

**MAY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017**

**BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
311 CENTER AVENUE
BROWNWOOD, TEXAS**

MAY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

Introductory Section

May Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

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CERTIFICATE OF BOARD

May Independent School District
Name of School District

Brown
County

025-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 24th day of January, 2018.



Signature of Board Secretary



Signature of Board President

Financial Section

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
311 CENTER AVENUE
BROWNWOOD, TEXAS 76801

Independent Auditor's Report

To the Board of Trustees
May Independent School District
P.O. Box 38
May, Texas 76857

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the May Independent School District ("the District") as of and for the year ended August 31, 2017, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

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

Opinions

In my 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 May Independent School District as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the May Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts 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 combining and individual nonmajor fund financial statements and other supplementary information 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 my opinion, the combining and individual nonmajor fund financial statements and other supplementary information 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, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 22, 2018 on my consideration of May Independent School District's internal control over financial reporting and on my 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 my 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 May Independent School District's internal control over financial reporting and compliance.



Burl D. Lowery
Certified Public Accountant
Brownwood, TX
January 22, 2018

MAY INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

This section of May Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. 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 \$4,099,162 at August 31, 2017.
- During the year, the District's expenses were \$138,646 less than the \$3,546,393 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased by \$65,386 during the current year. The total revenues decreased by \$402,562 during the current year.
- The general fund reported a fund balance this year of \$1,435,929. The components of the fund balance were \$450,000 committed for construction, \$15,846 assigned for athletics, and unassigned balance of \$970,083.

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.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 information about the District's net position and how they have changed. Net position-the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources- are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health 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.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no Proprietary Fund Types.
- We use *internal service funds* to report activities that provided workers compensation insurance for the District's employees in prior years.
- *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 excluded these

activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. These funds consist of student activity funds that belong to clubs and organizations and scholarship funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net positions were \$4,099,162 at August 31, 2017 and \$3,906,516 at August 31, 2016.

The net investment in capital assets at August 31, 2017 was \$2,619,138. The District has restricted net position in the amount of \$173,658 restricted to debt service, and \$752 restricted to state and federal programs. The remaining balance of net position is \$1,305,614 of unrestricted net position August 31, 2017. The unrestricted net position represents funds available for future uses.

Changes in Net Position. The District's total revenues were \$3,546,393. A significant portion, 59%, of the District's revenue comes from taxes. State available and foundation grants provide 27% of total revenues; operating grants provide 10% of the total revenues, while only 3% relates to charges for services.

The total cost of all programs and services was \$3,441,371; 54% of these costs are for instruction and instructional related services. (Expenditure Functions 11, 12, and 13).

Governmental Activities

- Property tax rates for maintenance stayed at a rate of \$1.04 per \$100 valuation during the current year. The debt service tax rate was increased to \$0.2623 from the prior year rate of \$0.2369 per \$100 valuation. This generated tax revenue of \$2,089,691 after consideration of tax loss due to freeze of \$105,765. The District's total levy of taxes increased \$33,582 from the prior year due to increased valuations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental activities totaled \$3,546,393, a decrease of approximately 10% from the preceding year. The District's refined ADA was 274.744 for 2016-2017 and 284.493 for 2015-2016. Foundation money is being paid to the District in 2017-2018 based on an ADA estimate of 282. At December 2017, the enrollment was approximately 298. Final state aid will be based on the District's refined ADA.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Actual expenditures were \$17,320 below final budgeted amounts of the General Fund. Resources available were \$33,755 more than the final estimated revenues of the General Fund. Net budgeted excess revenues over expenditures were \$48,075 more than the final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had a net investment of \$6,182,703 in a broad range of capital assets, including land, equipment, buildings, vehicles, infrastructure, and construction in progress. This amount represents a net decrease (including additions and deductions) of \$258,303 or 4% over last year. Improvements included the construction in progress of a storage building at the football field.

Long Term Debt

At year-end, the District had \$4,069,326 outstanding long-term debt which includes the net pension liability recorded as required by GASB 68. More detailed information about the District's debt is presented in the notes to the financial statements. The net pension liability in accordance with GASB 68 grew from \$456,281 at 8-31-2016 to \$507,732 at 8-31-2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2017-2018 budget preparation is less than 1% less than the 2016-2017 appraised value. Actual levy of taxes is \$4420 more than the 2016-2017 tax levy. The tax rate for the 2017 tax roll remained the same as the 2016 tax roll. The tax rate for 2017 is \$1.3023 per \$100 valuation.
- The General operating fund estimated revenues for 2017-2018 are \$2,924,479, an increase of \$46,734 from the final 2016-2017 estimated revenues budget of \$2,877,745.
- The General operating fund budget for 2017-2018 is \$2,889,479 as compared to the final 2016-2017 budget of \$2,904,437. That is less than 1% decrease in spending. No new major programs were added to the 2017-2018 budget. The 2017-2018 budget also includes \$35,000 budgeted to transfer to Food Service to cover estimated deficit.

These indicators were taken into account when adopting the general fund budget for 2016-2017. State revenue will increase or decrease as the student population changes in size. The District will use these increases in revenues to finance programs we currently offer. If the budgeted estimates are realized, the District's budgetary general fund balance is expected to remain approximately the same as the current year.

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 Superintendent's Office.

**MAY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net position. The District's combined net position was \$4,099,162 at August 31, 2017.

The District's combined net position was \$3,960,516 at August 31, 2016.

**Table 1
May Independent School District's Net Position**

	Governmental Activities	
	2017	2016
Current Assets:		
Cash and cash equivalents	\$944,901	\$306,363
Investments	\$654,901	\$1,136,392
Property taxes receivable net of uncollectible	\$147,044	\$160,770
Due from other governments	\$149,203	\$238,512
Internal Balances	\$0	\$0
Other receivables (net)	\$7,410	\$2,998
Total Current Assets	\$1,903,459	\$1,845,035
Noncurrent Assets:		
Land	\$90,186	\$88,322
Construction in progress	\$0	\$16,500
Buildings, net	\$5,743,836	\$5,931,935
Equipment and vehicles, net	\$166,710	\$206,323
Infrastructure, net	\$181,971	\$197,926
Total Noncurrent Assets	\$6,182,703	\$6,441,006
Total Assets	\$8,086,162	\$8,286,041
Deferred Outflows of Resources:		
Deferred outflow related to pensions	\$287,587	\$295,788
Total Deferred Outflows of Resources	\$295,788	\$295,788
Current Liabilities:		
Accounts payable and accrued expenses	\$174,029	\$115,418
Accrued interest payable	\$1,972	\$2,251
Due to other governments	\$0	\$0
Total Current Liabilities	\$176,001	\$117,669
Long-term Liabilities:		
Bonds Payable	\$2,841,000	\$3,200,000
Maintenance Tax Notes Payable	\$670,000	\$736,000
Unamortized bond premium	\$33,248	\$41,561
Bank Note Payable	\$17,345	\$35,863
Net Pension Liability	\$507,732	\$456,281
Total Long-term Liabilities	\$4,069,325	\$4,469,705
Total Liabilities	\$4,245,326	\$4,587,374
Deferred Inflows of Resources:		
Deferred inflow related to pensions	\$29,261	\$33,939
Total Deferred Inflows of Resources	\$33,939	\$33,939
Net Position:		
Net investment in capital assets	\$2,619,138	\$2,425,331
Restricted for state and federal programs	\$752	\$10,917
Restricted for debt service	\$173,658	\$134,203
Restricted for capital projects	\$0	\$0
Unrestricted net position	\$1,305,614	\$1,390,065
Total Net Position	\$4,099,162	\$3,960,516

