

MATHIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2013



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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MATHIS INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2013

BOARD OF TRUSTEES

RICK CORTEZ, JR.	PRESIDENT
JOHN S. GALVAN	VICE-PRESIDENT
ANGIE TREJO	SECRETARY
LEROY BARRERA, SR.	MEMBER
RUDY HERNANDEZ	MEMBER
MELINDA BARAJAS	MEMBER
MARY GARZA	MEMBER

OTHER OFFICIALS

DR. MARIA RODRIGUEZ-CASAS	SUPERINTENDENT
VICTOR CABALLERO	ASSISTANT SUPERINTENDENT
CHRIS CASAREZ	ADMINISTRATOR FOR OPERATIONS & STUDENT SUPPORT SERVICES
GAIL SHEPLER	BUSINESS MANAGER
TIMOTHY HOLT	ATHLETIC DIRECTOR
DRUANNA CHILDS	DIRECTOR OF BRUSH COUNTRY SPECIAL EDUCATION CO-OP

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

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	19	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	20	E-2
Notes to the Financial Statements	21	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	36	G-1
Notes to Required Supplementary Information.....	38	G-2
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	39	J-1
Indirect Cost Computation Schedule	41	J-2
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	42	J-3
Budgetary Comparison Schedules Required by the Texas Education Agency:		
Debt Service Fund.....	43	J-4
Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i>	44	
Report on Compliance for Each Major Program and on Internal		
Control over Compliance Required by OMB Circular A-133.....	46	
Schedule of Findings and Questioned Costs	48	
Summary Schedule of Prior Audit Findings.....	49	
Corrective Action Plan.....	50	
Schedule of Expenditures of Federal Awards	51	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	52	

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Introductory Section

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CERTIFICATE OF BOARD

Mathis Independent School District
Name of School District

San Patricio
County

205904
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 period ended August 31, 2013, at a meeting of the board of trustees of such school district on the 10th day of December, 2013.

Angie Trejo, Board Secretary

Rick Cortez, Jr., Board President

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

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Financial Section

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

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 Mathis Independent School District ("the District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 Mathis Independent School District as of August 31, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, in 2013, Mathis Independent School District adopted new accounting guidance. Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of Mathis 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 Mathis Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP
Corpus Christi, TX

December 9, 2013

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Management's Discussion and Analysis

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MATHIS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2013 UNAUDITED

This section of Mathis Independent School District (the "District") financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$23,517,586 as of August 31, 2013.
- During the year, the District's expenses were \$1,408,864 less than the \$22,461,538 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$6,540,365.

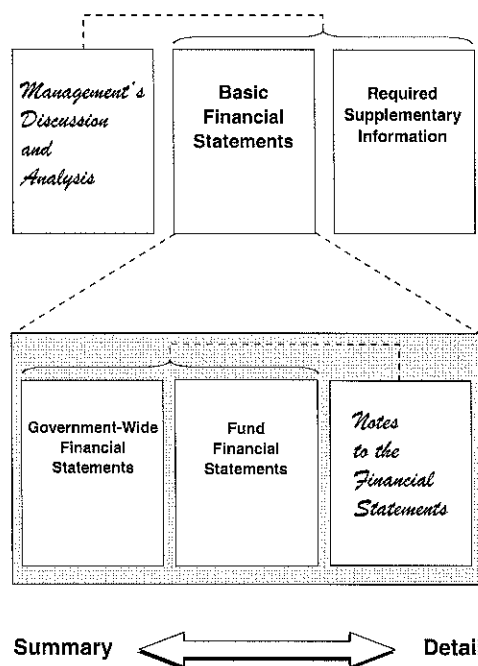
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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.

Net position may serve time as a useful indicator of the District's financial position. The District's combined net position was \$23,517,586 as of August 31, 2013. (See Table A-1.)

Table A-1
Mathis Independent School District's Net Position

	Governmental Activities		Total Percentage Change 2013-2012
	2013	2012	
Assets:			
Cash and cash equivalents	6,478,575	9,415,727	-31.2%
Investments	1,099,489	1,098,336	0.1%
Property Taxes Receivable (Net)	899,075	833,000	7.9%
Due from Other Governments	1,513,785	1,833,464	-17.4%
Other Receivables (Net)	5,014	69,835	-92.8%
Deferred Expenses	-	15,066	-100.0%
Capitalized Bonds & Debt Issuance	378,483	395,784	-4.4%
Other Assets	69,069	75,000	-7.9%
Capital Assets:			
Land	715,385	715,385	0.0%
Construction in Progress	637,331	3,771,255	-83.1%
Buildings, Furniture, and Equipment, (Net)	30,943,804	24,603,438	25.8%
Total Assets	42,740,010	42,826,290	-0.2%
Liabilities:			
Accounts Payable	61,938	908,958	-93.2%
Interest Payable	34,202	35,148	-2.7%
Accrued Expenses	623,336	551,870	12.9%
Deferred Revenue	272,816	300,451	-9.2%
Non-current Liabilities:			
Due within one year	832,511	790,580	5.3%
Due in more than one year	17,397,621	18,214,856	-4.5%
Total Liabilities	19,222,424	20,801,863	-7.6%
Net Position:			
Invested in Capital Assets, Net of Related Debt	14,711,889	14,564,220	1.0%
Restricted for:			
State & Federal Programs	519,696	383,075	35.7%
Debt Service	581,448	372,072	56.3%
Unrestricted	7,704,553	6,702,060	15.0%
Total Net Position	23,517,586	22,021,427	6.8%

The District continues to be fiscally conservative and has unrestricted net position of \$7,704,553. The unrestricted net position of the District has increased by \$1,002,493 during the current fiscal year.

