22,926,638</u>	<u>(510,024)</u>	<u>69,522</u>	<u>22,347,092</u>
Governmental activities capital assets, net	<u>\$ 23,693,744</u>	<u>\$ (510,024)</u>	<u>\$ 69,522</u>	<u>\$ 23,114,198</u>

Depreciation was charged to functions as follows:

Instruction	\$ 558,892
Instructional Resources and Media Services	10,058
Curriculum and Staff Development	2,709
Instructional Leadership	10,581
School Leadership	58,532
Guidance, Counseling, & Evaluation Services	33,540
Health Services	12,903
Student Transportation	18,662
Food Services	42,762
Extracurricular Activities	44,348
General Administration	38,679
Plant Maintenance and Operations	117,851
Security and Monitoring Services	1,593
Data Processing Services	35,718
	<u>\$ 986,828</u>

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2016, 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	\$ 71,411	Short-term loans
	Total	<u>\$ 71,411</u>	

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds during the current fiscal year.

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 12,425,000	\$ --	\$ 310,000	\$ 12,115,000	\$ 140,000
General obligation bonds-					
Capital appreciation bonds	614,775	--	194,031	420,744	182,296
QCCB construction bond	1,280,000	--	125,000	1,155,000	125,000
Capital leases	154,337	--	106,405	47,932	13,359
Tax maintenance notes	1,335,000	--	90,000	1,245,000	90,000
Accretion on capital app bnd	1,811,413	--	37,068	1,774,345	--
Net Pension Liability *	830,296	881,287	--	1,711,583	--
Total governmental activities	<u>\$ 18,450,821</u>	<u>\$ 881,287</u>	<u>\$ 862,504</u>	<u>\$ 18,469,604</u>	<u>\$ 550,655</u>

* Other long-term liabilities

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

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

General Obligation Bonds

General obligation school building bonds payable at August 31, 2016, with their outstanding balance are comprised of the following individual issues.

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, 2016 is \$7,102,677 with \$12,677 considered capital appreciation bonds.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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, 2016 is \$480,000.

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, 2016 is \$1,258,569 with \$378,569 considered capital appreciation bonds.

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, 2016 is \$1,399,498 with \$29,498 considered capital appreciation bonds.

The District issued \$2,580,000 of Unlimited Tax School Refunding Bonds, Series 2014 during the year ended August 31, 2015 for the purposes of lowering interest rates. Interest rates vary from 2.0% to 4.0% with installments varying from \$110,686 to \$306,620. The total balance on this issue at August 31, 2016 is \$2,295,000.

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, 2016 is \$1,155,000 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, 2016 is \$1,245,000 with a final maturity date of 2028.

Leases

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, 2016 is \$0.

The District issued a \$69,522 lease obligation during fiscal year 2015 to electronic equipment, with an interest rate of 6.3% and monthly installments of \$1,340 per month. The total balance on this issue at August 31, 2016 is \$47,932 with a final maturity date of 2020.

MAYPEARL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2016, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 537,296	\$ 641,437	\$ 1,178,733
2018	560,878	681,280	1,242,158
2019	564,893	704,590	1,269,483
2020	915,000	370,883	1,285,883
2021	945,000	351,383	1,296,383
2022-2026	3,042,677	3,365,078	6,407,755
2027-2031	4,985,000	899,363	5,884,363
2032-2036	3,385,000	152,871	3,537,871
Totals	<u>\$ 14,935,744</u>	<u>\$ 7,166,885</u>	<u>\$ 22,102,629</u>

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, 2016, 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>
2004	\$ 8,351,795
2005	1,160,000
Total	<u>\$ 9,511,795</u>

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2016, as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities-Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 13,359	\$ 2,724	\$ 16,083
2018	14,224	1,859	16,083
2019	15,146	937	16,083
2020	5,203	97	5,300
Totals	<u>\$ 47,932</u>	<u>\$ 5,617</u>	<u>\$ 53,549</u>

Lease expenditures in fiscal year 2015 \$ 114,266

The effective interest rate on capital leases is 3.0%.