**MAY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES**

**Table 2
May Independent School District's Changes in Net Position**

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for services	\$97,333	\$96,285
Operating grants and contributions	\$343,475	\$421,370
General Revenues:		
Property taxes	\$2,104,059	\$2,067,712
State aid - formula	\$955,970	\$1,311,279
Investment earnings	\$10,263	\$5,812
Other revenues	\$35,293	\$46,497
Total Revenues	<u>\$3,546,393</u>	<u>\$3,948,955</u>
Expenditures:		
Instruction	\$1,746,263	\$1,883,285
Instructional resources and media services	\$31,959	\$59,385
Curriculum development and staff development	\$90,878	\$83,382
Instructional leadership	\$5,592	\$0
School leadership	\$230,685	\$217,068
Guidance and counseling services	\$59,190	\$79,765
Health services	\$15,846	\$16,071
Student (pupil) transportation	\$126,502	\$98,198
Food services	\$266,792	\$243,875
Curricular/extracurricular activities	\$178,023	\$159,238
General administration	\$250,701	\$251,988
Plant maintenance & operation	\$307,345	\$306,501
Data processing services	\$40,445	\$39,965
Debt services	\$37,943	\$42,958
Payments to fiscal agent/member districts SSA	\$53,207	\$25,078
Total Expenditures	<u>\$3,441,371</u>	<u>\$3,506,757</u>
Excess (Deficiency) Before Special and Extraordinary Items	<u>\$105,022</u>	<u>\$442,198</u>
Special and Extraordinary Items:		
Gain (Loss) on Sale of Capital Assets	\$0	(\$2,462)
Extraordinary items inflows (outflows)	\$33,624	(\$85,085)
Total Special and Extraordinary Items	<u>\$33,624</u>	<u>(\$87,547)</u>
Increase (Decrease) in Net Position	\$138,646	\$354,651
Net Position - Beginning	\$3,960,516	\$3,605,866
Prior Period Adjustments Prior Year	\$0	(\$1)
Net Position - Ending	<u>\$4,099,162</u>	<u>\$3,960,516</u>

**MAY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES**

**Table 3
May Independent School District's Capital Assets**

	Governmental Activities	
	2017	2016
Land	\$90,186	\$88,322
Construction in progress	\$0	\$16,500
Buildings and improvements	\$8,919,546	\$8,888,591
Equipment and vehicles	\$550,152	\$550,152
Infrastructure	\$260,940	\$260,940
Total Capital Assets	\$9,820,824	\$9,804,505
Total Accumulated Depreciation	\$3,638,121	\$3,363,499
Net Capital Assets	\$6,182,703	\$6,441,006

**Table 4
May Independent School District's Long-term Debt**

	Governmental Activities	
	2017	2016
Unlimited Tax Refunding Bonds, 2009	\$670,000	\$790,000
Unamortized premiums on bonds	\$33,249	\$41,561
Unlimited Tax QSCB, 2011	\$2,171,000	\$2,410,000
Maintenance Tax Note, 2012 (QSCB)	\$670,000	\$736,000
Bank Note Payable	\$17,345	\$35,863
Net Pension Liability	\$507,732	\$456,281
Total Long-term Debt	\$4,069,326	\$4,469,705

Basic Financial Statements

MAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 944,901
1120	<i>Current Investments</i>	654,901
1225	<i>Property Taxes Receivable (Net)</i>	147,044
1240	<i>Due from Other Governments</i>	149,203
1290	<i>Other Receivables (Net)</i>	7,410
Capital Assets:		
1510	<i>Land</i>	90,186
1520	<i>Buildings and Improvements, Net</i>	5,743,836
1530	<i>Furniture and Equipment, Net</i>	166,710
1590	<i>Infrastructure, Net</i>	181,971
1000	Total Assets	<u>8,086,162</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1705	<i>Deferred Outflow Related to Pensions</i>	287,587
1700	Total Deferred Outflows of Resources	<u>287,587</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	44,699
2140	<i>Interest Payable</i>	1,972
2165	<i>Accrued Liabilities</i>	129,330
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	449,345
2502	<i>Due in More Than One Year</i>	3,112,248
2540	<i>Net Pension Liability</i>	507,732
2000	Total Liabilities	<u>4,245,326</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	<i>Deferred Inflow Related to Pensions</i>	29,261
2600	Total Deferred Inflows of Resources	<u>29,261</u>
NET POSITION:		
3200	Net Investment in Capital Assets	2,619,138
Restricted For:		
3820	State and Federal Programs	752
3850	Debt Service	173,658
3900	Unrestricted	1,305,614
3000	Total Net Position	<u>\$ 4,099,162</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 1,746,263	\$ --	\$ 168,424	\$ (1,577,839)
12	<i>Instructional Resources and Media Services</i>	31,959	--	829	(31,130)
13	<i>Curriculum and Staff Development</i>	90,878	--	4,682	(86,196)
21	<i>Instructional Leadership</i>	5,592	--	4,607	(985)
23	<i>School Leadership</i>	230,685	--	226	(230,459)
31	<i>Guidance, Counseling, & Evaluation Services</i>	59,190	--	2,065	(57,125)
33	<i>Health Services</i>	15,846	--	13,457	(2,389)
34	<i>Student Transportation</i>	126,502	--	1,562	(124,940)
35	<i>Food Service</i>	266,792	58,169	131,769	(76,854)
36	<i>Cocurricular/Extracurricular Activities</i>	178,023	37,004	914	(140,105)
41	<i>General Administration</i>	250,701	--	1,712	(248,989)
51	<i>Facilities Maintenance and Operations</i>	307,345	2,160	782	(304,403)
53	<i>Data Processing Services</i>	40,445	--	--	(40,445)
72	<i>Interest on Long-term Debt</i>	34,993	--	12,446	(22,547)
73	<i>Bond Issuance Costs and Fees</i>	2,950	--	--	(2,950)
93	<i>Payments Related to Shared Services Arrangements</i>	53,207	--	--	(53,207)
TG	Total Governmental Activities	<u>3,441,371</u>	<u>97,333</u>	<u>343,475</u>	<u>(3,000,563)</u>
TP	Total Primary Government	<u>\$ 3,441,371</u>	<u>\$ 97,333</u>	<u>\$ 343,475</u>	<u>(3,000,563)</u>
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				1,679,914
DT	<i>Property Taxes, Levied for Debt Service</i>				424,145
IE	<i>Investment Earnings</i>				10,263
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				955,970
MI	<i>Miscellaneous</i>				35,293
	Special and Extraordinary Items:				
E1	<i>Extraordinary Item Inflow</i>				33,624
TR	Total General Revenues				<u>3,139,209</u>
CN	Change in Net Position				<u>138,646</u>
NB	Net Position - Beginning				<u>3,960,516</u>
NE	Net Position - Ending				<u>\$ 4,099,162</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110	\$ 841,284	\$ 144,538	\$ (42,565)	\$ 943,257
1120	654,901	--	--	654,901
1225	121,803	25,241	--	147,044
1240	95,925	879	52,399	149,203
1290	7,410	--	--	7,410
1000	<u>1,721,323</u>	<u>170,658</u>	<u>9,834</u>	<u>1,901,815</u>
LIABILITIES:				
Current Liabilities:				
2110	\$ 12,983	\$ --	\$ --	\$ 12,983
2160	118,822	--	7,971	126,793
2170	30,072	--	--	30,072
2200	1,714	--	823	2,537
2000	<u>163,591</u>	<u>--</u>	<u>8,794</u>	<u>172,385</u>
DEFERRED INFLOWS OF RESOURCES:				
	121,803	25,240	--	147,043
2600	<u>121,803</u>	<u>25,240</u>	<u>--</u>	<u>147,043</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	--	--	752	752
3480	--	145,418	--	145,418
3490	--	--	288	288
Committed Fund Balances:				
3510	450,000	--	--	450,000
Assigned Fund Balances:				
3590	15,846	--	--	15,846
3600	970,083	--	--	970,083
3000	<u>1,435,929</u>	<u>145,418</u>	<u>1,040</u>	<u>1,582,387</u>
4000	<u>1,721,323</u>	<u>170,658</u>	<u>9,834</u>	<u>1,901,815</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2017