Changes in Net Position

The District's total revenues were \$22,461,538. A portion, 17.2%, of the District's revenue comes from local taxes, approximately 46.7% comes from state aid, 32.0% from operating grants, 2.9% from charges for services, and 1.2% other.

The total cost of all programs and services was \$21,052,674.

Governmental Activities

Property tax rates were \$1.3478: M&O--\$1.1314 and I&S \$0.2164.

Table A-2
Changes in Mathis Independent School District's Net Position

	Governmental Activities		Total Percentage Change 2013-2012
	2013	2012	
Program Revenues:			
Charges for Services	644,322	572,075	12.6%
Operating Grants and Contributions	7,182,528	9,173,572	-21.7%
General Revenues:			
Property Taxes	3,852,441	3,519,555	9.5%
State Aid	10,488,721	9,837,350	6.6%
Other Local Revenues	293,526	93,827	212.8%
Total Revenues	22,461,538	23,196,379	-3.2%
Expenses:			
Instruction	11,262,267	12,450,960	-9.7%
Instructional Resources and Media Services	272,195	286,642	-5.0%
Curriculum and Staff Development	717,581	749,022	-3.3%
Instructional Leadership	21,843	41,244	-47.0%
School Leadership	733,718	656,011	11.8%
Guidance, Counseling and Evaluation Services	405,712	424,437	-4.4%
Social Work Services	109,271	105,051	4.0%
Health Services	166,033	81,637	103.4%
Student Transportation	691,929	647,925	6.8%
Food Services	1,195,663	1,095,426	9.2%
Extracurricular Activities	719,334	704,882	2.1%
General Administration	1,131,302	1,004,521	14.0%
Plant Maintenance & Operations	2,353,919	2,274,718	3.5%
Security & Monitoring Services	92,152	82,338	11.9%
Data Processing Services	228,595	158,376	44.3%
Community Services	80,215	182,203	-56.0%
Interest on Long-term Debt	754,858	756,127	-0.2%
Bond Issuance Costs and Fees	5,136	2,952	74.0%
Capital Outlay	21,680	34,600	-37.3%
Payments Related to SSA	36,659	37,238	-1.6%
Other Intergovernmental Charges	52,612	51,765	1.6%
Total Expenses	21,052,674	21,828,075	-3.6%
Change in Net Position	1,408,864	1,368,304	3.0%

Table A-3 represents 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 state revenues as well as local tax dollars funded.

- The cost of all governmental activities this year was \$21,052,674. (See Table A-2.)
- However, the amount that our taxpayers paid for these activities through property taxes was \$3,852,441.
- Grants and contributions \$7,182,528.

Table A-3
Net Cost of Selected Mathis Independent School District Functions

	Total Cost of Services			Net Cost of Services		
	2013	2012	% Change	2013	2012	% Change
Instruction	11,262,267	12,450,960	-9.5%	6,718,409	5,918,189	13.5%
General Administration	1,131,302	1,004,521	12.6%	919,626	797,651	15.3%
Plant Maintenance & Operations	2,353,919	2,274,718	3.5%	2,180,682	2,077,265	5.0%
Food Services	1,195,663	1,095,426	9.2%	(104,022)	(60,243)	72.7%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$22,401,396.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget as necessary to cover unforeseen expenses. Staffing is budgeted for full employment throughout the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had assets of \$47,756,745 in a broad range of capital assets, including land, construction in progress, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
Mathis Independent School District's Capital Assets
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2013	2012	2013-2012
Land	0.71	0.71	0.0%
Construction in progress	0.64	3.77	-83.0%
Buildings and improvements	43.41	36.24	19.8%
Vehicles	1.86	1.81	2.8%
Equipment	1.14	1.14	0.0%
Total Assets at Historical Cost	47.76	43.67	9.4%
Total Accumulated Depreciation	(15.46)	(14.58)	6.0%
Net Capital Assets	32.30	29.09	11.0%

Long Term Debt

At year-end the District had \$18,230,132 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Bond Ratings

The District's unlimited-tax school building bonds presently carry "BBB+" from Standard and Poors underlying rating (SPUR) with outlook as Stable.

Table A-5
Mathis Independent School District's Long Term Debt

	Governmental Activities		Total Percentage Change
	2013	2012	2013-2012
Bonds payable	18,160,161	18,917,869	-4.0%
Capital Leases	69,971	73,021	-4.2%
Total Long Term Debt	18,230,132	18,990,890	-4.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2012-2013 total enrollment was 1,662, and the District's refined average daily attendance in 2012-2013 was 1,542. This is a 4% decline in enrollment. However, the attendance rate has increased by 2%; therefore, the District will receive less state funding.
- The Appraisal values used for the 2014 budget are expected to be up approximately 5% from 2013 budget year. The District tax rate for M & O was reduced from \$1.17 to \$1.1314. However, the increase in value netted with the state funding allocation will generate approximately \$250,000 in additional income for the District.
- Grant opportunities and the increase in property value will help the District close the financial gap in budgeting to allow for a balanced budget.
- The District is aggressively seeking grant opportunism.
- The District is in the process of negotiating the opportunity to bring a Windmill Farm into the District boundaries, which will add to the property values.
- The District is planning to present an estimated \$29 million bond project to the citizens of Mathis ISD in order to build a new High School.

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 District's Business Office, Mathis ISD, 602 E. San Patricio, (PO Box 1179) Mathis, TX 78368.