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 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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	<u>Contribution Rates</u>	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$ 148,723	
District's 2016 Member Contributions	\$ 408,235	
NECE 2015 On-Behalf Contributions to District	\$ 337,577	

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

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

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

5. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

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Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2015			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 2,681,752	\$ 1,711,583	\$ 903,520

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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8. Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At August 31, 2016, the District reported a liability of \$1,711,583 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,711,583
State's proportionate share of the net pension liability associated with the District	<u>4,028,773</u>
Total	<u>\$ 5,740,356</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0048420%. which was an increase (decrease) of 0.0017336% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

- a. The inflation assumption was decreased from 3.00% to 2.50%
- b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- d. The payroll growth assumption was lowered from 3.50% to 2.50%

Mortality Assumptions

- e. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- f. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- g. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Other Demographic Assumptions

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- m. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, the District recognized pension expense of \$574,035 and revenue of \$574,035 for support provided by the State.

At August 31, 2016, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,679	\$ 65,778
Changes in actuarial assumptions	44,885	61,062
Difference between projected and actual investment earnings	231,195	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	396,212	528
District contributions paid to TRS subsequent to the measurement date	148,723	-
Total	<u>\$ 831,694</u>	<u>\$ 127,368</u>

MAYPEARL INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2016

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

Year Ended August 31	Pension Expense Amount
2017	\$ 98,723
2018	\$ 98,723
2019	\$ 98,723
2020	\$ 162,166
2021	\$ 56,119
Thereafter	\$ 41,150

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.trstate.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2016, 2015 and 2014. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$56,699, \$57,473, and \$54,553, respectively, the active member contributions were \$36,855, \$37,357, and \$35,459, respectively, and the District's contributions were \$31,185, \$31,610, and \$30,004, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$21,591, \$16,935, and \$14,572, respectively.

MAYPEARL INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

J. Employee Health Care Coverage

During the year ended August 31, 2016, 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, 2016, 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, 2015, 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, 2016.

L. 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	2016	2015
Unpaid (overpayment) claims at September 1	\$ 48,678	\$ 62,108
Net claims incurred or (adjusted) during the year	26,811	71,151
Payments of claims during the year	(13,593)	(84,581)
Unpaid claims at August 31	<u>\$ 61,896</u>	<u>\$ 48,678</u>

The above amount is reflected as a liability on the financial statements as of August 31, 2016.

M. Accumulated Unpaid Vacation and Personal Leave Benefits

At August 31, 2016, 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, 2016 which are not recorded on the financial statements in the amount of \$707,000. These benefits are recorded as expenditures as used.

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, 2016

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 3,109,081	\$ 3,187,734	\$ 3,085,059	\$ (102,675)
5800	State Program Revenues	5,917,431	5,917,431	6,227,735	310,304
5900	Federal Program Revenues	55,000	55,000	45,565	(9,435)
5020	Total Revenues	9,081,512	9,160,165	9,358,359	198,194
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	5,092,070	5,074,855	4,875,434	199,421
0012	Instructional Resources and Media Services	84,664	92,792	91,272	1,520
0013	Curriculum and Staff Development	24,400	24,400	21,308	3,092
	Total Instruction & Instr. Related Services	5,201,134	5,192,047	4,988,014	204,033
	Instructional and School Leadership:				
0021	Instructional Leadership	103,897	104,262	96,023	8,239
0023	School Leadership	532,699	532,699	531,158	1,541
	Total Instructional & School Leadership	636,596	636,961	627,181	9,780
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	279,241	279,241	244,541	34,700
0033	Health Services	119,857	119,857	117,088	2,769
0034	Student (Pupil) Transportation	253,470	253,470	204,464	49,006
0036	Cocurricular/Extracurricular Activities	388,801	418,810	402,442	16,368
	Total Support Services - Student (Pupil)	1,041,369	1,071,378	968,535	102,843
	Administrative Support Services:				
0041	General Administration	368,773	368,773	351,000	17,773
	Total Administrative Support Services	368,773	368,773	351,000	17,773
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	1,134,311	1,150,677	1,127,043	23,634
0052	Security and Monitoring Services	16,500	16,500	14,456	2,044
0053	Data Processing Services	305,520	329,520	324,128	5,392
	Total Support Services - Nonstudent Based	1,456,331	1,496,697	1,465,627	31,070
	Debt Service:				
0071	Principal on Long-Term Debt	324,327	324,327	324,275	52
0072	Interest on Long-Term Debt	52,982	64,482	54,073	10,409
0073	Bond Issuance Costs and Fees	--	5,500	5,150	350
	Total Debt Service	377,309	394,309	383,498	10,811
6030	Total Expenditures	9,081,512	9,160,165	8,783,855	376,310
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	574,504	574,504
1200	Net Change in Fund Balance	--	--	574,504	574,504
0100	Fund Balance - Beginning	2,976,418	2,976,418	2,976,418	--
3000	Fund Balance - Ending	\$ 2,976,418	\$ 2,976,418	\$ 3,550,922	\$ 574,504