Total fund balances - governmental funds balance sheet	\$ 1,582,387
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	6,182,703
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	147,044
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,841,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(17,345)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,973)
Payables for notes which are not due in the current period are not reported in the funds.	(670,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(507,732)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(29,261)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	287,587
Bond premiums are amortized in the SNA but not in the funds.	<u>(33,248)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 4,099,162</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700	\$ 1,810,855	\$ 425,275	\$ 58,457	\$ 2,294,587
5800	1,076,534	12,446	11,425	1,100,405
5900	24,111	--	248,670	272,781
5020	<u>2,911,500</u>	<u>437,721</u>	<u>318,552</u>	<u>3,667,773</u>
EXPENDITURES:				
Current:				
0011	1,527,563	--	101,233	1,628,796
0012	29,106	--	--	29,106
0013	80,919	--	2,100	83,019
0021	--	--	5,214	5,214
0023	211,486	--	--	211,486
0031	53,912	--	--	53,912
0033	--	--	14,738	14,738
0034	114,963	--	--	114,963
0035	--	--	243,144	243,144
0036	161,996	--	--	161,996
0041	228,542	--	--	228,542
0051	283,055	--	--	283,055
0053	36,682	--	--	36,682
0071	84,519	359,000	--	443,519
0072	4,098	39,486	--	43,584
0073	750	2,200	--	2,950
0081	16,319	--	--	16,319
0093	53,207	--	--	53,207
6030	<u>2,887,117</u>	<u>400,686</u>	<u>366,429</u>	<u>3,654,232</u>
1100				
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>24,383</u>	<u>37,035</u>	<u>(47,877)</u>
				<u>13,541</u>
Other Financing Sources and (Uses):				
7915	--	--	38,000	38,000
8911	(38,000)	--	--	(38,000)
7080	<u>(38,000)</u>	<u>--</u>	<u>38,000</u>	<u>--</u>
1200	(13,617)	37,035	(9,877)	13,541
0100	1,449,546	108,383	10,917	1,568,846
3000	<u>\$ 1,435,929</u>	<u>\$ 145,418</u>	<u>\$ 1,040</u>	<u>\$ 1,582,387</u>

The accompanying notes are an integral part of this statement.

MAY 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, 2017

Net change in fund balances - total governmental funds	\$	13,541
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		16,319
The depreciation of capital assets used in governmental activities is not reported in the funds.		(274,622)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(13,728)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		359,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		18,519
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		66,000
(Increase) decrease in accrued interest from beginning of period to end of period.		279
The net revenue (expense) of internal service funds is reported with governmental activities.		(0)
Bond premiums are reported in the funds but not in the SOA.		8,312
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(54,974)
		<u>138,646</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>138,646</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 INTERNAL SERVICE FUND
 AUGUST 31, 2017

Data Control Codes		Nonmajor Internal Service Fund	Public Entity Risk Pool
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 1,644	
Receivables:			
1260	Due from Other Funds	30,072	
	Total Current Assets	<u>31,716</u>	
1000	Total Assets	<u>31,716</u>	
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 31,716	
	Total Current Liabilities	<u>31,716</u>	
2000	Total Liabilities	<u>31,716</u>	
NET POSITION:			
3000	Total Net Position	<u>\$</u>	

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Nonmajor Internal Service Fund
		Public Entity Risk Pool
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 34,738
5020	Total Revenues	<u>34,738</u>
	OPERATING EXPENSES:	
6200	<i>Professional and Contracted Services</i>	23,437
6400	<i>Other Operating Costs</i>	11,301
6030	Total Expenses	<u>34,738</u>
1300	Change in Net Position	--
0100	Total Net Position - Beginning	--
3300	Total Net Position - Ending	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	\$ 16,974
<i>Cash Payments to Employees for Services</i>	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(16,687)
<i>Other Operating Cash Receipts (Payments)</i>	--
Net Cash Provided (Used) by Operating Activities	<u>287</u>
Cash Flows from Non-capital Financing Activities:	
<i>Operating Grants Received</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Contributed Capital</i>	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
<i>Purchase of Investment Securities</i>	--
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	287
Cash and Cash Equivalents at Beginning of Year	1,357
Cash and Cash Equivalents at End of Year	<u>\$ 1,644</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ --
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	--
<i>Provision for Uncollectible Accounts</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(17,764)
<i>Decrease (Increase) in Inventories</i>	--
<i>Decrease (Increase) in Prepaid Expenses</i>	--
<i>Increase (Decrease) in Accounts Payable</i>	18,051
Total Adjustments	<u>287</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 287</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2017