Basic Financial Statements

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

AUGUST 31, 2013

		1
Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 6,478,575
1120	Current Investments	1,099,489
1225	Property Taxes Receivable (Net)	899,075
1240	Due from Other Governments	1,513,785
1290	Other Receivables (Net)	5,014
1420	Capitalized Bond and Other Debt Issuance Costs	378,483
Capital Assets:		
1510	Land	715,385
1520	Buildings and Improvements, Net	29,960,034
1530	Furniture and Equipment, Net	983,770
1580	Construction in Progress	637,331
1990	Other Assets	69,069
1000	Total Assets	<u>42,740,010</u>
LIABILITIES:		
2110	Accounts Payable	61,938
2140	Interest Payable	34,202
2165	Accrued Liabilities	623,336
2300	Unearned Revenue	272,816
Noncurrent Liabilities:		
2501	Due Within One Year	832,511
2502	Due in More Than One Year	17,397,621
2000	Total Liabilities	<u>19,222,424</u>
NET POSITION		
3200	Net Investment in Capital Assets	14,711,889
Restricted For:		
3820	State and Federal Programs	519,696
3850	Debt Service	581,448
3900	Unrestricted	7,704,553
3000	Total Net Position	<u>\$ 23,517,586</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 11,262,267	\$ 211,081	\$ 4,332,777	\$ (6,718,409)
12	Instructional Resources and Media Services	272,195	--	46,727	(225,468)
13	Curriculum and Staff Development	717,581	65,198	365,965	(286,418)
21	Instructional Leadership	21,843	--	1,489	(20,354)
23	School Leadership	733,718	5,227	51,085	(677,406)
31	Guidance, Counseling, & Evaluation Services	405,712	99	39,900	(365,713)
32	Social Work Services	109,271	40	97,491	(11,740)
33	Health Services	166,033	--	5,600	(160,433)
34	Student Transportation	691,929	--	31,013	(660,916)
35	Food Service	1,195,663	170,051	1,129,634	104,022
36	Cocurricular/Extracurricular Activities	719,334	41,698	20,359	(657,277)
41	General Administration	1,131,302	144,287	67,389	(919,626)
51	Facilities Maintenance and Operations	2,353,919	6,641	166,596	(2,180,682)
52	Security and Monitoring Services	92,152	--	2,833	(89,319)
53	Data Processing Services	228,595	--	13,180	(215,415)
61	Community Services	80,215	--	12,161	(68,054)
72	Interest on Long-term Debt	754,858	--	796,535	41,677
73	Bond Issuance Costs and Fees	5,136	--	--	(5,136)
81	Capital Outlay	21,680	--	667	(21,013)
93	Payments Related to Shared Services Arrangements	36,659	--	1,127	(35,532)
99	Other Intergovernmental Charges	52,612	--	--	(52,612)
TG	Total Governmental Activities	21,052,674	644,322	7,182,528	(13,225,824)
TP	Total Primary Government	\$ 21,052,674	\$ 644,322	\$ 7,182,528	(13,225,824)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				3,212,485
DT	Property Taxes, Levied for Debt Service				639,956
IE	Investment Earnings				74,033
GC	Grants and Contributions Not Restricted to Specific Programs				10,488,721
MI	Miscellaneous				219,493
TR	Total General Revenues				14,634,688
CN	Change in Net Position				1,408,864
NB	Net Position - Beginning				22,108,722
NE	Net Position - Ending				\$ 23,517,586

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes	10	
	General Fund	Special Education
ASSETS:		
1110 Cash and Cash Equivalents	\$ 4,729,359	\$ 204,855
1120 Current Investments	1,011,808	62,880
1225 Taxes Receivable, Net	777,050	--
1240 Due from Other Governments	1,428,393	--
1260 Due from Other Funds	7,894	--
1290 Other Receivables	5,014	--
1000 Total Assets	<u>7,959,518</u>	<u>267,735</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 61,481	\$ 457
2150 Payroll Deductions & Withholdings	28,796	1,065
2160 Accrued Wages Payable	551,826	14,188
2170 Due to Other Funds	--	--
2300 Unearned Revenue	777,050	252,025
2000 Total Liabilities	<u>1,419,153</u>	<u>267,735</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	491,233	--
3470 Capital Acquisitions & Contractual Obligations	--	--
3480 Retirement of Long-Term Debt	--	--
Committed Fund Balances:		
3510 Construction	350,000	--
3545 Other Committed Fund Balance	650,000	--
3600 Unassigned	5,049,132	--
3000 Total Fund Balances	<u>6,540,365</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 7,959,518</u>	<u>\$ 267,735</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 453,270	\$ 1,091,091	\$ 6,478,575
22	24,779	1,099,489
--	122,025	899,075
--	85,392	1,513,785
--	--	7,894
--	--	5,014
<u>453,292</u>	<u>1,323,287</u>	<u>10,003,832</u>
\$ --	\$ --	\$ 61,938
--	3,084	32,945
--	24,377	590,391
7,894	--	7,894
--	142,813	1,171,888
<u>7,894</u>	<u>170,274</u>	<u>1,865,056</u>
--	28,463	519,696
445,398	428,374	873,772
--	693,734	693,734
--	--	350,000
--	2,442	652,442
--	--	5,049,132
<u>445,398</u>	<u>1,153,013</u>	<u>8,138,776</u>
<u>\$ 453,292</u>	<u>\$ 1,323,287</u>	<u>\$ 10,003,832</u>

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MATHIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2013