MAYPEARL INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S PROPORTIONATE**SHARE OF THE NET PENSION LIABILITY**TEACHERS RETIREMENT SYSTEM OF TEXAS**LAST TEN FISCAL YEARS **

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.005%	0.003%	--	--	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 1,711,583	\$ 830,296	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	4,028,773	3,248,562	--	--	--	--	--	--	--	--
Total	<u>\$ 5,740,356</u>	<u>\$ 4,078,858</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 5,747,270	\$ 5,455,302	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.78%	15.22%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	--	--	--	--	--	--	--	--

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

MAYPEARL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 148,723	\$ 86,404	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(148,723)	(86,404)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 5,669,931	\$ 5,747,270	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.62%	1.50%	--	--	--	--	--	--	--	--

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

MAYPEARL INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2016

Budget

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

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

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period other than those mentioned in Section 8 of Note H to the financial statements.

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, 2016

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2007 and Prior Years						
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		1.04		.319		266,902,134
2014		1.04		.306		272,482,201
2015		1.04		.306		273,290,712
2016 (School Year Under Audit)		1.04		.306		270,385,067
1000 Totals						

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 22,442	\$ --	\$ 3,436	\$ 547	\$ 3,983	\$ 22,442
2,674	--	667	149	772	2,630
5,097	--	2,147	660	726	3,016
10,615	--	5,019	1,539	3,740	7,797
8,726	--	5,945	1,824	8,232	9,189
10,659	--	5,368	1,646	7,581	11,226
14,384	--	6,767	2,076	7,317	12,858
19,518	--	9,820	2,889	6,198	13,007
53,550	--	25,055	7,372	2,250	23,373
--	3,639,383	2,752,611	809,903	--	76,869
<u>\$ 147,665</u>	<u>\$ 3,639,383</u>	<u>\$ 2,816,835</u>	<u>\$ 828,605</u>	<u>\$ 40,799</u>	<u>\$ 182,407</u>

MAYPEARL INDEPENDENT SCHOOL DISTRICT**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2016****EXHIBIT J-2**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2016 (Exhibit C-1 object 3000 for the General Fund only)	\$ 3,550,922
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)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	1,300,000
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	1,464,000
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)	2,764,000
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 786,922

Above amount expected to be used for future capital expenditures.