Data Control Codes	Private-purpose Trust Funds	Agency Funds Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 7,037	\$ 21,533
1120 <i>Current Investments</i>	28,115	--
1000 Total Assets	<u>35,152</u>	<u>21,533</u>
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ --	\$ 21,533
2000 Total Liabilities	<u>--</u>	<u>21,533</u>
NET POSITION:		
3800 <i>Held in Trust</i>	35,152	--
3000 Total Net Position	<u>\$ 35,152</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 336
Gifts and Bequests	2,000
Total Additions	<u>2,336</u>
Deductions:	
Scholarship Awards	2,000
Administrative Expenses	--
Total Deductions	<u>2,000</u>
Change in Net Position	336
Net Position-Beginning of the Year	34,816
Net Position-End of the Year	<u>\$ 35,152</u>

The accompanying notes are an integral part of this statement.

MAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies

The basic financial statements of May 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

MAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

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

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

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

MAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

d. 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>
Infrastructure	20-30
Buildings	30-50
Building Improvements	20-30
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. 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.

MAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

f. **Receivable and Payable Balances**

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

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

g. **Interfund Activity**

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

h. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. **Data Control Codes**

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

j. **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.

MAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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.

k. 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.

l. Fund Balance Flow Assumptions

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

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2017, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 80, *Blending Requirements for Certain Component Units*
- Statement No. 82, *Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73*

- a. Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent*

MAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures.

The scope of this Statement includes OPEB plans, defined benefit and defined contribution that are administered through trusts that meet the following criteria:

- 1) Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- 2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- 3) OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

- b. GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

- c. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

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This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,654,662 and the bank balance was \$1,696,886. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

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The District's investments at August 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
General Fund:		
Certificates of Deposit	Various	\$ 653,070
Lone Star Investment Pool	N/A	1,831
		<u>\$ 654,901</u>
Private Purpose Trust Funds:		
Certificates of Deposit	6 months	<u>28,115</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2017, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Lone Star Investment Pool \$ 1,831 Standard & Poor's Rating AAA

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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Investment Accounting Policy

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

Public Funds Investment Pools

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

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

Lone Star

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

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C. Capital Assets

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 88,322	\$ 1,864	\$ --	\$ 90,186
Construction in progress	16,500	--	16,500	--
Total capital assets not being depreciated	<u>104,822</u>	<u>1,864</u>	<u>16,500</u>	<u>90,186</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,888,591	30,955	--	8,919,546
Equipment	35,287	--	--	35,287
Vehicles	514,865	--	--	514,865
Infrastructure	260,940	--	--	260,940
Total capital assets being depreciated	<u>9,699,683</u>	<u>30,955</u>	<u>--</u>	<u>9,730,638</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,956,656)	(219,054)	--	(3,175,710)
Equipment	(332,689)	(36,084)	--	(368,773)
Vehicles	(11,140)	(3,529)	--	(14,669)
Infrastructure	(63,014)	(15,955)	--	(78,969)
Total accumulated depreciation	<u>(3,363,499)</u>	<u>(274,622)</u>	<u>--</u>	<u>(3,638,121)</u>
Total capital assets being depreciated, net	<u>6,336,184</u>	<u>(243,667)</u>	<u>--</u>	<u>6,092,517</u>
Governmental activities capital assets, net	<u>\$ 6,441,006</u>	<u>\$ (241,803)</u>	<u>\$ 16,500</u>	<u>\$ 6,182,703</u>

Depreciation was charged to functions as follows:

Instruction	\$ 128,545
Instructional Resources and Media Services	2,986
Curriculum and Staff Development	8,302
Instructional Leadership	535
School Leadership	21,697
Guidance, Counseling, & Evaluation Services	5,531
Health Services	1,512
Student Transportation	11,794
Food Services	24,945
Extracurricular Activities	16,620
General Administration	23,447
Plant Maintenance and Operations	24,945
Data Processing Services	3,763
	<u>\$ 274,622</u>

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D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Internal Service Fund	General Fund	\$ 30,072	Self-funded Worker's Comp
	Other Balances	--	
	Total	\$ <u>30,072</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 38,000	Supplement other funds sources
Other Governmental Funds	Other Governmental Funds	--	Supplement other funds sources
	Total	\$ <u>38,000</u>	

E. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Bank Commercial Note - Bus	\$ 35,863	\$ --	\$ 18,518	\$ 17,345	\$ 17,345
Unlimit Tax Rfd Bonds, 2009	790,000	--	120,000	670,000	125,000
Bond Premium	41,561	--	8,312	33,249	--
Gen Oblig. Bonds, 2011	2,410,000	--	239,000	2,171,000	240,000
Maint Tax Notes, QSCB	736,000	--	66,000	670,000	67,000
Net Pension Liability	456,281	94,226	42,775	507,732	--
Total governmental activities	\$ <u>4,469,705</u>	\$ <u>94,226</u>	\$ <u>494,605</u>	\$ <u>4,069,326</u>	\$ <u>449,345</u>

* Other long-term liabilities

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

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General Fund

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2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities			Expected Federal Rebate	Net Interest Cost
	Principal	Interest	Total		
2018	\$ 449,345	\$ 174,517	\$ 623,862	147,011	27,506
2019	432,000	153,834	585,834	131,117	22,717
2020	442,000	132,733	574,733	115,223	17,510
2021	448,000	110,864	558,864	99,328	11,536
2022	453,000	88,741	541,741	83,382	5,359
2023-2027	1,304,000	182,269	1,486,269	177,143	5,125
2028-2032	--	--	--	--	--
Totals	\$ 3,528,345	\$ 842,958	\$ 4,371,303	753,204	89,753

Reconciliation of Debt Service Ending Balance to Debt Service Requirements:

Debt Service Requirements - Principal	\$ 3,528,345
Premium on bonds	33,249
Net Pension Liability	507,732
Ending balance of total debt service	\$ 4,069,326

The interest rates on the Unlimited Tax Refunding Bonds, Series 2009, ranged from 1.0% up to 3.7%. Interest rate on the Unlimited Tax Qualified School Construction Bonds, Series 2011, is 5.38%. The tax credit rate for the Series 2011 bonds is 5.21%, net interest cost on the Series 2011 bonds is 0.17%. However, during the current year, because of the federal government sequester of funding, the District's federal credit was reduced 6.9% amounting to an additional \$8,664 interest being incurred by the District. Interest rate on the Maintenance Tax Notes, Series 2012 (QSCB) is 5.16% with a tax credit rate of 5.06%. Net interest cost of the Series 2012 QSCB notes is 0.10%. The District's federal credit was reduced by the 6.9% sequester resulting in an additional \$2,567 in interest being incurred by the District.