Total fund balances - governmental funds balance sheet	\$ 8,138,776
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.	32,296,521
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	899,072
Payables for bond principal which are not due in the current period are not reported in the funds.	(15,494,999)
Payables for capital leases which are not due in the current period are not reported in the funds.	(69,972)
Payables for bond interest which are not due in the current period are not reported in the funds.	(34,202)
Payables for notes which are not due in the current period are not reported in the funds.	(2,072,551)
Premiums and deferred amount on issuance of bonds to be amortized over life of debt.	(392,502)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(200,109)
Bond issuance costs are amortized over the life of the bonds in the statement of net assets.	378,483
Long-term note receivables unavailable to pay for current period expenditures are deferred in the funds.	69,069
Net position of governmental activities - Statement of Net Position	<u>\$ 23,517,586</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10	
	General Fund	Special Education
REVENUES:		
5700 Local and Intermediate Sources	\$ 3,800,715	\$ 275,268
5800 State Program Revenues	10,909,471	--
5900 Federal Program Revenues	1,553,980	--
5020 Total Revenues	<u>16,264,166</u>	<u>275,268</u>
EXPENDITURES:		
Current:		
0011 Instruction	6,979,427	59,003
0012 Instructional Resources and Media Services	222,800	--
0013 Curriculum and Staff Development	291,003	65,198
0021 Instructional Leadership	21,000	--
0023 School Leadership	680,245	--
0031 Guidance, Counseling, & Evaluation Services	373,867	99
0032 Social Work Services	9,188	40
0033 Health Services	72,514	--
0034 Student Transportation	572,874	--
0035 Food Service	1,134,635	--
0036 Cocurricular/Extracurricular Activities	713,666	--
0041 General Administration	938,566	144,287
0051 Facilities Maintenance and Operations	2,265,095	6,641
0052 Security and Monitoring Services	92,152	--
0053 Data Processing Services	214,426	--
0061 Community Services	69,940	--
0071 Principal on Long-term Debt	120,499	--
0072 Interest on Long-term Debt	92,447	--
0073 Bond Issuance Costs and Fees	--	--
0081 Capital Outlay	630,395	--
0093 Payments to Shared Service Arrangements	36,659	--
0099 Other Intergovernmental Charges	52,612	--
6030 Total Expenditures	<u>15,584,010</u>	<u>275,268</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	680,156	--
1200 Net Change in Fund Balances	<u>680,156</u>	--
0100 Fund Balances - Beginning	5,860,209	--
3000 Fund Balances - Ending	<u>\$ 6,540,365</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 13,934	\$ 640,230	\$ 4,730,147
--	904,787	11,814,258
--	4,303,011	5,856,991
<u>13,934</u>	<u>5,848,028</u>	<u>22,401,396</u>
--	3,871,286	10,909,716
--	35,226	258,026
--	347,211	703,412
--	843	21,843
--	8,131	688,376
--	11,909	385,875
--	97,209	106,437
--	--	72,514
--	--	572,874
--	27,021	1,161,656
--	--	713,666
--	11,608	1,094,461
--	--	2,271,736
--	--	92,152
--	--	214,426
--	7,440	77,380
--	640,000	760,499
--	646,315	738,762
--	5,136	5,136
2,863,281	571,626	4,065,302
--	--	36,659
--	--	52,612
<u>2,863,281</u>	<u>6,280,961</u>	<u>25,003,520</u>
(2,849,347)	(432,933)	(2,602,124)
<u>(2,849,347)</u>	<u>(432,933)</u>	<u>(2,602,124)</u>
3,294,745	1,585,946	10,740,900
<u>\$ 445,398</u>	<u>\$ 1,153,013</u>	<u>\$ 8,138,776</u>

MATHIS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013*

Net change in fund balances - total governmental funds	\$ (2,602,124)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	4,090,651
The depreciation of capital assets used in governmental activities is not reported in the funds.	(884,208)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	66,073
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	640,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	3,050
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	117,449
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(17,301)
The accretion of interest on capital appreciation bonds is not reported in the funds.	(15,277)
(Increase) decrease in accrued interest from beginning of period to end of period.	946
Premiums and deferred amounts on issuance of bonds are amortized over life of debt.	15,536
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(5,931)
Change in net position of governmental activities - Statement of Activities	\$ <u>1,408,864</u>

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS**

AUGUST 31, 2013

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Private-Purpose Trust Fund	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ --	\$ 70,310
1800	Restricted Assets	12,249	--
1000	Total Assets	12,249	70,310
LIABILITIES:			
Current Liabilities:			
2190	Due to Student Groups	\$ --	\$ 70,310
2000	Total Liabilities	--	70,310
NET POSITION:			
3800	Held in Trust	12,249	--
3000	Total Net Position	\$ 12,249	\$ --

The accompanying notes are an integral part of this statement.

MATHIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 20
Contributions	--
Total Additions	<u>20</u>
Deductions:	
Scholarship Awards	--
Total Deductions	<u>--</u>
Change in Net Position	20
Net Position-Beginning of the Year	12,229
Net Position-End of the Year	<u>\$ 12,249</u>

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

The basic financial statements of Mathis 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.

Special Education Fund: These funds are used to provide special education services to member districts of Shared Service Arrangement the district, who is fiscal agent of. The member districts provide the funds to fiscal agent.

Capital Projects Fund: The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary 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.

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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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.

c. Implementation of GASB Statement No. 63

For fiscal year 2013, the District implemented Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides financial reporting guidance for deferred outflows and inflows of resources and required changes in account captions in the statements of net position.

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

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

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

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

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
Vehicles	5-10
Equipment	5-20
Computer 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.