MAYPEARL INDEPENDENT SCHOOL DISTRICT**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED AUGUST 31, 2016****EXHIBIT J-3**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	<i>Local and Intermediate Sources</i>	\$ 148,000	\$ 144,463	\$ (3,537)
5800	<i>State Program Revenues</i>	16,900	11,256	(5,644)
5900	<i>Federal Program Revenues</i>	231,000	239,319	8,319
5020	Total Revenues	<u>395,900</u>	<u>395,038</u>	<u>(862)</u>
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	<i>Food Services</i>	<u>395,900</u>	<u>388,048</u>	<u>7,852</u>
	Total Support Services - Student (Pupil)	<u>395,900</u>	<u>388,048</u>	<u>7,852</u>
6030	Total Expenditures	<u>395,900</u>	<u>388,048</u>	<u>7,852</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	6,990	6,990
1200	Net Change in Fund Balance	--	6,990	6,990
0100	Fund Balance - Beginning	37,048	37,048	--
3000	Fund Balance - Ending	<u>\$ 37,048</u>	<u>\$ 44,038</u>	<u>\$ 6,990</u>

MAYPEARL INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-4

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 850,062	\$ 846,342	\$ (3,720)
5800	State Program Revenues	191,442	255,744	64,302
5020	Total Revenues	<u>1,041,504</u>	<u>1,102,086</u>	<u>60,582</u>
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	504,032	504,031	1
0072	Interest on Long-Term Debt	527,472	527,470	2
0073	Bond Issuance Costs and Fees	10,000	2,377	7,623
	Total Debt Service	<u>1,041,504</u>	<u>1,033,878</u>	<u>7,626</u>
6030	Total Expenditures	<u>1,041,504</u>	<u>1,033,878</u>	<u>7,626</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	68,208	68,208
1200	Net Change in Fund Balance	--	68,208	68,208
0100	Fund Balance - Beginning	587,286	587,286	--
3000	Fund Balance - Ending	<u>\$ 587,286</u>	<u>\$ 655,494</u>	<u>\$ 68,208</u>

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, 2016, 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 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Maypearl Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. 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 the 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*.

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.

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
November 15, 2016

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 the Uniform Guidance

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 the Maypearl Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Maypearl Independent School District's major federal programs for the year ended August 31, 2016. Maypearl Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the Maypearl Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
November 15, 2016

MAYPEARL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA-B Formula
84.173	IDEA-B Preschool

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MAYPEARL INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None noted		

MAYPEARL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

No findings noted so none required.

MAYPEARL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1

(1)	(2)	(2A) Pass-Through Entity Identifying Number	(3) Passed Through to Subrecipients	Federal Expenditures
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number			
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through State Department of Education:				
Medical Assistance Program *	93.778	070-915	\$ --	\$ 45,565
Total U. S. Department of Health and Human Services			--	45,565
<u>U. S. DEPARTMENT OF EDUCATION</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	16610101057950	--	--
ESEA Title I Part A - Improving Basic Programs	84.010a	XXX	--	102,375
Total CFDA Number 84.010a			--	102,375
IDEA-B Formula *	84.027	166600010709156600	--	--
IDEA-B Formula *	84.027	XXX	--	356,700
Total CFDA Number 84.027			--	356,700
IDEA-B Preschool *	84.173	166610010709156610	--	--
IDEA-B Preschool *	84.173	XXX	--	5,023
Total CFDA Number 84.173			--	5,023
Title III Part A English Language Acquisition and Language Enhancement	84.365	16671001057950	--	--
Title III Part A English Language Acquisition and Language Enhancement	84.365	XXX	--	3,000
Total CFDA Number 84.365			--	3,000
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	16694501057950	--	--
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	XXX	--	22,216
Total CFDA Number 84.367a			--	22,216
Total Passed Through State Department of Education			--	489,314
Total U. S. Department of Education			--	489,314
<u>U. S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through State Department of Education:				
School Breakfast Program *	10.553	070-915	--	61,121
National School Lunch Program *	10.555	070-915	--	157,451
National School Lunch Program (Non-Cash) *	10.555	070-915	--	20,747
Total CFDA Number 10.555			--	178,198
Total Passed Through State Department of Education			--	239,319
Total U. S. Department of Agriculture			--	239,319
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 774,198

* Indicates clustered program under OMB Uniform Guidance (2.CFR.200)

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, 2016

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

MAYPEARL INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2016**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 1,774,345
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,711,583
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 76,185