On July 25, 2013, the District borrowed \$89,703 from the depository bank for the purchase of a school bus. The interest rate is 2.9% with a monthly payment of \$1,609.49 for 60 months. Annual debt service payments total \$17,345 for the 2017-2018 year.. The debt will be fully paid in July, 2018.

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2017, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
Unlimited Tax Bonds Series 1997	\$ 700,000
Total	\$ 700,000

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F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2017, as follows:

<u>Year Ending August 31,</u>	
2018	\$ 5,616
2019	5,616
2020	5,616
2021	5,616
2022	5,616
Total Minimum Rentals	\$ <u>28,080</u>
Rental Expenditures in 2017	\$ <u>5,616</u>

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 2017, 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.

Property and Casualty Insurance

During the year ended August 31, 2017, May ISD purchased its property and casualty insurance coverage through participation in the Texas Association of Public Schools Property and Liability Fund (the Fund). The Fund was created and operated under the provisions of the Interlocal Cooperation Act, Chapter 2259 of the Texas Government Code. The Fund provides property and liability coverage to its members.

The Fund has entered into stop loss and/ or reinsurance agreements to reduce its exposure to catastrophic or higher than expected claims costs. Each of the Fund's programs, except unemployment compensation, has its own stop-loss agreement in place at various terms, conditions, and levels of retention. The Fund's Interlocal Participation Agreements state that the Fund is not responsible for any payment or any obligations to the program participant from any reinsurer, stop-loss carrier, or excess coverage provider.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees each year. The Fund's audited financial statements as of August 31, 2016, are available at the Texas Association of Public Schools Property and Liability Fund and have been filed with the Texas Department of Insurance.

Workers Compensation Insurance

The District is a participant in the North Texas Educational Insurance Association Workers' Compensation Self-Insurance Fund. The purpose of the fund is to provide the statutory benefits for the fund members through self-insurance of workers compensation prescribed by Article 8309h, Revised Civil Statutes of Texas as amended.

The interlocal agreement between the May Independent School District and the North Texas Education Insurance Association Workers' Compensation Self-Insurance Fund is for a term beginning September 1, 2016 and terminating on September 1, 2017. Either party may terminate the agreement upon 60 days written notice with the termination becoming effective at the end of the plan term currently in force.

The required contributions for each plan sponsor are based on the State Board of Insurance workers' compensation rates for the various payroll classifications included in the fund members annual payroll. The interlocal agreement states that the May Independent School District's maximum loss exposure for 2016-2017 is \$23,335. The District had total estimated unpaid claims for all years amounting to \$31,716. The District's has recognized the liability for the estimated unpaid claims in its financial records. The District's fixed premium cost for 2016-2017 was \$9,375.

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The "pooled risk" self-insurance fund is managed by a six member board. Any excess of the cumulative contributions and investment earnings of all fund members are available for reduction of annual contributions. The Board reserved the right in the interlocal agreement to adjust this stop loss provision in the event that the fiscal soundness of the fund would justify such an adjustment and/or result in savings to fund members. All claims are processed and paid by the pool through the servicing contractor employed by the Fund..

Unemployment Compensation Pool.

During the year ended August 31, 2017 the May 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. 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. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly 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. For the year ended August 31, 2017, the Fund anticipates the May ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of independent auditors to conduct a 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, 2016, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

MAY INDEPENDENT SCHOOL DISTRICT
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3. Benefits Provided

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

4. Contributions

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

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

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 41,777	
District's 2017 Member Contributions	\$ 125,568	
NECE 2016 On-Behalf Contributions to District	\$ 103,993	

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

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

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

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

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6. Discount Rate

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

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2016			
Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

MAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 785,797	\$ 507,732	\$ 271,875

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, the District reported a liability of \$507,732 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 507,732
State's proportionate share that is associated with District	<u>1,234,386</u>
Total	<u>\$ 1,742,118</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0013436%. which was an increase (decrease) of 0.0000000% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period:

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

For the year ended August 31, 2017, the District recognized pension expense of \$128,100 and revenue of \$128,100 for support provided by the State.

MAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,961	\$ 15,161
Changes in actuarial assumptions	15,475	14,074
Difference between projected and actual investment earnings	42,994	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	179,380	26
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>41,777</u>	<u>--</u>
Total	<u>\$ 287,587</u>	<u>\$ 29,261</u>

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

Year Ended August 31	Pension Expense Amount
2018	\$ 39,272
2019	\$ 39,272
2020	\$ 66,696
2021	\$ 37,167
2022	\$ 27,933
Thereafter	\$ 6,210

i. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

MAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$17,269, \$17,718, and \$15,412, respectively, the active member contributions were \$11,233, \$11,516, and \$10,018, respectively, and the District's contributions were \$10,322, \$10,776, and \$9,489, 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, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$5,210, \$7,125, and \$6,425, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by TRS Active Care. The District paid premiums of \$275 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS Active Care through the Teacher Retirement System. The Plan was authorized by the Texas Education Code.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2017.

MAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education services with the following school districts:

Member Districts

De Leon ISD, fiscal agent	Gustine ISD
Comanche ISD	Sidney ISD
Cross Plains ISD	May ISD
Rising Star ISD	

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, De Leon ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in a shared services arrangement with Education Service Center Region 15 for Title III LEP, Title III, and Carl D. Perkins. The District does not account for revenues or expenditures in these programs and does not disclose them in their financial statements. The fiscal agent manager, Education Service Center Region 15, is responsible for all financial activities of the shared services arrangements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center Region 15, nor does the District have a net equity interest in the exigencies that would give rise to a future additional benefit or burden to the District.

M. Extraordinary Items

The District suffered wind damages during storms in May, 2017. Insurance proceeds amounting to \$33,624 were received by the District during August to be used to repair buildings roofs. The District's insurance deductible was \$25,000. The roofs were repaired by District staff.

Management reviewed all transactions and events from 8-31-2017 to 1-22-2018. Management determined that no buildings were impaired and no adjustments are required to the buildings values. The events described above are the only events that required disclosure.

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.