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

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

f. Interfund Activity

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

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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.

k. Fund Balance Flow Assumptions

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

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

C. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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 (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts,

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

(10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

1. Cash Deposits:

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,561,134 and the bank balance was \$6,978,738. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

As of August 31, 2013 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	\$ 1,099,488	\$ 1,099,488	\$ --	\$ --
Total Fair Value	\$ 1,099,488	\$ 1,099,488	\$ --	\$ --

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

The local government investment pool such as TexPool is not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pool seeks to maintain a \$1 value per share as required by the Texas Public Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 715,385	\$ --	\$ --	\$ 715,385
Construction in progress	3,771,255	637,331	3,771,255	637,331
Total capital assets not being depreciated	4,486,640	637,331	3,771,255	1,352,716
<i>Capital assets being depreciated:</i>				
Buildings and improvements	36,235,289	7,177,546	--	43,412,835
Equipment	1,136,824	--	--	1,136,824
Vehicles	1,807,341	47,029	--	1,854,370
Total capital assets being depreciated	39,179,454	7,224,575	--	46,404,029
Less accumulated depreciation for:				
Buildings and improvements	(12,799,096)	(653,706)	--	(13,452,802)
Equipment	(652,371)	(111,447)	--	(763,818)
Vehicles	(1,124,556)	(119,055)	--	(1,243,611)
Total accumulated depreciation	(14,576,023)	(884,208)	--	(15,460,231)
Total capital assets being depreciated, net	24,603,431	6,340,367	--	30,943,798
Governmental activities capital assets, net	\$ 29,090,071	\$ 6,977,698	\$ 3,771,255	\$ 32,296,514

Depreciation was charged to functions as follows:

Instruction	\$ 399,580
Instructional Resources and Media Services	14,169
Curriculum and Staff Development	14,169
School Leadership	45,342
Guidance, Counseling, & Evaluation Services	19,837
Social Work Services	2,834
Health Services	93,519
Student Transportation	119,055
Food Services	34,007
Extracurricular Activities	5,668
General Administration	36,841
Plant Maintenance and Operations	82,183
Data Processing Services	14,169
Community Services	2,834
	<u>\$ 884,208</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Capital Projects Fund	\$ 7,894	Short-term loans
	Total	<u>\$ 7,894</u>	

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

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

F. Long-Term Obligations

1. Long-Term Obligation Activity

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/12	Issued	Retired	Amounts Outstanding 8/31/13	Amounts Due Within One Year
Unlimited Tax School Building and Refunding Bonds, Series 2007	4.00% to 5.00%	9,584,999	8,944,999	--	170,000	8,774,999	180,000
Unlimited Tax School Building and Refunding Bonds, Series 2010	2.00% to 4.50%	8,145,000	7,190,000	--	470,000	6,720,000	480,000
Sub-Total - Bonds			16,134,999	--	640,000	15,494,999	660,000
Maintenance Tax Notes Series 2008	4.95%	1,465,000	1,160,000	--	80,000	1,080,000	85,000
Maintenance Tax Notes Series 2012	3.50%	1,030,000	1,030,000	--	37,449	992,551	37,657
Sub-Total - Bonds & Notes			18,324,999	--	757,449	17,567,550	782,657
Accretion on Refundings			184,832	15,277	--	200,109	--
Bond Premiums on Refunding			507,600	--	19,460	488,140	19,460
Deferred Amount on Refunding			(99,562)	--	(3,924)	(95,638)	(3,924)
Total Bonds & Notes			18,917,869	15,277	772,985	18,160,161	798,193
Other Liabilities:							
Capital Leases			73,021	--	3,050	69,971	34,318
Total Governmental Activities			\$ 18,990,890	\$ 15,277	\$ 776,035	\$ 18,230,132	\$ 832,511

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

2. Debt Service Requirements

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

Year Ending August 31,	General Obligation Bonds			Maintenance Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total
2014	660,000	628,415	1,288,415	122,657	88,199	210,856
2015	680,000	611,615	1,291,615	128,976	82,674	211,650
2016	479,999	842,315	1,322,314	135,340	76,855	212,195
2017	740,000	581,165	1,321,165	141,752	70,740	212,492
2018	780,000	548,515	1,328,515	148,213	64,329	212,542
2019-2023	3,300,000	2,271,969	5,571,969	844,840	214,958	1,059,798
2024-2028	2,300,000	1,720,242	4,020,242	284,853	77,131	361,984
2029-2033	2,805,000	1,211,467	4,016,467	265,920	23,668	289,588
2034-2038	3,060,000	522,050	3,582,050	--	--	--
2039-2040	690,000	41,600	731,600	--	--	--
Totals	<u>\$ 15,494,999</u>	<u>\$ 8,979,353</u>	<u>\$ 24,474,352</u>	<u>\$ 2,072,551</u>	<u>\$ 698,554</u>	<u>\$ 2,771,105</u>

General Obligation Bonds are paid by the Debt Service Fund. Maintenance Tax Notes and Capital Leases are paid by the General Fund.

Defeased Bonds Outstanding -

The District had no defeased bonds outstanding as of August 31, 2013.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

Mathis Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC rule 15c2-12 to enable investors to analyze the financial condition and operations of Mathis Independent School District.

3. Capital Leases

During 2010, the District entered into a lease purchase agreement for the acquisition of two school buses at a cost of \$171,840. Beginning in 2010, the annual lease payment is \$37,040, payable in five equal annual installments at 3.89%.

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

Year Ending August 31:	
2014	\$ 37,040
2015	<u>37,040</u>
Total Minimum Rentals	74,080
Less amount representing interest	<u>(4,109)</u>
Present value of future minimum lease payments	<u>\$ 69,971</u>

The effective interest rate on the capital lease is 3.89%

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

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Unemployment Compensation

During the year ended August 31, 2013, Mathis ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct an independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

H. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0 % for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2013, 2012 and 2011 were \$613,257, \$587,953 and \$607,533, respectively. The District paid additional state contributions for

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

the years ending August 31, 2013, 2012 and 2011 in the amount of \$225,496, \$236,703 and \$262,336, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 0.5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$95,821, \$91,867, and \$94,927, respectively, the active member contributions were \$62,381, \$59,715, and \$61,702, respectively, and the District's contributions were \$52,785, \$50,526, and \$52,210, 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, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$24,481, \$24,447, and \$21,394, respectively.