MAY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

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	<i>Local and Intermediate Sources</i>	\$ 1,719,129	\$ 1,719,129	\$ 1,810,855	\$ 91,726
5800	<i>State Program Revenues</i>	1,130,616	1,130,616	1,076,534	(54,082)
5900	<i>Federal Program Revenues</i>	28,000	28,000	24,111	(3,889)
5020	Total Revenues	<u>2,877,745</u>	<u>2,877,745</u>	<u>2,911,500</u>	<u>33,755</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	<i>Instruction</i>	1,519,163	1,532,163	1,527,563	4,600
0012	<i>Instructional Resources and Media Services</i>	27,989	29,489	29,106	383
0013	<i>Curriculum and Staff Development</i>	104,692	81,192	80,919	273
	Total Instruction & Instr. Related Services	<u>1,651,845</u>	<u>1,642,845</u>	<u>1,637,588</u>	<u>5,257</u>
Instructional and School Leadership:					
0023	<i>School Leadership</i>	198,307	212,307	211,486	821
	Total Instructional & School Leadership	<u>198,307</u>	<u>212,307</u>	<u>211,486</u>	<u>821</u>
Support Services - Student (Pupil):					
0031	<i>Guidance, Counseling and Evaluation Services</i>	68,477	57,577	53,912	3,665
0034	<i>Student (Pupil) Transportation</i>	109,401	115,401	114,963	438
0036	<i>Cocurricular/Extracurricular Activities</i>	133,846	165,346	161,996	3,350
	Total Support Services - Student (Pupil)	<u>311,725</u>	<u>338,325</u>	<u>330,871</u>	<u>7,454</u>
Administrative Support Services:					
0041	<i>General Administration</i>	225,404	228,904	228,542	362
	Total Administrative Support Services	<u>225,404</u>	<u>228,904</u>	<u>228,542</u>	<u>362</u>
Support Services - Nonstudent Based:					
0051	<i>Plant Maintenance and Operations</i>	268,682	283,682	283,055	627
0053	<i>Data Processing Services</i>	38,000	38,000	36,682	1,318
	Total Support Services - Nonstudent Based	<u>306,682</u>	<u>321,682</u>	<u>319,737</u>	<u>1,945</u>
Debt Service:					
0071	<i>Principal on Long-Term Debt</i>	84,519	84,520	84,519	1
0072	<i>Interest on Long-Term Debt</i>	1,536	4,168	4,098	70
0073	<i>Bond Issuance Costs and Fees</i>	1,000	1,000	750	250
	Total Debt Service	<u>87,055</u>	<u>89,688</u>	<u>89,367</u>	<u>321</u>
Capital Outlay:					
0081	<i>Capital Outlay</i>	15,000	16,686	16,319	367
	Total Capital Outlay	<u>15,000</u>	<u>16,686</u>	<u>16,319</u>	<u>367</u>
Intergovernmental Charges:					
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	36,000	54,000	53,207	793
	Total Intergovernmental Charges	<u>36,000</u>	<u>54,000</u>	<u>53,207</u>	<u>793</u>
6030	Total Expenditures	<u>2,832,018</u>	<u>2,904,437</u>	<u>2,887,117</u>	<u>17,320</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	45,727	(26,692)	24,383	51,075

MAY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1
Page 2 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts			Actual		
	Original	Final				
Other Financing Sources (Uses):						
8911	Transfers Out		(35,000)	(35,000)	(38,000)	(3,000)
7080	Total Other Financing Sources and (Uses)		(35,000)	(35,000)	(38,000)	(3,000)
1200	Net Change in Fund Balance		10,727	(61,692)	(13,617)	48,075
0100	Fund Balance - Beginning		1,449,546	1,449,546	1,449,546	--
3000	Fund Balance - Ending		\$ 1,460,273	\$ 1,387,854	\$ 1,435,929	\$ 48,075

MAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Teacher Retirement System of Texas
LAST TEN FISCAL YEARS *

	Fiscal Year		
	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0013436%	0.0012908%	0.0005673%
District's proportionate share of the net pension liability (asset)	\$ 507,732	\$ 456,281	\$ 151,533
State's proportionate share of the net pension liability (asset) associated with the District	1,234,386	1,073,185	903,781
Total	<u>\$ 1,742,118</u>	<u>\$ 1,529,466</u>	<u>\$ 1,055,314</u>
District's covered-employee payroll	\$ 1,771,779	\$ 1,541,191	\$ 1,457,329
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.66%	29.61%	10.40%
Plan fiduciary net position as a percentage of the total pension liability	76.43%	78.43%	83.25%

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

MAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
Teacher Retirement System of Texas
LAST TEN FISCAL YEARS *

	Fiscal Year		
	2017	2016	2015
Contractually required contribution	\$ 41,777	\$ 42,690	\$ 38,222
Contributions in relation to the contractually required contribution	(41,777)	(42,690)	(38,222)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,726,921	\$ 1,771,779	\$ 1,541,191
Contributions as a percentage of covered-employee payroll	2.42%	2.41%	2.48%

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

MAY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Budget

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

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

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

*Combining Statements and Budget Comparisons
as Supplementary Information*

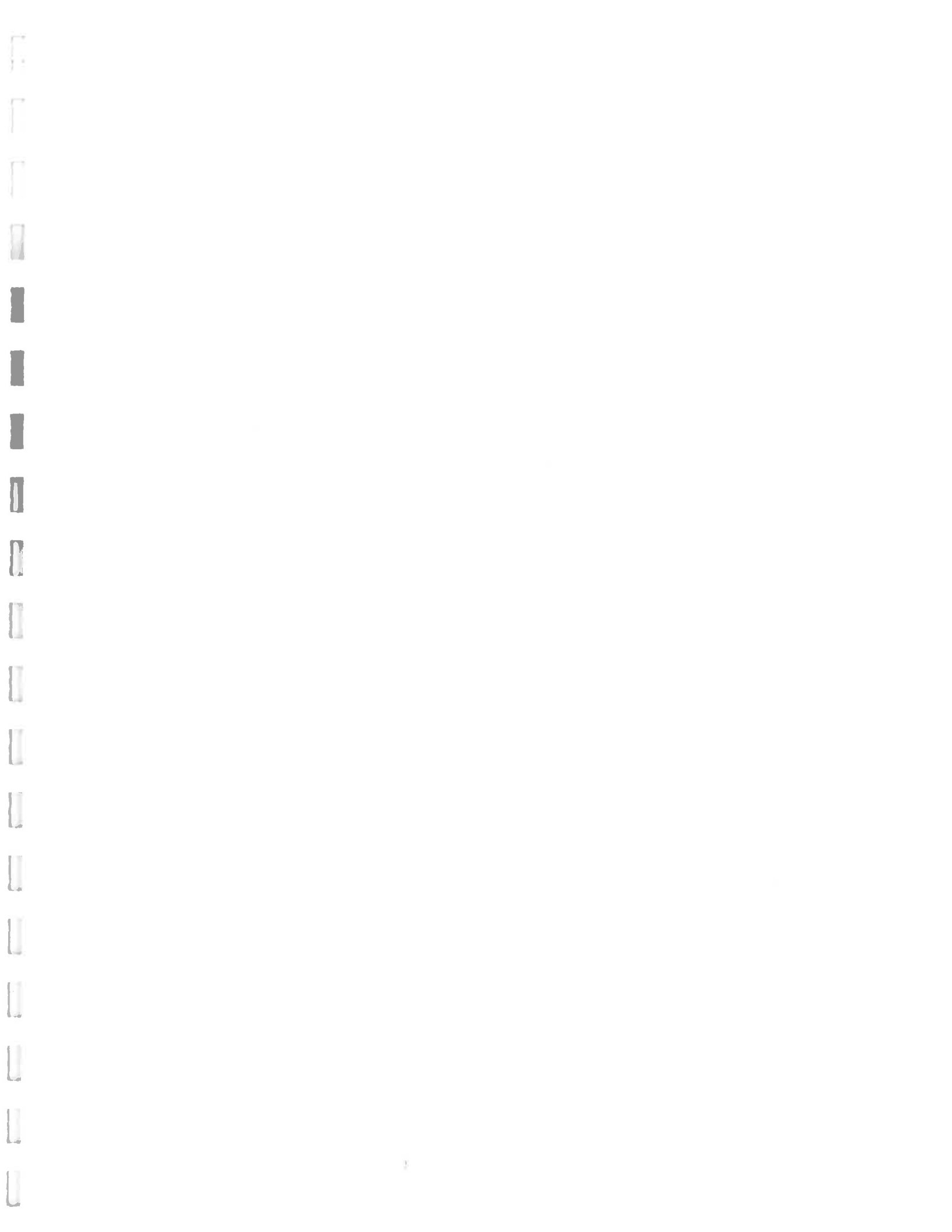
This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Other Federal Funds	410 State Textbook Fund
\$ (697) 1,149 <u>452</u>	\$ (13,898) 15,286 <u>1,388</u>	\$ (1,520) 1,610 <u>90</u>	\$ -- -- <u>--</u>
\$ 406 46 <u>452</u>	\$ 1,247 141 <u>1,388</u>	\$ 80 10 <u>90</u>	\$ -- -- <u>--</u>
\$ -- -- <u>--</u>	\$ -- -- <u>--</u>	\$ -- -- <u>--</u>	\$ -- -- <u>--</u>
\$ 452	\$ 1,388	\$ 90	\$ --

MAY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2017

Data Control Codes		429 State Funded Special Revenue Fund	499 May ISD Nurse's Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
1110	<i>Cash and Cash Equivalents</i>	\$ --	\$ 288	\$ (42,565)
1240	<i>Due from Other Governments</i>	--	--	52,399
1000	Total Assets		<u>288</u>	<u>9,834</u>
LIABILITIES:				
Current Liabilities:				
2160	<i>Accrued Wages Payable</i>	\$ --	\$ --	\$ 7,971
2200	<i>Accrued Expenditures</i>	--	--	823
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>8,794</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	<i>Federal/State Funds Grant Restrictions</i>	--	--	752
3490	<i>Other Restrictions of Fund Balance</i>	--	288	288
3000	Total Fund Balances	<u>--</u>	<u>288</u>	<u>1,040</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 288</u>	<u>\$ 9,834</u>



255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Other Federal Funds	410 State Textbook Fund
\$ --	\$ --	\$ --	\$ --
--	--	--	6,448
10,833	22,402	1,610	--
<u>10,833</u>	<u>22,402</u>	<u>1,610</u>	<u>6,448</u>
10,833	7,664	1,187	6,448
--	--	--	--
--	14,738	423	--
--	--	--	--
<u>10,833</u>	<u>22,402</u>	<u>1,610</u>	<u>6,448</u>
--	--	--	--
--	--	--	--
--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ --	\$ --	\$ --	\$ --

MAY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	429 State Funded Special Revenue Fund	499 May ISD Nurse's Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 288	\$ 58,457
5800 <i>State Program Revenues</i>	2,100	--	11,425
5900 <i>Federal Program Revenues</i>	--	--	248,670
5020 Total Revenues	<u>2,100</u>	<u>288</u>	<u>318,552</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	--	--	101,233
0013 <i>Curriculum and Staff Development</i>	2,100	--	2,100
0021 <i>Instructional Leadership</i>	--	--	5,214
0033 <i>Health Services</i>	--	--	14,738
0035 <i>Food Service</i>	--	--	243,144
6030 Total Expenditures	<u>2,100</u>	<u>--</u>	<u>366,429</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>288</u>	<u>(47,877)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	--	38,000
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>38,000</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>288</u>	<u>(9,877)</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>--</u>	<u>10,917</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 288</u>	<u>\$ 1,040</u>

MAY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
AUGUST 31, 2017

Data Control Codes	806 Ethan Rhodes Memorial Scholarship Fund	807 Betty Wilson Memorial Scholarship	810 Doss Foundation Scholarship	Total Private- Purpose Trust Funds (See Exhibit E-1)	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 1,504	\$ 5,033	\$ 500	\$ 7,037
1120	Current Investments	28,115	--	--	28,115
1000	Total Assets	29,619	5,033	500	35,152
LIABILITIES:					
2000	Total Liabilities	--	--	--	--
NET POSITION:					
3800	Held in Trust	\$ 29,619	\$ 5,033	\$ 500	\$ 35,152
9000	Total Net Position	\$ 29,619	\$ 5,033	\$ 500	\$ 35,152

MAY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

	806 Ethan Rhodes Memorial Scholarship Fund	807 Betty Wilson Memorial Scholarship	810 Doss Foundation Scholarship	Total Private-Purpose Trust Funds (See Exhibit E-2)
Additions:				
Investment Income	\$ 298	\$ 38	\$ --	\$ 336
Gifts and Bequests	1,000	--	1,000	2,000
Total Additions	<u>1,298</u>	<u>38</u>	<u>1,000</u>	<u>2,336</u>
Deductions:				
Scholarship Awards	500	500	1,000	2,000
Administrative Expenses	--	--	--	--
Total Deductions	<u>500</u>	<u>500</u>	<u>1,000</u>	<u>2,000</u>
Change in Net Position	798	(462)	--	336
Net Position-Beginning of the Year	28,821	5,495	500	34,816
Net Position-End of the Year	<u>\$ 29,619</u>	<u>\$ 5,033</u>	<u>\$ 500</u>	<u>\$ 35,152</u>

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.