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

J. Employee Health Care Coverage

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 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 Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2013, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross Blue Shield TRS Active Care are available for the year ended , 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

In the opinion of the District's attorney and management, there is no pending or threatened litigation against the District that would have a material effect on the District's financial position or operations.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District also receives IDEA-Part B, Formula and IDEA-Part B, Preschool funds from TEA and serves as SSA activities in Special Revenue Funds No. 313 and No. 314 respectively and are accounted for using Model 1 in the SSA section of the Resource guide. Expenditure of the SSA are summarized below.

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue fund No. 437, Shared Services arrangements-Special Education and will be accounted for using Model 3 in the SSA section of the Resource Guide.

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

Member Districts	IDEA-Part B Formula Fund No. 313	IDEA-Part B Preschool Fund No. 314	Special Education Fund No. 437
Mathis ISD	\$ 400,518	\$ 4,758	\$ 45,117
Agua Dulce ISD	58,880	608	25,187
Banquete ISD	157,238	463	30,747
George West ISD	246,317	4,291	33,693
Orange Grove ISD	357,665	5,010	39,061
Pawnee ISD	36,441	848	15,277
Pettus ISD	107,468	1,714	27,692
Skidmore-Tynan ISD	177,146	3,153	29,013
Three Rivers ISD	145,428	3,371	29,481
Total	<u>\$ 1,687,101</u>	<u>\$ 24,216</u>	<u>\$ 275,268</u>

M. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2013, are reported on the combined financial statements as Due from Other Governments and are summarized below:

Fund	State Entitlements	Federal Grants	Total
General	\$ 1,396,933	\$ 31,460	\$ 1,428,393
Special Revenue	874	84,518	85,392
Total	<u>\$ 1,397,807</u>	<u>\$ 115,978</u>	<u>\$ 1,513,785</u>

N. Unearned Revenue

Unearned revenue at year end consisted of the following:

Revenue Description	General	Special Revenue	Debt	Total
Property Taxes	\$ 777,050	\$ --	\$ 122,025	\$ 899,075
Grant Programs	--	20,788	--	20,788
Other	--	252,025	--	252,025
Total Unearned Revenue	<u>\$ 777,050</u>	<u>\$ 272,813</u>	<u>\$ 122,025</u>	<u>\$ 1,171,888</u>

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

O. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2013:

<u>General Fund</u>	
Restricted:	
Child Nutrition Program	\$ 491,233
Committed:	
Construction and renovation	350,000
Capital expenditures for equipment	150,000
Technology	250,000
Storm replacement	250,000
	<u>1,000,000</u>
Unassigned:	<u>5,049,132</u>
Total General Fund fund balance	<u>6,540,365</u>
<u>Capital Projects Fund</u>	
Restricted:	
Construction of facilities	<u>445,398</u>
<u>Other Governmental Funds</u>	
Restricted:	
State Textbook	28,463
Construction of facilities	428,374
Retirement of long-term debt	693,734
	<u>1,150,571</u>
Committed:	
Campus Activity Funds	<u>2,442</u>
Total Other Governmental Fund fund balance	<u>1,153,013</u>
Total Governmental fund balance	<u>\$ 8,138,776</u>

MATHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

P. Food Service Operations Reported in General Fund

Beginning in 2011 fiscal year end, the District entered into a Provision #2 program with Child Nutrition, and such Districts do not charge students for meals. As required by the Financial Accountability System Resource Guide, revenues and expenditures for the Provision #2 Child Nutrition Program have been reported in the General Fund for 2012-2013. The following is a summary of the Food Service Operations included in the General Fund.

Data Control Codes		Budgeted Amounts			Variance With Final Budget Positive (Negative)
		Original	Final	Actual	
	Revenue:				
5700	Local	\$ 145,705	\$ 145,705	\$ 170,051	\$ 24,346
5800	State Program	78,649	78,649	21,522	(57,127)
5900	Federal Program	1,073,572	1,073,572	1,151,026	77,454
5020	Total Revenue	1,297,926	1,297,926	1,342,599	44,673
	Expenditures:				
0035	Food Services	1,295,192	1,295,192	1,143,877	151,315
0051	Plant Maintenance and Operations	100,000	122,300	62,133	60,167
6030	Total Expenditures	1,395,192	1,417,492	1,206,010	211,482
7915	Operating Transfer In	--	--	--	--
1200	Net Change in Fund Balance	(97,266)	(119,566)	136,589	110,493
0100	Fund Balance - Beginning	354,643	354,643	354,643	--
3000	Fund Balance - Ending	\$ 257,377	\$ 235,077	\$ 491,232	\$ 110,493

Q. Restatement of Fund Balance and Net Position

During the year, management determined that prior year fund balance and net position were understated. Restatement is as follows:

	Debt Service Fund Fund Balance	Governmental Activities
Beginning Fund Balance and Net Position, as previously reported	\$ 480,898	\$ 22,021,427
Restatement:		
To adjust for lease payment made in prior year	--	14,545
To restate for invalid payable	72,750	72,750
Beginning Net Position, as restated	\$ 553,648	\$ 22,108,722

R. Subsequent Event - Lease Purchase

In August, 2013 the District entered into a lease purchase agreement for the acquisition of three school busses at a cost of \$294,522. As of August 31, 2013, the busses were on order but not delivered and the District had not received the lease proceeds. The lease is payable in five equal annual installments at 3.06%. The first annual lease payment of \$62,795 is due October 1, 2013.

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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.

MATHIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,279,800	\$ 3,279,800	\$ 3,800,715	\$ 520,915
5800	State Program Revenues	10,908,453	10,950,146	10,909,471	(40,675)
5900	Federal Program Revenues	1,073,572	1,079,572	1,553,980	474,408
5020	Total Revenues	15,261,825	15,309,518	16,264,166	954,648
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	6,884,640	7,062,611	6,979,427	83,184
0012	Instructional Resources and Media Services	205,203	224,670	222,800	1,870
0013	Curriculum and Staff Development	265,017	291,791	291,003	788
	Total Instruction & Instr. Related Services	7,354,860	7,579,072	7,493,230	85,842
Instructional and School Leadership:					
0021	Instructional Leadership	116,725	21,328	21,000	328
0023	School Leadership	643,162	680,560	680,245	315
	Total Instructional & School Leadership	759,887	701,888	701,245	643
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	346,618	374,727	373,867	860
0032	Social Work Services	10,000	10,000	9,188	812
0033	Health Services	128,426	74,426	72,514	1,912
0034	Student (Pupil) Transportation	551,848	573,388	572,874	514
0035	Food Services	1,295,192	1,285,950	1,134,635	151,315
0036	Cocurricular/Extracurricular Activities	665,767	715,107	713,666	1,441
	Total Support Services - Student (Pupil)	2,997,851	3,033,598	2,876,744	156,854
Administrative Support Services:					
0041	General Administration	930,455	944,831	938,566	6,265
	Total Administrative Support Services	930,455	944,831	938,566	6,265
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,228,773	2,348,416	2,265,095	83,321
0052	Security and Monitoring Services	99,400	97,400	92,152	5,248
0053	Data Processing Services	121,354	223,077	214,426	8,651
	Total Support Services - Nonstudent Based	2,449,527	2,668,893	2,571,673	97,220
Ancillary Services:					
0061	Community Services	66,810	70,703	69,940	763
	Total Ancillary Services	66,810	70,703	69,940	763
Debt Service:					
0071	Principal on Long-Term Debt	142,800	120,499	120,499	--
0072	Interest on Long-Term Debt	65,100	92,588	92,447	141
	Total Debt Service	207,900	213,087	212,946	141
Capital Outlay:					
0081	Capital Outlay	--	630,718	630,395	323
	Total Capital Outlay	--	630,718	630,395	323
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	45,000	36,700	36,659	41

MATHIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
0099	Other Intergovernmental Charges	60,000	53,000	52,612	388
	Total Intergovernmental Charges	105,000	89,700	89,271	429
6030	Total Expenditures	14,872,290	15,932,491	15,584,010	348,481
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	389,535	(622,973)	680,156	1,303,129
	Other Financing Sources (Uses):				
7949	Other Resources	--	75,000		(75,000)
8911	Transfers Out	--	(1,000,000)		1,000,000
7080	Total Other Financing Sources and (Uses)	--	(925,000)		925,000
1200	Net Change in Fund Balance	389,535	(1,547,973)	680,156	2,228,129
0100	Fund Balance - Beginning	5,860,209	5,860,209	5,860,209	--
3000	Fund Balance - Ending	\$ 6,249,744	\$ 4,312,236	\$ 6,540,365	\$ 2,228,129

BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund, which is a Special Revenue Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

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

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.

MATHIS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2013*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2004 and Prior Years	\$	Various	\$	Various	\$	Various
2005		1.50		.1129		183,682,609
2006		1.50		.0843		199,586,494
2007		1.37		.0769		197,924,650
2008		1.17		.156		221,546,904
2009		1.17		.18		229,989,835
2010		1.17		.18		234,665,407
2011		1.17		.256		247,130,645
2012		1.17		.255		241,201,895
2013 (School Year Under Audit)		1.1314		.2164		277,122,125
1000 Totals						

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 155,383	\$ --	\$ 2,300	\$ 123	\$ (9,144)	\$ 143,816
31,900	--	875	66	(522)	30,437
36,018	--	2,875	162	(815)	32,166
44,849	--	4,016	225	(891)	39,717
58,876	--	6,030	804	(715)	51,327
99,260	--	8,077	1,243	1,176	91,116
126,530	--	19,543	3,006	1,041	105,022
185,940	--	39,251	8,588	1,216	139,317
302,495	--	102,603	22,362	511	178,041
	3,735,052	2,866,622	548,288	(7,258)	312,884
<u>\$ 1,041,251</u>	<u>\$ 3,735,052</u>	<u>\$ 3,052,192</u>	<u>\$ 584,867</u>	<u>\$ (15,401)</u>	<u>\$ 1,123,843</u>

Levies and Collections

Fiscal Year End	Levy Year	Tax Levy	Total Tax Collection	Percent of Levy
08/31/05	2004	2,826,742	2,764,953	97.81%
08/31/06	2005	3,032,450	2,985,118	98.44%
08/31/07	2006	2,848,562	2,839,631	99.69%
08/31/08	2007	2,915,921	2,873,080	98.53%
08/31/09	2008	3,104,863	2,993,308	96.41%
08/31/10	2009	3,167,983	3,082,956	97.32%
08/31/11	2010	3,524,083	3,424,899	97.19%
08/31/12	2011	3,414,930	3,344,464	97.94%
08/31/13	2012	3,727,794	3,637,059	97.57%

MATHIS INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-2
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013**
FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ 59,285	\$ 232,417	\$ 367,709	\$ --	\$ 124,169	\$ 783,580
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	45,858	--	--	--	3,085	--	48,943
6212	Audit Services	--	--	--	20,681	--	--	20,681
6213	Tax Appraisal and Collection	--	71,700	--	--	--	--	71,700
621X	Other Prof. Services	--	6,142	7,670	22,447	8,420	101	44,780
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	55	--	--	--	4,275	4,330
6240	Contr. Maint. and Repair	--	--	--	--	233	--	233
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	11,460	1,777	13,237
6290	Miscellaneous Contr.	--	--	1,823	69,833	--	--	71,656
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	4,242	3,402	2,799	14,580	599	20,695	46,317
6410	Travel, Subsistence, Stipends	14,695	2,986	18,978	5,230	--	2,281	44,170
6420	Ins. and Bonding Costs	--	--	--	--	--	5,450	5,450
6430	Election Costs	137	--	--	--	--	--	137
6490	Miscellaneous Operating	640	954	14,627	12,379	--	21,484	50,084
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	11,608	11,608