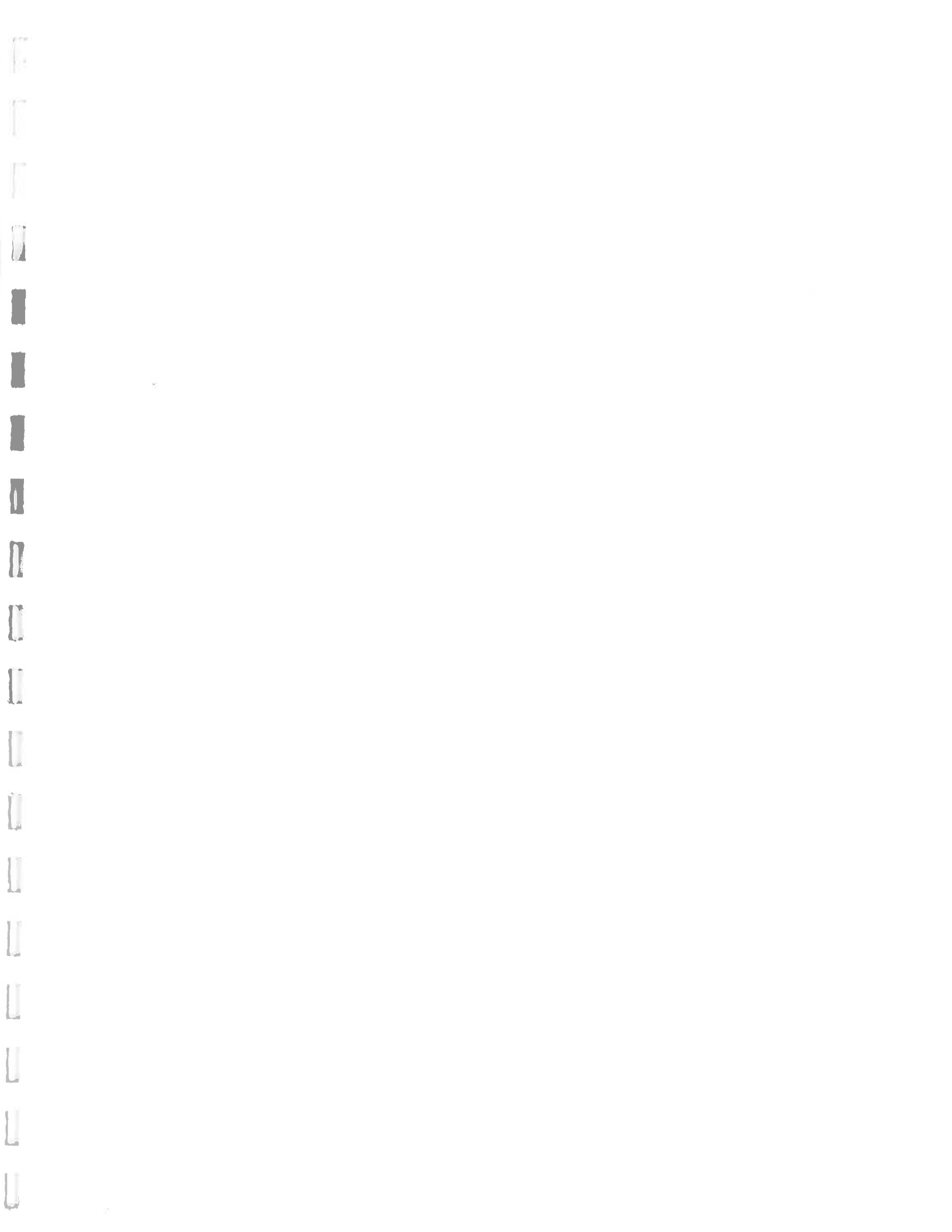


EXHIBIT J-1

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 75,698	\$ --	\$ 911	\$ 102	\$ (26,022)	\$ 48,663
13,332	--	406	49	(1,144)	11,733
15,133	--	530	58	(1,305)	13,240
11,281	--	654	62	(1,078)	9,487
18,490	--	1,034	267	(1,241)	15,948
24,804	--	2,535	676	(1,205)	20,388
22,090	--	2,283	575	(790)	19,342
34,537	--	8,519	2,147	(662)	23,209
105,277	--	53,642	12,219	(1,483)	37,933
--	2,089,691	1,584,808	399,707	(11,032)	94,144
<u>\$ 321,542</u>	<u>\$ 2,089,691</u>	<u>\$ 1,655,320</u>	<u>\$ 415,863</u>	<u>\$ (45,962)</u>	<u>\$ 294,087</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

MAY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 60,000	\$ 58,169	\$ (1,831)
5800 <i>State Program Revenues</i>	2,500	2,877	377
5900 <i>Federal Program Revenues</i>	119,607	133,933	14,326
5020 Total Revenues	<u>182,107</u>	<u>194,979</u>	<u>12,872</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	245,250	243,144	2,106
Total Support Services - Student (Pupil)	<u>245,250</u>	<u>243,144</u>	<u>2,106</u>
6030 Total Expenditures	<u>245,250</u>	<u>243,144</u>	<u>2,106</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(63,143)</u>	<u>(48,165)</u>	<u>14,978</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	35,000	38,000	3,000
7080 Total Other Financing Sources and (Uses)	<u>35,000</u>	<u>38,000</u>	<u>3,000</u>
1200 Net Change in Fund Balance	<u>(28,143)</u>	<u>(10,165)</u>	<u>17,978</u>
0100 Fund Balance - Beginning	10,917	10,917	--
3000 Fund Balance - Ending	<u>\$ (17,226)</u>	<u>\$ 752</u>	<u>\$ 17,978</u>

MAY INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 379,118	\$ 425,275	\$ 46,157
5800 <i>State Program Revenues</i>	--	12,446	12,446
5020 Total Revenues	<u>379,118</u>	<u>437,721</u>	<u>58,603</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	359,000	359,000	--
0072 <i>Interest on Long-Term Debt</i>	39,486	39,486	--
0073 <i>Bond Issuance Costs and Fees</i>	2,200	2,200	--
Total Debt Service	<u>400,686</u>	<u>400,686</u>	<u>--</u>
6030 Total Expenditures	<u>400,686</u>	<u>400,686</u>	<u>--</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(21,568)	37,035	58,603
1200 Net Change in Fund Balance	<u>(21,568)</u>	<u>37,035</u>	<u>58,603</u>
0100 Fund Balance - Beginning	108,383	108,383	--
3000 Fund Balance - Ending	<u>\$ 86,815</u>	<u>\$ 145,418</u>	<u>\$ 58,603</u>

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
311 CENTER AVENUE
BROWNWOOD, TEXAS 76801

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
May Independent School District
P.O. Box 38
May, Texas 76857

Members of the Board of Trustees:

I 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 May Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise May Independent School District's basic financial statements, and have issued my report thereon dated January 22, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the May 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the May Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the May 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the May Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Burl D. Lowery
Certified Public Accountant

Brownwood, TX
January 22, 2018

MAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

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 No

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

Noncompliance material to financial statements noted? Yes No

B. Financial Statement Findings

NONE

MAY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior audit findings.		

MAY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

There were no current year findings.

MAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2017

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 507,732
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