Total \$ 65,572 \$ 144,524 \$ 278,314 \$ 512,859 \$ 23,797 \$ 191,840 \$ 1,216,906

Total Expenditures for General and Special Revenue Funds (9) \$ 20,277,162

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 781,534
Total Debt & Lease (6500)	(11)	\$ 212,946
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 2,271,736
Food (Function 35, 6341 and 6499)	(13)	\$ 555,317
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 512,859

Subtotal 4,334,392

Net Allowed Direct Cost \$ 15,942,770

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 43,412,835
Historical Cost of Buildings over 50 years old	(16)	7,340,584
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	2,991,194
Historical Cost of Furniture & Equipment over 16 years old	(19)	397,370
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$69,833 in Function 53 expenditures and \$52,612 in Function 99 expenditures are included in this report on administrative costs.

MATHIS INDEPENDENT SCHOOL DISTRICT**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2013****EXHIBIT J-3**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2013 (Exhibit C-1 object 3000 for the General Fund only)	\$ 6,540,365
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)	491,233
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	1,000,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
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	2,754,343
8	Estimate of delayed payments from state sources (58XX)	1,396,933
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)	115,978
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)	5,758,487
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 781,878

If Item 11 is a Positive Number

Property taxes are expected to increase due to higher valuations, while state and federal revenue will continue to decrease as the student population declines. The District will have to adjust the budget to compensate for the decrease in revenue and continue funding programs we currently offer.

MATHIS INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-4
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 593,712	\$ 616,212	\$ 635,003	\$ 18,791
5800	State Program Revenues	714,040	714,040	796,535	82,495
5020	Total Revenues	1,307,752	1,330,252	1,431,538	101,286
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	--	720,000	640,000	80,000
0072	Interest on Long-Term Debt	--	703,860	646,315	57,545
0073	Bond Issuance Costs and Fees	--	5,140	5,136	4
	Total Debt Service	--	1,429,000	1,291,451	137,549
6030	Total Expenditures	--	1,429,000	1,291,451	137,549
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	1,307,752	(98,748)	140,087	238,835
1200	Net Change in Fund Balance	1,307,752	(98,748)	140,087	238,835
0100	Fund Balance - Beginning	480,898	480,898	553,647	72,749
3000	Fund Balance - Ending	\$ 1,788,650	\$ 382,150	\$ 693,734	\$ 311,584

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's 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
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

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 Mathis Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Mathis Independent School District's basic financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

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

Mathis Independent School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 9, 2013

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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

Board of Trustees
Mathis Independent School District
P. O. Box 1177
Mathis, Texas 78368

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Mathis Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mathis Independent School District's major federal programs for the year ended August 31, 2013. Mathis 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mathis Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mathis 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 Mathis Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Mathis 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of Mathis 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 Mathis Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mathis Independent School District's internal control over compliance.

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

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

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 9, 2013

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's 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 auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
84.010A	National School Lunch Program
	Title I, Part A - Improving Basic Programs

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

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

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

Program

Corrective Action Plan

N/A

No corrective action required

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

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Title I, Part A Cluster:			
ESEA Title I Part A - Improving Basic Programs	84.010A	13610101205904	1,036,480
ESEA Title I - School Improvement Program	84.010A	13610104205904041	15,000
ESEA Title I - School Improvement Program	84.010A	13610104205904102	15,000
ESEA Title I Part A - Improving Basic Programs	84.010A	14610101205904	12,829
Total CFDA Number 84.010A			<u>1,079,309</u>
ESEA Title I Part C - Education of Migratory Children	84.011A	13615001205904	186,413
ESEA Title I Part C - Education of Migratory Children	84.011A	14615001205904	10,786
Total CFDA Number 84.011A			<u>197,199</u>
IDEA-B Cluster:			
SSA IDEA-B Formula	84.027A	13660001205904660	1,709,264
SSA IDEA-B Formula	84.027A	14660001205904660	11,401
SSA IDEA-B Preschool	84.173A	13661001205904661	24,713
Total IDEA-B Cluster			<u>1,745,378</u>
Career and Technical - Basic Grant	84.048A	13420006205904	28,893
Title IV Part B 21st Century Community Learning Centers	84.287C	126950127110020	348,612
Mathematics and Science Partnerships	84.366B	126944057110007	62,882
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	13694501205904	177,417
Title I SIP Academy Grant	84.377A	126107047110021	680,316
Title I SIP Academy Grant	84.377A	136107047110021	6,045
Total CFDA Number 84.377A			<u>686,361</u>
Total Passed Through State Department of Education			<u>4,326,051</u>
Total U. S. Department of Education			<u>4,326,051</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	205-904	398,952
National School Lunch Program	10.555	205-904	688,675
Summer Feeding Program	10.559	205-904	27,021
Total Child Nutrition Cluster			<u>1,114,649</u>
Commodity Supplemental Food Program	10.565	205-904	63,399
Total Passed Through State Department of Education			<u>1,178,048</u>
Total U. S. Department of Agriculture			<u>1,178,048</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 5,504,098</u></u>

The accompanying notes are an integral part of this schedule.

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

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	5,856,991
Less: School Health & Related Services (SHARS) reported in General Fund	<u>(352,893)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>5,504,098</u>

Note 2: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mathis Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.